



10089 Fairfax Boulevard  
Fairfax, Virginia 22030  
(703) 481-4567

April 9, 2016

Dear Fellow Shareholder:

You are cordially invited to attend the 2016 Annual Meeting of Shareholders of MainStreet Bank, to be held on Wednesday, May 18, 2016 at 11:00 a.m., local time, at the MainStreet Bank Headquarters building, located at 10089 Fairfax Boulevard, Fairfax, Virginia 22030. The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the matters to be presented at the Annual Meeting. Also enclosed is our condensed annual report for the fiscal year ended December 31, 2015, which we will review at the Annual Meeting, and a complete set of our audited financial statements for the year ended December 31, 2015.

At the Annual Meeting, you will be asked to approve a reorganization into a holding company structure. ***The holding company formation will not change your equity or voting interest in our operations relative to other shareholders.*** In the proposed reorganization, the Bank will become a wholly-owned subsidiary of MainStreet Bancshares, Inc., a Virginia corporation recently formed for the purpose of becoming the holding company for the Bank, and each outstanding share of the Bank's common stock will be automatically exchanged for one share of common stock of MainStreet Bancshares, Inc., subject to appraisal rights.

Your Board believes the establishment of a holding company will better position the Bank to compete in the financial services marketplace. The Board of Directors has unanimously approved the reorganization as being in the best interests of the Bank and its shareholders. **Accordingly, the Board recommends that you vote for the reorganization of the Bank.**

In addition, at the Annual Meeting, you will be asked to approve the MainStreet Bank 2016 Equity Incentive Plan. By approving the Equity Incentive Plan, our shareholders will provide us with additional flexibility to continue to attract, retain, incent and reward highly qualified personnel by offering a compensation program that is linked to the performance of our common stock. **The Board recommends that you vote for the approval of the MainStreet Bank 2016 Equity Incentive Plan.**

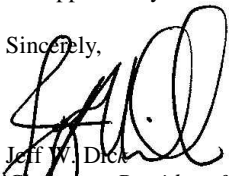
The accompanying Proxy Statement and related proxy materials set forth detailed information concerning the Bank, the proposed reorganization and the Equity Incentive Plan. Please give them your prompt and careful attention.

Our common stock is traded on the OTCQX marketplace maintained by OTC Markets Group Inc. (the "OTCQX") under the trading symbol "MNSB," and we continue to report our quarterly operating results on call reports filed with the FDIC. Because we want to keep our shareholders informed, we post condensed quarterly reports and other important news on the MainStreet Bank website at [mstreetbank.com](http://mstreetbank.com) under "Financial Information." You can also subscribe to our Shareholder eNewsletter at [mstreetbank.com/corporate-information](http://mstreetbank.com/corporate-information).

**Please sign, date and return the enclosed proxy card as soon as possible.** Whether or not you plan to attend the Annual Meeting, it is important that your shares of MainStreet Bank be represented and your vote recorded. If you decide to attend the Annual Meeting in person, you can revoke your proxy at any time before it is voted at the Annual Meeting.

We appreciate your continuing loyalty and support of MainStreet Bank and look forward to seeing you on May 18th.

Sincerely,



Jeff W. Dick  
Chairman, President &  
Chief Executive Officer

**Neither the Securities and Exchange Commission, any state securities commission, Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, nor any other regulatory body has approved or disapproved of the securities of MainStreet Bancshares, Inc. or determined if this Proxy Statement is truthful or complete. Any representation to the contrary is a criminal offense.**

**The securities of MainStreet Bancshares, Inc. are not savings accounts or deposits and are neither insured nor guaranteed by MainStreet Bank, the U.S. Government, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation or any other governmental agency.**



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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 18, 2016**

Notice is hereby given that the 2016 Annual Meeting of Shareholders of MainStreet Bank will be held at the MainStreet Bank Headquarters building, located at 10089 Fairfax Boulevard, Fairfax, Virginia 22030 on Wednesday, May 18, 2016 at 11:00 a.m., local time.

**A proxy card and a Proxy Statement for the Annual Meeting are enclosed.**

At the Annual Meeting, shareholders will be asked to:

- (1) Elect the three Group III directors identified in the Proxy Statement for a term of three years each, or until their successors are elected and qualify;
- (2) Ratify the appointment of Yount, Hyde & Barbour, P.C. as the Bank's independent auditor for the fiscal year ending December 31, 2016;
- (3) Approve the reorganization of the Bank into a holding company form of ownership by approving an Agreement and Plan of Reorganization and related Plan of Share Exchange, dated as of January 20, 2016, between the Bank and MainStreet Bancshares, Inc. ("MainStreet Bancshares"), pursuant to which the Bank will become a wholly-owned subsidiary of MainStreet Bancshares, a Virginia corporation, and each outstanding share of the Bank's common stock will be automatically exchanged for one share of common stock of MainStreet Bancshares; and
- (4) Approve the MainStreet Bank 2016 Equity Incentive Plan.

Shareholders will also be asked to consider any other business that is properly brought before the Annual Meeting, or any adjournment or postponement thereof. As of the date of this notice, we are not aware of any other business to come before the Annual Meeting.

Each holder of Bank common stock is entitled to assert appraisal rights in connection with the reorganization and seek an appraisal of the fair value of his or her shares, provided the proper procedures of Article 15 of Section 13.1 of the Virginia Stock Corporation Act are followed. A copy of Article 15 is attached as Appendix D to the accompanying Proxy Statement.

The Board of Directors has fixed the close of business on March 18, 2016, as the record date for the Annual Meeting. This means that shareholders of record at the close of business on that date are entitled to receive notice of and to vote at the meeting and any adjournment or postponement thereof. **To ensure that your shares are represented at the Annual Meeting, please take the time to vote by signing, dating and mailing the enclosed proxy card which is solicited on behalf of the Board of Directors. The proxy will not be used if you attend the Annual Meeting and request to vote in person. Regardless of the number of shares you own, your vote is very important. Please act today.**

BY ORDER OF THE BOARD OF DIRECTORS

Thomas J. Chmelik  
Secretary

Fairfax, Virginia  
April 9, 2016

**Important: The prompt return of proxies will save us the expense of further requests for proxies to ensure a quorum at the Annual Meeting. A pre-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States.**

## TABLE OF CONTENTS

	<u>Page</u>
PROXY STATEMENT .....	1
GENERAL.....	1
QUESTIONS AND ANSWERS ABOUT THE HOLDING COMPANY REORGANIZATION AND ANNUAL MEETING.....	3
SUMMARY OF PROPOSED REORGANIZATION .....	5
Parties to and Structure of the Reorganization .....	5
Effect of Reorganization .....	5
Recommendation of the Bank’s Board of Directors .....	5
The Reorganization Will Likely Be Tax-Free to You.....	5
The Reorganization Will Change Your Rights as a Shareholder.....	6
The Annual Meeting.....	6
Shareholder Vote Required for Approval of Actions at the Annual Meeting.....	6
Conditions For Consummation of the Reorganization.....	6
RISK FACTORS.....	8
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS.....	11
CORPORATE GOVERNANCE.....	12
Board of Directors .....	12
Board Leadership.....	12
Board Supervision .....	12
Director Nominations.....	12
Compensation Committee.....	12
Risk Management.....	13
Board Of Director Independence.....	13
Code of Ethics and Business Conduct.....	13
Shareholder Outreach and Communications .....	13
PROPOSAL ONE - ELECTION OF DIRECTORS.....	14
Nominees for Election for Terms Expiring in 2019 (Group III).....	14
Incumbent Directors Serving for Terms Expiring in 2017 (Group I).....	15
Incumbent Directors Serving for Terms Expiring in 2018 (Group II) .....	17
Director Compensation .....	18
Executive Compensation.....	18
PROPOSAL TWO - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR .....	20
PROPOSAL THREE - THE PROPOSED REORGANIZATION .....	20
Summary.....	20
Recommendation of the Bank’s Board of Directors .....	20
Reasons for the Reorganization.....	20
Description of the Reorganization.....	21
Anticipated Effective Date of the Reorganization .....	21
Optional Exchange of Stock Certificates .....	22
Financial Resources of Mainstreet Bancshares, Inc. ....	22
Material Federal Income Tax Consequences.....	22
Appraisal Rights.....	23
Market Price and Dividend Data for Common Stock .....	24
Conditions to the Reorganization .....	25
Amendment, Termination or Waiver.....	26
Management and Operations After the Reorganization .....	26
Effect on Restricted Stock Awards .....	27
Shareholder Rights as a Result of the Reorganization .....	27
Supervision and Regulation.....	27
Resales of Mainstreet Bancshares Common Stock .....	27
Articles of Incorporation and Bylaws .....	28
MAINSTREET BANCSHARES, INC. ....	28
General .....	28

Description of Capital Stock .....	28
SUPERVISION AND REGULATION OF MAINSTREET BANCSHARES, INC. ....	31
General .....	31
Payment of Dividends.....	31
Capital Requirements.....	32
Deposit Insurance .....	32
Support of Subsidiary Institutions .....	33
Restrictions on Transactions With Affiliates.....	33
Consumer Financial Protection.....	34
Other Safety and Soundness Regulations.....	34
PROPOSAL FOUR - APPROVAL OF THE MAINSTREET BANK 2016 EQUITY INCENTIVE PLAN.....	34
General .....	35
Eligibility .....	35
Types of Awards.....	35
Limitation on Awards Under the Equity Incentive Plan .....	36
Performance Based Features .....	37
Vesting of Awards .....	37
Change in Control.....	38
Amendment and Termination.....	38
Duration of Plan .....	38
Clawback Policy .....	38
Federal Income Tax Considerations .....	39
Accounting Treatment .....	40
Awards To Be Granted .....	40
Required Vote and Recommendation of the Board .....	40
ADJOURNMENT OF ANNUAL MEETING .....	40
FINANCIAL INFORMATION .....	40
LEGAL MATTERS .....	40
WHAT INFORMATION YOU SHOULD RELY ON.....	40
OTHER MATTERS .....	42
APPENDIX A	
Agreement and Plan of Reorganization and Plan of Share Exchange.....	A-1
APPENDIX B	
Form of Articles of Incorporation of MainStreet Bancshares, Inc.....	B-1
APPENDIX C	
Form of Bylaws of MainStreet Bancshares, Inc. ....	C-1
APPENDIX D	
Article 15 of the Virginia Stock Corporation Act –	
Appraisal Rights and Other Remedies .....	D-1
APPENDIX E	
2016 Equity Incentive Plan .....	E-1



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## PROXY STATEMENT

### ANNUAL MEETING OF SHAREHOLDERS MAY 18, 2016

#### GENERAL

The enclosed proxy is solicited by the Board of Directors of MainStreet Bank (the “Bank”) for the Annual Meeting of Shareholders (the “Annual Meeting”) of the Bank to be held at 11:00 a.m., local time, on May 18, 2016, at the MainStreet Bank Headquarters building, located at 10089 Fairfax Boulevard, Fairfax, Virginia 22030, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The approximate mailing date of this Proxy Statement and accompanying proxy is April 9, 2016.

#### Revocation and Voting of Proxies

Execution of a proxy will not affect a shareholder’s right to attend the Annual Meeting and to vote in person. Any shareholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and requesting to vote in person. A shareholder may also revoke a proxy at any time before it is exercised by filing a written notice with the Bank or by submitting a proxy bearing a later date. Proxies will extend to, and will be voted at, any properly adjourned session of the Annual Meeting.

If a shareholder returns an executed proxy and specifies how the proxy is to be voted with respect to any proposal for which a choice is provided, the proxy will be voted in accordance with such specifications. If a shareholder returns an executed proxy but fails to specify how the proxy is to be voted with respect to Proposal One, Two, Three or Four set forth in the accompanying Notice and further described herein, the proxy will be voted as follows:

- **FOR Proposal One** to elect the Group III director nominees identified in this Proxy Statement;
- **FOR Proposal Two** to ratify the appointment of Yount, Hyde & Barbour, P.C. (“YHB”) as the Bank’s independent auditor for the fiscal year ending December 31, 2016;
- **FOR Proposal Three** to approve the proposed reorganization of the Bank into a holding company form of ownership, pursuant to which the Bank will become a wholly-owned subsidiary of MainStreet Bancshares, Inc. (“MainStreet Bancshares”), a Virginia corporation, and each outstanding share of the Bank’s common stock will be automatically exchanged for one share of the Bank’s common stock; and
- **FOR Proposal Four** to approve the MainStreet Bank 2016 Equity Incentive Plan (the “Equity Incentive Plan”).

Should any other matters be properly presented for action at the Annual Meeting, the proxy agents named in the enclosed proxy will have the discretion to vote on these matters in their best judgment.

#### Voting Rights of Shareholders

Only those shareholders of record at the close of business on March 18, 2016 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. The number of shares of common stock of the Bank outstanding and entitled to vote as of the Record Date was 4,258,020. At least one-third (1/3) of the shares entitled to vote, represented in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting.

Each share of common stock entitles the record holder thereof to one vote upon each matter to be voted upon at the Annual Meeting. Shares for which the holder has elected to abstain or to withhold the proxy agents' authority to vote (including broker non-votes, discussed below) on a matter will count as shares present for the purpose of determining the presence or absence of a quorum at the Annual Meeting, but will not be included in determining the number of votes cast with respect to such matter.

If you are the beneficial owner of shares held in "street name" by a broker, your broker, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If you do not give instructions to your broker, in certain circumstances your broker may nevertheless vote your shares. For example, if you do not give instructions to your broker, and your broker is a member of the New York Stock Exchange, under the rules of the New York Stock Exchange, your broker can exercise discretionary power to vote your shares with respect to "routine" items, but is not permitted to vote your shares with respect to "non-routine" items. Brokers who are not members of the New York Stock Exchange may not be able to exercise discretionary voting with respect to even routine items depending on the rules of the exchange or market of which the broker is a member. The proposal to ratify the selection of YHB as the Bank's independent auditor for the fiscal year ending December 31, 2016 is considered a "routine" matter under the rules of the New York Stock Exchange, while the election of directors and the holding company reorganization are considered non-routine matters. Shares that your broker cannot vote on a particular matter because your broker has not received instructions from you are called "broker non-votes."

With regard to Proposal One, votes may be cast in favor or withheld. If a quorum is present, the three director nominees receiving the greatest number of affirmative votes at the Annual Meeting, even though less than a majority, will be elected directors; therefore, votes withheld and broker non-votes will have no effect on the outcome of the election of directors.

With regard to Proposal Two, votes may be cast in favor or against, or a shareholder may abstain. If a quorum is present, approval of the ratification of the Bank's independent auditor requires an affirmative vote of a majority of the shares cast on the matter. Therefore, abstentions and broker non-votes will have no effect on whether such matter is approved.

With regard to Proposal Three, votes may be cast in favor or against, or a shareholder may abstain. If a quorum is present, approval of the reorganization of the Bank into a holding company form of ownership requires an affirmative vote of a majority of the outstanding shares of the Bank's common stock. **A failure to vote, by not returning the enclosed proxy card or by checking the "Abstain" box on the proxy card or otherwise, will have the same effect as a vote against approval of the reorganization.** Brokers who hold shares as nominees, or in "street name," will not have the authority to vote such shares with respect to approval of the reorganization Proposal, unless they receive instructions from the shareholders whose accounts they hold.

With regard to Proposal Four, votes may be cast in favor or against, or a shareholder may abstain. If a quorum is present, approval of the 2016 Equity Incentive Plan requires an affirmative vote of a majority of the outstanding shares of the Bank's common stock. **A failure to vote, by not returning the enclosed proxy card or by checking the "Abstain" box on the proxy card or otherwise, will have the same effect as a vote against approval of the 2016 Equity Incentive Plan.** Brokers who hold shares as nominees, or in "street name," will not have the authority to vote such shares with respect to approval of the Equity Incentive Plan, unless they receive instructions from the shareholders whose accounts they hold.

## QUESTIONS AND ANSWERS ABOUT THE HOLDING COMPANY REORGANIZATION AND ANNUAL MEETING

### **Q: Why is the Bank proposing to reorganize into a holding company structure?**

A: The Board of Directors of MainStreet Bank (the “Bank”) believes that a holding company structure will have strategic benefits, including: (1) providing structural flexibility for alternative business investments; (2) when appropriate, the ability to repurchase stock from existing shareholders as part of our capital management strategies; (3) the ability to access the capital markets with alternative structures such as senior or subordinated debt securities to continue the growth of the holding company and the Bank without diluting existing shareholders; and (4) affording the ability to better compete against other financial institutions that have all of these capabilities available to them. For more information, see “The Proposed Reorganization — Reasons for the Reorganization.”

### **Q: Where and when is the Annual Meeting?**

A: The Annual Meeting of Shareholders of the Bank (the “Annual Meeting”) will be held on Wednesday, May 18, 2016, at 11:00 a.m., local time, at the MainStreet Bank Headquarters building, located at 10089 Fairfax Boulevard, Fairfax, Virginia. The Board of Directors has fixed the close of business on March 18, 2016, as the record date for the Annual Meeting.

### **Q: What do I need to do now to vote my shares?**

A: After carefully reading and considering the information contained in this Proxy Statement, please vote your shares as soon as possible so that your shares will be represented at the Annual Meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Not returning your proxy, not voting at the Annual Meeting, or abstaining from voting, has the effect of voting against the proposed reorganization.

### **Q: How do I vote?**

A: **By Mail.** You may vote before the Annual Meeting, by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

**In Person.** You may also cast your vote in person at the Annual Meeting. If your shares are held in “street name,” through a broker, bank or other nominee, that entity will send you separate instructions describing the procedure for voting your shares. “Street name” shareholders who wish to vote in person at the Annual Meeting will need to present a proxy from the entity that holds the shares.

### **Q: If my shares are held in “street name” by my broker, will my broker vote my shares for me?**

A: Your broker will vote your shares only if you provide instructions to your broker on how you want your shares voted by completing the proxy card you will receive from your broker.

### **Q: What will the Bank’s shareholders receive in the reorganization?**

A: In the reorganization, each outstanding share of Bank common stock will be exchanged for one share of common stock of MainStreet Bancshares, Inc. (“MainStreet Bancshares”), the proposed holding company for the Bank.

### **Q: What are the tax consequences of the proposed reorganization?**

A: The Bank’s common shareholders will not recognize any gain or loss as a result of the proposed reorganization, to the extent they exchange shares of Bank common stock solely for shares of holding

company common stock. For a more complete description of the tax consequences of the reorganization, see “The Proposed Reorganization — Material Federal Income Tax Consequences.”

**Q: Do I need to send in my stock certificates?**

A: No. You will not be required to exchange your Bank certificates for holding company certificates after the reorganization takes place, but you do have the option to do so by contacting Thomas J. Chmelik, Executive Vice President and Chief Financial Officer of the Bank, at the address and telephone number below.

**Q: What about future cash dividends on common stock?**

A: Before the reorganization takes place, the Bank expects to not pay cash dividends to holders of its common stock and retain earnings to fund the development and growth of the Bank. After the reorganization, any dividends will be paid on holding company stock when and as declared by the Board of Directors of MainStreet Bancshares. Presently, the holding company expects to continue the current dividend policy of the Bank, which is to assess annually the payment of cash dividends on common stock. You should note that the holding company’s ability to pay dividends to you will depend largely on the amount and frequency of dividends paid to it by the Bank. For more information, see “The Proposed Reorganization — Market Price and Dividend Data for Common Stock” and “Supervision and Regulation of MainStreet Bancshares, Inc. — Payment of Dividends.”

**Q: When does the Bank expect the reorganization to take place?**

A: We expect the reorganization to take place sometime in the third quarter of 2016, as soon as practicable after shareholder approval of the reorganization at the Annual Meeting and our receipt of applicable regulatory approvals.

**Q: Who can answer my questions?**

A: If you have more questions about the proposed reorganization or any other matter to be considered and voted upon at the Annual Meeting, or desire additional copies of this Proxy Statement or additional proxy cards, you should contact:

Thomas J. Chmelik  
Executive Vice President and Chief Financial Officer  
MainStreet Bank  
10089 Fairfax Boulevard  
Fairfax, Virginia 22030  
Email: [tchmelik@mstreetbank.com](mailto:tchmelik@mstreetbank.com)  
Telephone: (703) 481-4567



## SUMMARY OF PROPOSED REORGANIZATION

*This summary highlights selected information regarding the proposed reorganization. It does not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement and the other documents referred to in this Proxy Statement to fully understand the reorganization. In particular, you should read the documents attached to this Proxy Statement, including the Agreement and Plan of Reorganization and related Plan of Share Exchange, which are attached as Appendix A. Throughout this Proxy Statement, we refer to the Agreement and Plan of Reorganization and Plan of Share Exchange as the “reorganization agreement.”*

*In this Proxy Statement, we frequently use the terms “we”, “our” and “us” to refer to MainStreet Bank.*

### **Parties to and Structure of the Reorganization**

At the Annual Meeting, shareholders will be asked to approve the reorganization of MainStreet Bank into a holding company form of organization in accordance with the terms and conditions set forth in the reorganization agreement. MainStreet Bank is a Virginia chartered commercial bank. At the direction of the Bank, MainStreet Bancshares, Inc. was incorporated on February 16, 2016, under the laws of the Commonwealth of Virginia to serve as the holding company for the Bank.

In the reorganization, the Bank will be consolidated with MainStreet Bancshares through a share exchange accomplished pursuant to the provisions of and with the effect provided in Section 6.2-822 of the Virginia Banking Act. After the reorganization, the Bank will continue its business as a wholly-owned subsidiary of MainStreet Bancshares. For more information, see “The Proposed Reorganization — Description of the Reorganization.”

The principal executive offices of the Bank and MainStreet Bancshares are located at 10089 Fairfax Boulevard, Fairfax, Virginia 22030; telephone: (703) 481-4567.

### **Effect of Reorganization**

Immediately after consummation of the reorganization, (1) assuming there are no shareholders who have perfected their appraisal rights, MainStreet Bancshares will have outstanding the same number of shares of common stock that the Bank had issued and outstanding immediately prior to the reorganization, and (2) unless you perfect and exercise your appraisal rights, you will hold the same number of shares of common stock in the holding company that you held in the Bank immediately prior to the reorganization.

### **Recommendation of the Bank’s Board of Directors**

The Board of Directors of the Bank believes that the reorganization is in your best interest and recommends that you vote “FOR” approval of the reorganization. For a discussion on the Board’s reasons for the reorganization, see “The Proposed Reorganization — Reasons for the Reorganization.”

**The Board of Directors of the Bank unanimously recommends that you vote “FOR” approval of the reorganization and the reorganization agreement.**

### **The Reorganization Will Likely Be Tax-Free to You**

The exchange of Bank common stock for MainStreet Bancshares common stock is intended to be tax-free to you for United States federal income tax purposes. Tax matters are very complicated, and the tax consequences of the reorganization will depend on your own personal circumstances. You should consult your tax advisor for a full understanding of all of the federal, state, local and foreign income and other tax consequences of the reorganization to you. For more information, see “The Proposed Reorganization — Material Federal Income Tax Consequences.”

## **The Reorganization Will Change Your Rights as a Shareholder**

As a shareholder of the Bank, your rights are governed by the rules and regulations of the Virginia Stock Corporation Act (the “Virginia SCA”) and the Articles of Incorporation and Bylaws of MainStreet Bank. Your rights as a shareholder of MainStreet Bancshares will be governed by the Virginia SCA, and the Articles of Incorporation and Bylaws of MainStreet Bancshares, instead of those of the Bank. A vote in favor of the reorganization also includes a vote in favor of MainStreet Bancshares’ Articles of Incorporation and Bylaws. See “The Proposed Reorganization — Shareholder Rights as a Result of the Reorganization.”

## **The Annual Meeting**

The Annual Meeting will take place on Wednesday, May 18, 2016, at 11:00 a.m., local time, at the MainStreet Bank Headquarters building, located at 10089 Fairfax Boulevard, Fairfax.

The Board of Directors has fixed the close of business on March 18, 2016, as the record date for the determination of the holders of shares of the Bank’s stock entitled to receive notice of and to vote at the Annual Meeting (the “Record Date”). As of the Record Date, there were 4,258,020 shares of the Bank’s common stock outstanding held by approximately 250 shareholders of record.

## **Shareholder Vote Required for Approval of Actions at the Annual Meeting**

Approval of the proposed reorganization requires the affirmative vote of the holders of a majority of the outstanding shares of the Bank’s common stock. **A failure to vote, by not returning the enclosed proxy card or by checking the “Abstain” box on the proxy card or otherwise, will have the same effect as a vote against approval of the reorganization.**

As of the Record Date for the Annual Meeting, directors and executive officers of the Bank owned approximately 6.8% of the shares of common stock (exclusive of exercisable options owned by such persons) that may be cast at the Annual Meeting, and we expect them to vote in favor of the reorganization.

Brokers who hold shares as nominees, or in “street name,” will not have the authority to vote such shares in the reorganization unless they receive instructions from the shareholder whose account they hold.

## **Conditions for Consummation of the Reorganization**

The completion of the reorganization depends on the following:

- approval of the reorganization by the affirmative vote of the holders of a majority of the outstanding shares of the Bank’s common stock;
- approval of the reorganization by the Virginia State Corporation Commission (the “Virginia SCC”) and any other federal or state agency having jurisdiction necessary for the consummation of the reorganization;
- receipt of either a ruling from the Internal Revenue Service or an opinion of counsel that the reorganization will be treated as a non-taxable transaction for federal income tax purposes;
- unless waived or reduced by the Bank, the number of shares whose holders have perfected appraisal rights represents less than 2.5% of the Bank’s outstanding common stock; and
- compliance by MainStreet Bancshares with all applicable federal and state securities laws relating to the issuance of MainStreet Bancshares common stock.

For more information, see “The Proposed Reorganization — Conditions to the Reorganization.”

Applications for approval of the reorganization have been filed with the Federal Reserve and the Virginia SCC. The reorganization is expected to be consummated during the third quarter of 2016. **Approval of the reorganization by the Virginia SCC, as well as approval by any other applicable federal or state regulatory agency, does not constitute a recommendation or endorsement of the reorganization or the reorganization agreement.**

Under Virginia law, holders of the Bank's common stock may exercise appraisal rights and, if the reorganization is consummated and all requirements of law are satisfied by holders seeking to exercise such rights, may receive payment equal to the fair value of their shares of Bank common stock, determined in the manner set forth under Virginia law. A condition to the consummation of the reorganization is that shareholders perfecting their appraisal rights constitute less than 2.5% of the outstanding shares of the Bank's common stock, unless such condition is waived or reduced by the Bank. For more information, see "The Proposed Reorganization — Appraisal Rights" and Article 15 of Title 13.1 of the Virginia SCA, attached as Appendix D to this Proxy Statement.

The Bank's common stock is currently quoted on the OTCQX marketplace maintained by OTC Markets Group (the "OTCOX") under the trading symbol "MNSB." The OTCQX is an inter-dealer quotation and trading system. To be traded on this tier, companies must undergo a qualitative review by OTC Markets Group and, among other things, post financial information with OTC markets. Trading in the Bank's common stock on the OTCQX has been limited and sporadic. The Bank expects that the common stock of MainStreet Bancshares will trade similarly. See "The Proposed Reorganization – Market Price and Dividend Data for Common Stock."

The Board of Directors of MainStreet Bancshares presently consists and, upon completion of the reorganization, is expected to continue to consist of, the same persons who are on the Board of Directors of the Bank. See "The Proposed Reorganization — Management and Operations After the Reorganization."

Following the reorganization, MainStreet Bancshares will be subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Virginia SCC with respect to its operations as a bank holding company. The Bank will continue to be subject to regulation by the Federal Reserve and the Virginia SCC. See "Supervision and Regulation of MainStreet Bancshares, Inc."

## RISK FACTORS

*You should carefully consider the following factors, in addition to the other information included elsewhere in this Proxy Statement and the documents that MainStreet Bancshares, Inc. and MainStreet Bank have filed with the Virginia SCA, in considering what action to take in connection with the reorganization.*

### **Applicable laws and regulations restrict both the ability of the Bank to pay dividends to the holding company, and the ability of the holding company to pay dividends to you.**

MainStreet Bancshares' principal source of income initially and for the foreseeable future will consist of dividends, if any, from the Bank. In addition, Virginia law permits dividends to be paid by a Virginia corporation only if, after giving effect to the distribution, the corporation is still able to pay its debts as they become due in the usual course of business, or the corporation's total assets are greater than or equal to the sum of its total liabilities plus (unless the corporation's articles of incorporation permit otherwise) the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

Any payment of dividends on the holding company's common stock in the future will be at the sole discretion of MainStreet Bancshares' Board of Directors and will depend on a variety of factors deemed relevant by that Board, including, but not limited to, earnings, capital requirements and financial condition.

Payment of dividends by the Bank to the holding company will be subject to regulatory limitations imposed by the Federal Reserve and the Virginia SCC, and Bank must meet the capital requirements of the Federal Reserve and the Virginia SCC before and after the payment of any dividends. In addition, the Federal Reserve has discretion to prohibit any otherwise permitted capital distribution on general safety and soundness grounds.

### **The holding company may issue additional shares of common stock without shareholder approval that could result in dilution of an investor's investment.**

The Board of Directors of MainStreet Bancshares may determine, from time to time, that there is a need to obtain additional capital through the issuance of additional shares of common stock or other securities. These issuances would likely dilute the ownership interests of holding company investors and may dilute the per share book value of the holding company's common stock.

### **Shares of MainStreet Bancshares preferred stock issued in the future could have dilutive and other effects.**

Shares of MainStreet Bancshares preferred stock eligible for future issuance and sale could have a dilutive effect on the market for the shares of MainStreet Bancshares common stock proposed to be exchanged for the issued and outstanding shares of Bank common stock. In addition to 7,500,000 shares of common stock, the Articles of Incorporation of MainStreet Bancshares authorize the issuance of 2,000,000 shares of preferred stock. The Bank's Articles of Incorporation contain a similar provision for the ability to issue preferred stock.

Although the MainStreet Bancshares Board of Directors has no present intent to authorize the issuance of shares of preferred stock, shares of preferred stock could be issued in the future. If such shares of preferred stock are made convertible into shares of MainStreet Bancshares common stock, there could be a dilutive effect on the shares of MainStreet Bancshares common stock then outstanding. In addition, shares of preferred stock may be provided a preference over holders of common stock upon liquidation of MainStreet Bancshares or with respect to the payment of dividends, in respect of voting rights or in the redemption of the capital stock of MainStreet Bancshares. The rights, preferences, privileges and restrictions applicable to any series of preferred stock would be determined by resolution of the Board of Directors of MainStreet Bancshares establishing such series.

**MainStreet Bancshares has the ability to incur debt and pledge its assets, including its stock in the Bank, to secure that debt.**

While the Bank can incur debt, its ability to do so is limited and, significantly, it is not legally permitted to pledge its assets to secure its indebtedness except in very limited circumstances. In contrast, the legal limitations on the incurrence of debt by bank holding companies are much less restrictive and there are no regulatory restrictions on MainStreet Bancshares' ability to incur debt and pledge its assets to secure that debt. Absent special and unusual circumstances, a holder of indebtedness for borrowed money has rights that are superior to those of holders of common and preferred stock, interest must be paid to the lender before dividends can be paid to the shareholders, and loans must be paid off before any assets can be distributed to shareholders if MainStreet Bancshares were to liquidate. Furthermore, MainStreet Bancshares would have to service (make principal and interest payments) its indebtedness which could reduce the profitability of or result in net losses at MainStreet Bancshares on a consolidated basis even if the Bank were profitable. See "The Proposed Reorganization — Reasons for the Reorganization."

**MainStreet Bancshares may be required to contribute capital or assets to the Bank that could otherwise be invested or deployed more profitably elsewhere.**

Federal law and regulatory policy impose a number of obligations on bank holding companies that are designed to reduce potential loss exposure to the depositors of insured depository subsidiaries and to the insurance fund of the Federal Deposit Insurance Corporation ("FDIC"). For example, a bank holding company is required to serve as a source of financial strength to an insured depository subsidiary and to commit financial resources to support such institution when it might not do so otherwise. The Federal Reserve has the ability to require MainStreet Bancshares to contribute capital to the Bank, even if MainStreet Bancshares would not ordinarily do so and even if such a contribution would be to the detriment of MainStreet Bancshares or its shareholders.

**The Bank's directors and executive officers own Bank stock and have significant control of its management and affairs, which they could exercise against your best interests.**

As of March 18, 2016, the Record Date for the Annual Meeting, the directors and executive officers of the Bank beneficially owned approximately 6.8% of the Bank's outstanding common stock. As a result of this ownership, the Bank's directors and executive officers as a group can exercise significant control over the management and affairs of the Bank currently and, after the reorganization, of MainStreet Bancshares.

**Anti-takeover protections and other factors will make it more difficult for you to realize the value of your investment in MainStreet Bancshares.**

In general, the three principal ways that the shareholders of any company can realize a return on their investment are: (i) to receive distributions (i.e., dividends) from the company, (ii) to sell their individual ownership interests to a third party, or (iii) to participate in a company-wide transaction in which they are able to sell their ownership interests (an "exit event"), regardless of whether the exit event is voluntary (such as a Board-approved negotiated merger) or involuntary (such as a hostile takeover) on the part of the company. There are significant impediments to a shareholder of the holding company being able to realize a return on his or her investment in any of those ways. We do not intend to declare or pay dividends in the foreseeable future. Furthermore, the market for the holding company's common stock is expected to be highly illiquid, with limited trading opportunities. These two factors are applicable to the Bank as well. In addition, certain anti-takeover provisions could, separately or together: (i) discourage potential acquisition proposals; (ii) delay or prevent a change in control; or (iii) limit the price that investors might be willing to pay in the future for the holding company's common stock. The application of these provisions could make it more difficult for a third party to acquire MainStreet Bancshares, even if doing so would be beneficial to the holding company's shareholders.

**The holding company will be subject to regulations which may restrict its ability to engage in certain activities.**

As a bank holding company under federal law, MainStreet Bancshares will be subject to regulation under the Bank Holding Company Act of 1956 (the “BHCA”) and the examination and reporting requirements of the Federal Reserve. In addition to supervising and examining the holding company, the Federal Reserve, through its adoption of regulations implementing the BHCA, places certain restrictions on the activities that are deemed permissible for bank holding companies to engage in. Current restrictions on these activities are not expected to have an adverse effect on the holding company’s ability to realize its strategic goals.

**The holding company may be required to contribute capital or assets to the Bank that could otherwise be invested or deployed more profitably elsewhere.**

Federal law and regulatory policy impose a number of obligations on bank holding companies that are designed to reduced potential loss exposure to the depositors of insured depository subsidiaries and to the FDIC’s insurance fund. For example, a bank holding company is required to serve as a source of financial strength to its insured depository subsidiaries and to commit financial resources to support such institutions where it might not do so otherwise. The Federal Reserve has the ability to require the holding company to contribute capital to the Bank, even if the holding company would not ordinarily do so and even if such a contribution would be to the detriment of the holding company or its shareholders.

**Applicable laws and regulations restrict both the ability of the Bank to pay dividends to the holding company, and the ability of the holding company to pay dividends to you.**

For the foreseeable future, the majority, if not all, of the holding company’s revenues will be from dividends paid to the holding company by the Bank. Both the holding company and the Bank are limited by law and regulations as to the amount of dividends they can pay. In addition, the holding company and the Bank are subject to various regulatory restrictions relating to the payment of dividends, including requirements to maintain capital at or above regulatory minimums, and to remain “well-capitalized” under the prompt corrective action regulations of the Federal Reserve and the FDIC. Federal banking regulators have indicated that banking organizations should generally pay dividends only if the organization’s net income available to holders of common stock over the past year has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears consistent with the organization’s capital needs, asset quality and overall financial condition.

**We cannot assure you that reorganization into a bank holding company structure will enable us to compete more effectively or operate more profitably than as a stand-alone bank.**

Although we believe that our reasons for the reorganization and the enhanced opportunities we will have under the holding company structure will strengthen our overall organization and improve long-term operating results and profits, we cannot assure you that this will happen. Among other things, we may not be accurately predicting or fully appreciating the effects of these enhanced opportunities and any difficulties we might face in implementing our strategies. Our strategies and expectations for future opportunities under the holding company structure could also be negatively impacted, or even outweighed, by external factors either within or outside of our control. We cannot assure you that we will be more (or even as) profitable or stronger (or even as strong) financially under the holding company structure than we could have been if the reorganization had not occurred and the Bank continued to operate under its historical stand-alone structure.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of our statements contained in this document are “forward-looking statements” within the meaning of the Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance or results. When we use words such as “may,” “plan,” “contemplate,” “anticipate,” “believe,” “intend,” “continue,” “expect,” “project,” “predict,” “estimate,” “target,” “could,” “is likely,” “should,” “would,” “will,” and similar expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. All statements other than statements of historical fact included in this document regarding our outlook, financial position and results of operation, liquidity, capital resources and interest rate sensitivity are forward-looking statements.

These forward-looking statements may involve risks and uncertainties that are difficult to predict, may be beyond our control, and could cause actual results to differ materially from those described in such statements. The forward-looking statements contained in this document are based on our beliefs and assumptions and on the information available to us at the time that these disclosures were prepared and involve known and unknown risks, uncertainties and other factors which may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are reasonable, we can give no assurance such expectations will prove to have been correct. Should any known or unknown risks and uncertainties develop into actual events, those developments could have material adverse effects on our business, financial condition and results of operations.

Important factors that could cause actual results to differ materially from those in the forward-looking statements included herein include, but are not limited to:

- general economic conditions, either nationally or in our market area, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory structure and in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices;
- changes in our organization, compensation and benefit plans;
- changes in our financial condition or results of operations that reduce capital available to pay dividends;
- regulatory changes or actions; and
- changes in the financial condition or future prospects of issuers of securities that we own.

These factors and the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by the Bank or MainStreet Bancshares, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, neither the Bank nor MainStreet Bancshares undertakes any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for the Bank or MainStreet Bancshares to predict which will arise. In addition, neither the Bank nor MainStreet Bancshares can assess the impact of each factor on the Bank’s or MainStreet Bancshares’ business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## CORPORATE GOVERNANCE

### Board of Directors

The current members of the Bank's Board of Directors are:

- Dr. William E. Cox, EdD, Elizabeth S. Bennett (aka Betsy Johns) and Darrell Green, who are nominees for election at the Annual Meeting;
- Jeff W. Dick, Paul Thomas Haddock and Terry Saeger, whose terms expire in 2017; and
- Thomas J. Chmelik and Patsy I. Rust, whose terms expire in 2018.

The Board of Directors met 11 times during the year ended December 31, 2015. Each current director attended at least 75% of all of the meetings of the Board and committees on which he or she served and attended the Bank's 2015 annual shareholders meeting. Each director is expected to dedicate sufficient time, energy and attention to insure the diligent performance of his or her duties, including by attending meetings of shareholders, the Board and committees of which he or she is a member.

### Board Leadership

The Board has elected Jeff W. Dick as Chairman. Mr. Dick also serves as President and Chief Executive Officer. In making their decision, the Board recognized Mr. Dick's leadership and skills.

The Board has also elected Paul Thomas Haddock as independent Lead Director. The duties of Lead Director include: presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of non-management independent directors; calling meetings of the non-management independent directors; and serving as liaison between the Chairman and the non-management independent directors.

### Board Supervision

The Board of Directors has adopted a Board Supervision Policy which outlines the Board's responsibilities and duties to protect the interests of the Bank's shareholders and customers. The Policy addresses a number of matters relating to the Board's oversight, including assessment of growth and planning strategies on an ongoing basis; assessment of the Bank's performance and financial condition; assessment of management's performance; assessment of the Board's processes and procedures to better manage its own performance; and determination of director compensation. Board members acknowledge their duty of being diligent and loyal in the performance of their responsibilities.

### Director Nominations

The Nominating Committee of the Board of Directors is responsible for identifying individuals qualified to become Board members. It also leads the Board in its annual review of the Board's performance. The Nominating Committee's duties and responsibilities include reviewing the size of the Board relative to its various responsibilities; assessing the independence of directors and nominees; developing criteria for identifying and selecting qualified Board nominees and recommending their election by the Bank's shareholders; and considering shareholder nominations.

### Compensation Committee

Our Compensation Committee has six members. Each member of the Compensation Committee is a non-management independent director. The Compensation Committee is responsible for establishing and monitoring compensation and benefits for the Bank. The Compensation Committee determines the compensation for the President and Chief Executive Officer, as well as the Executive Vice President and Chief Financial Officer. The Compensation Committee reviews and considers recommendations of the President and Chief Executive Officer when making compensation decisions for all other executives. The Compensation Committee also administers our equity incentive programs and oversees risk management with respect to material incentive arrangements. In addition, the Compensation Committee recommends to the full Board compensation for directors.



## **Risk Management**

Our Board of Directors recognizes that risk management is an enterprise-wide responsibility. Our Board assumes a significant role in risk management both through its actions as a whole and through its committees.

Our Compensation Committee evaluates, with our senior officers, risks posed by our compensation programs and seeks to limit any unnecessary or excessive risks that these programs may pose to the Bank, in order to avoid programs that might encourage such risks.

## **Board of Director Independence**

The Board of Directors carefully considers relationships that would interfere with the exercise of a director's independent judgment in carrying out his or her responsibilities. Factors evaluated include a director's relationship with the Bank and its competitors, suppliers and clients; a director's relationship with management and other directors; the relationships a director's current and former employees have with the Bank; and the relationships between the Bank and other companies of which the Board member is a director or executive officer.

## **Code of Ethics and Business Conduct**

The Board of Directors has adopted a Code of Ethics and Business Conduct applicable to all employees. It is the Bank's policy that all employees conduct their business affairs in such a manner and with such ethics and integrity that no conflict of interest, either real or implied, can be construed. Each employee is responsible to uphold and comply with this Code. Potential conflicts of interest identified in the Code include self-dealing, outside employment and other activities, corporate opportunities, management interlocks, improper gifts/payments to employees, relationships with suppliers, confidentiality of customers' and corporate information, insider trading, and relationships with government officials.

## **Shareholder Outreach and Communications**

Shareholder outreach is an integral part of the Bank's investor relations philosophy, as shareholders provide us insight on a variety of topics. The Bank's management meets with investors throughout the year in various investor relations venues. In addition to discussing industry matters and the Bank's performance, investors provide feedback regarding the Bank's strategic direction.

Shareholders may communicate with the Board of Directors by writing the Bank's Corporate Secretary, Thomas J. Chemlik, at the following address: 10089 Fairfax Boulevard, Fairfax, Virginia 22030. Our general policy is to forward, and not to intentionally screen, any mail received at our corporate office.

## **PROPOSAL ONE - ELECTION OF DIRECTORS**

The Board currently consists of eight directors. Under the Bank's Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, the Board of Directors is divided into three groups (Group I, Group II and Group III) as nearly equal in number as possible. Except for director elections outside of the Annual Meeting, directors in only one group are elected each year, each for a three-year term. This year, the terms of the Group III directors expire at the Annual Meeting. Three individuals are proposed for election as Group III directors for terms expiring at the 2019 annual meeting.

The discussion below sets forth information regarding each director of the Bank and each nominee for director, including his or her age, position on the Board and term of office. The Nominating Committee of the Board of Directors recommends nominees to the Board of Directors for election as directors. The three nominees currently serve as Bank directors. Each director nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority. At this time, we are not aware of any reason why a nominee might be unable to serve if elected.

**The Board of Directors recommends a vote "FOR" the nominees set forth below.**

### **Nominees for Election for Terms Expiring in 2019 (Group III)**

**Dr. William E. Cox, EdD**, 73, has been a director since 2008. He is the President, CEO and co-founder of Cox, Matthews & Associates, Inc., a Fairfax, Virginia, firm specializing in publishing, research, satellite television production, training and consulting. Dr. Cox is also the President & CEO of *Diverse: Issues In Higher Education*, formerly *Black Issues In Higher Education*, an award-winning, national news magazine that has been serving higher education since 1984. Dr. Cox is a member of the Board of Trustees of Excelsior College, the American Counseling Association Foundation Board, and the Boost Alcohol Consciousness Concerning the Health of University Students (BACCHUS) Board. He is a former member of the National Council for Education and Human Development at The George Washington University, and The University of the District of Columbia School of Business. He is a life member of both the NAACP and Kappa Alpha Psi Fraternity and a member of the Beta Nu Boule´ Fraternity, and was also Chairman of the Lifelong Education Advisory Board at Harvard University. Dr. Cox received the Distinguished Leadership Award from the National Association for Equal Opportunity in Higher Education (NAFEO) in 1999.

**Summary of director qualifications for Dr. Cox** – Dr. Cox is a founding shareholder of the Bank. He has actively provided business leads and opportunities to the Bank, and joined the Board in 2008. Dr. Cox serves as the Chair of the Compensation Committee. Dr. Cox is an established business leader, having owned and operated a local successful business for over 25 years. Dr. Cox serves on several education-related boards and has significant knowledge of the local professional community. We believe that the Board benefits from his strong business acumen, insight and knowledge of the local business community. Dr. Cox is well versed in corporate governance and provides thoughtful and meaningful feedback to Board members as well as management.

**Elizabeth S. Bennett (aka Betsy Johns)**, 61, has been a director since 2012. She is a partner and CFO with National Realty Partners LLC, a full service commercial real estate and community association management company located in Herndon, Virginia. She was one of the first women accepted at The College of the Holy Cross in Worcester, Massachusetts, receiving degrees in economics and accounting. She has served her industry as a volunteer throughout her career. She has served as one of two volunteer founders for the Herndon Community Association Coalition ("HCAC"). In addition to her work with the HCAC, Ms. Johns has remained actively involved with the Community Associations Institute where she is a past chair and current member of the Washington D.C. chapter's education committee, is a frequent speaker on the Fairfax County Cable TV program, "Your Community, Your Call", writes for various industry publications and teaches programs to community leaders and professionals in the industry.

**Summary of director qualifications for Ms. Johns** – Ms. Johns was an organizing shareholder of the bank and joined the Board in September 2012. Ms. Johns has been a vocal supporter of MainStreet Bank since it opened its doors in 2004. Ms. Johns is an established business leader, having provided management services to commercial and residential associations in the Commonwealth of Virginia and the District of Columbia for the past 31 years. We

believe that the Board benefits from Ms. Johns' strong background in financial management, her exceptional leadership skills as well as her Director experience as a co-chair for the Washington D.C. chapter's education committee. Ms. Johns continues to drive business opportunities to the Bank with her active involvement in the community and reputation for management and professionalism.

**Darrell Green**, 56, has been a director since 2013. Mr. Green is the founder and Chief Executive Officer of WalkFitHealth Nation, LLC, established in 2011 to motivate people to become and remain active. In 1997, he established Darrell Green Enterprises, Inc., a marketing company that facilitates opportunities for Mr. Green and other athletes. After 20 years with the Washington Redskins, which included 7 Pro-Bowl appearances, 4 NFL Fastest Man Competition titles and 3 Super Bowls, he became a first ballot inductee into the Pro Football Hall of Fame, Class of 2008, and was officially inducted on August 2nd, 2008.

Mr. Green has received many awards for his accomplishments both on and off the field. He is the founder of the Darrell Green Youth Life Foundation ("DGYLF"), which opens and operates the Darrell Green Youth Life Learning Centers throughout the Washington, D.C. community. The Darrell Green Business Council for Youth was established to bring together business leaders and utilize their expertise in support of DGYLF programs. He has served as a board member for the Baltimore-Washington 2012 Olympic Bid, NFL/NFLPA September 11th Relief Fund, and the Loudoun Education Foundation. Mr. Green completed his Bachelor of Science degree in general studies and social science at St. Paul's College in Lawrenceville, Virginia. In 1999, Marymount University recognized Mr. Green for his humanitarian endeavors and conferred upon him an honorary Doctorate of Humane Letters degree. In 2002, George Washington University and St. Paul's College awarded Mr. Green his second and third honorary Doctorate of Humane Letters degrees. He has received a number of awards, including the NFL's most prestigious Man of the Year award in 1996.

**Summary of director qualifications for Mr. Green** – Mr. Green was an organizing director and organizing shareholder of the Bank. Mr. Green left the Board shortly after the Bank opened in 2004 for personal reasons and re-joined the Board in April 2013. Mr. Green has been an avid and vocal supporter of MainStreet Bank since it opened its doors in 2004. Mr. Green is an established business and community leader – having been involved with successful businesses as well as humanitarian endeavors. We believe that the Board benefits from Mr. Green's exceptional ethics and community leadership skills and his strong business and marketing skills.

#### **Incumbent Directors Serving for Terms Expiring in 2017 (Group I)**

**Jeff W. Dick**, 55, has been a director since 2003. Mr. Dick is the Chairman, President and Chief Executive Officer of the Bank and joined the Bank in April 2003. From 1999 until January 2003, he served in various positions at Millennium Bank, N.A., including Executive Vice President and as a member of the board of directors. Prior to this, Mr. Dick was an advisor to the Bank of England and Financial Services Authority from 1996 to 1999. Mr. Dick began his banking career with the Office of the Comptroller of the Currency in 1983 as a Field Examiner, and he became a Field Manager in Washington, D.C. in 1993. Mr. Dick serves on the boards of ICBA Bancard and the Dulles Regional Chamber of Commerce. He is a Past Chairman of the Virginia Association of Community Banks. Mr. Dick is also a member of the Federal Reserve Bank of Richmond Payments and Technology Council and is Vice Chairman of the Lending Committee of the Independent Community Bankers of America. He has a Diploma of the Imperial College London in Management and a B.S.B.A. in both accounting and management from the University of North Dakota. Mr. Dick earned his Executive M.B.A. (with distinction) from the University of London Imperial College of Science, Technology and Medicine.

**Summary of director qualifications for Mr. Dick** – Mr. Dick is a co-founder and organizer of the Bank. Mr. Dick has held the title of President and Chief Executive Officer since inception and became the Chairman of the Board and Chair of the Executive Committee in 2009. In his role as an Advisor to the Bank of England, he assisted in their efforts to modernize their risk-based approach to banking supervision. Mr. Dick has gained valuable banking knowledge through his service as a director, Chief Lending Officer and Executive Vice President of another community bank. We believe that Mr. Dick's careers in domestic and international risk-based banking supervision and in community banking, along with his education, have directly benefited his role as Chairman of the Board. In addition, Mr. Dick's business background in the local community, as well as his involvement in civic organizations, has provided him with a strong depth of business contacts which continues to prove to be beneficial for the Bank.

**Paul Thomas Haddock**, 76, has been a director since 2003. Mr. Haddock is currently the President of Azure, Inc., a privately held company which he formed in 1984 to assist up-and-coming entrepreneurs and small businesses in developing and implementing effective business models. From 1981 to 1999, he created and managed Vacation Places, a commercial real estate and vacation property management company. Prior to 1981, he was involved in high-tech engineering pursuits at Westinghouse Electric Corporation in Baltimore, Maryland and Scope Inc., in Reston, Virginia. He was employed as an engineer by Westinghouse from 1958 to 1965 working on radar systems and satellites, and he was employed in various engineering and managerial positions at Scope Inc. from 1965 to 1981. Since 1983, Mr. Haddock has served on the boards of directors for seven property associations located in Maryland, Florida and Virginia. He is currently President of the Stuart Professional Village in Herndon, Virginia, Vice President of the Grant Business Center in Herndon, Virginia, and Director at Dulles Crossroads Condominium Association in Herndon, Virginia. He received his B.S. in Electrical Engineering at Johns Hopkins University in 1963. He subsequently received his B.S. in Industrial Engineering in 1964 and a Masters in Liberal Arts degree in 1967 also from Johns Hopkins University.

**Summary of director qualifications for Mr. Haddock** – Mr. Haddock is a founding director and currently serves as the Vice Chair and Lead Independent Director of the Bank. Mr. Haddock also serves as Chair of the Directors' Loan Committee. Throughout his career, he has invested in land, commercial and residential real estate in the Washington, D.C. metropolitan area. His ownership of real estate over the past 41 years has involved considerable risk analysis and the establishment of a measured risk tolerance. Mr. Haddock has counseled countless entrepreneurs and small business owners over the years to solve a myriad of problems in many different types of industries. Additionally, he became a trained professional mediator in 1991, and was actively involved in resolving business disputes of all kinds until 2008. We believe that Mr. Haddock's significant depth of knowledge of the real estate industry has proven to be very beneficial to the Board. In addition, his accumulated knowledge of purchasing, financing, developing, managing and maintaining real properties has proven invaluable to the Directors' Loan Committee. Mr. Haddock's work with small business development and dispute resolution has provided him with a skillful ability to solve problems and search for resolution. Mr. Haddock has dedicated significant time and energy to the Board and continues to drive business opportunities to the lending and deposit-gathering staff.

**Terry M. Saeger**, 54, has been a director since March 2011 and is Chairman of the Technology Committee. He is currently Executive Vice President, Global Delivery for Humach, Inc. Humach (humans + machine) is revolutionizing the way businesses engage, acquire, and support their customers by combining the creativity and experience of humans with the computational power, analytics and automation of machines. In his role as EVP, Global Delivery Terry is responsible for driving global expansion efforts, including domestic, virtual, near-shore, and off-shore Business Process Outsourcing (BPO), agent and technology capacity. Prior to Humach, Terry was the Senior Vice President of Sales, Marketing, Product Management and Business Development at Volt Delta Resources, LLC (Division of Volt Information Sciences, Inc.), where he began as Senior Vice President and General Manager of the OnDemand Services business unit in 2008. Mr. Saeger was Co-Founder, Executive Vice President and Chief Operating Officer of BriteMoves, LLC, a company focused on delivering innovative advertising media and services, from 2004 to 2007, at which time he successfully sold the business. From 1997 to 2004, Mr. Saeger served in various positions at Convergys Corporation, including the position of Vice President for Client Business Development, Sales, Sales and Marketing, and National Accounts. From 1996 to 1997, Mr. Saeger was the National Account Manager at West TeleServices Corporation, after working eleven years for AT&T in various positions, including Sales Manager and National Account Manager. Mr. Saeger began his career in 1984 as an Industrial/Manufacturing Engineer with Coors Porcelain Company. Mr. Saeger has a B.S. in Industrial Engineering and Management from North Dakota State University and did post-graduate studies in Computer Integrated Manufacturing at Brigham Young University..

**Summary of director qualifications for Mr. Saeger** – Mr. Saeger joined the Board in 2011 and currently serves as the Chair of the Information Technology Committee. Mr. Saeger has been Senior Vice President of Sales, Marketing, Product Management and Business Development at Volt Delta Resources, the number two position in the division, since June of 2009, where he has responsibility for two business units. In this position he has instituted initiatives to protect and stabilize existing revenue, reduce costs and improve market focus. Mr. Saeger has over 25 years of experience in sales and management and is focused on building relationships to drive revenues, reduce costs and improve processes to deliver value. He emphasizes integrity and open communication and brings to the Board a wealth of experience in organizational structure, planning and forecasting.

## **Incumbent Directors Serving for Terms Expiring in 2018 (Group II)**

**Thomas J. Chmelik**, 53, has been a director since 2003. Mr. Chmelik is the Executive Vice President and Chief Financial Officer of the Bank and joined the Bank in April 2003. From 1998 to 2002, he was the Chief Financial Officer and a director for Millennium Bancshares Corporation and Millennium Bank, N.A. Prior to that, he served as the Chief Financial Officer as part of a World Bank initiative during the restructuring of The National Bank of Commerce, the largest commercial bank in Tanzania, Africa from 1995 to 1998. Mr. Chmelik was the Chief Financial Officer for Colombo Bank in Bethesda, Maryland from 1993 to 1995, and he was the Chief Financial Officer for Franklin National Bank of Washington, D.C. from 1989 to 1993. Mr. Chmelik has a B.A. in accounting from Belmont Abbey College.

**Summary of director qualifications for Mr. Chmelik** - Mr. Chmelik is a co-founder and organizer of the Bank and currently serves as the Chief Financial Officer and Executive Vice President. Mr. Chmelik has a long and established career working as a Chief Financial Officer in four Washington, D.C. metropolitan area community banks over the past 21 years, as well as in Tanzania, Africa. Mr. Chmelik served on the Board of Directors and worked as part of the executive management team for another community bank. Mr. Chmelik consistently drives loan and deposit opportunities to the Bank. We believe Mr. Chmelik's extensive work as a Chief Financial Officer, combined with his executive management and prior bank board experience makes him a strong contributor to the Board. In addition, Mr. Chmelik has a very strong understanding of corporate governance.

**Patsy I. Rust**, 74, has been a director since 2008. She was a Senior Vice President with the Bank from its inception until her retirement in September 2008. Prior to joining the Bank, Ms. Rust was involved in business development and management at Millennium Bank, N.A., BB&T, F&M Bank and Bank of the Potomac. Ms. Rust was also a founder and organizer for Bank of the Potomac, where she was responsible for personnel, facilities, marketing, operations and branch management. Ms. Rust has completed continuing education through the American Institute of Banking, the Virginia Bankers Association and the University of Virginia. Ms. Rust has been involved over the past 41 years in numerous civic and charitable organizations in Herndon, Virginia. She was the chairman of the first Herndon Centennial Celebration, Chairman of the Dranesville District Republican Party, received the Woman of the Year award from the Business and Professional Woman's Club, organized and chaired Sister Cities International of Herndon and has held offices of President and Treasurer in other organizations.

**Summary of director qualifications for Ms. Rust** - Ms. Rust is a founding shareholder and organizer of the Bank. She joined the Board in 2008 and currently serves as the Chair of the Audit Committee. Prior to retiring from a 30-year banking career in the Northern Virginia market, Ms. Rust was a major contributing organizer of two de novo community banks and also opened and managed two bank branches. Ms. Rust completed ongoing educational banking courses throughout her career. Ms. Rust was also the owner of a retail business prior to her banking career. Ms. Rust has been a civic leader in the community, and has been active in local charities. We believe Ms. Rust brings a very strong knowledge of branch banking and administration to the Board, which is very important as the Bank continues to grow. Additionally, Ms. Rust brings a very strong banking product and service knowledge, which aids the Bank in shaping its strategic direction. Ms. Rust continues to bring business opportunities to the Bank and is very active in networking with the Bank's employees.

The Board of Directors is not aware of any family relationship among any director, executive officer or person nominated by the Bank to become a director; nor is the Board of Directors aware of any involvement of any director, executive officer or director nominee in any legal proceedings that would be material to an evaluation of the ability or integrity of any director, executive officer, or director nominee. None of the directors or director nominees currently serves or has, within the past five years, served as a director of any other public company.

## DIRECTOR COMPENSATION

During 2015, our directors could elect to receive a fee in cash, Bank common stock, or a combination of both. Directors who are also employed by the Bank do not receive any additional compensation from the Bank for their service as directors. Compensation for directors Jeff W. Dick and Thomas J. Chmelik for their service as executive officers is set forth in the Summary Compensation Table.

The following table provides information concerning the fees paid to members of the Board of Directors (other than Messrs. Dick and Chmelik) for the year ended December 31, 2015.

<b>Name</b>	<b>Fees Paid in Cash</b>	<b>Fees Paid in Stock</b>	<b>Total</b>
Elizabeth S. Bennett	\$ 12,500	\$ 10,000	\$ 22,500
William E. Cox	\$ 12,500	\$ 12,500	\$ 25,000
Paul Thomas Haddock	\$ 22,500	--	\$ 22,500
Darrell Green	\$ 2,500	\$ 22,500	\$ 25,000
Jacques Rebibo <sup>(1)</sup>	\$ 3,500	\$ 21,500	\$ 25,000
Patsy I. Rust	\$ 12,500	\$ 12,500	\$ 25,000
Terry M. Saeger	\$ 12,500	\$ 12,500	\$ 25,000

(1) Mr. Rebibo resigned from the Board of Directors of the Bank on March 23, 2016.

## EXECUTIVE COMPENSATION

The following table sets forth summary information concerning compensation for 2015 and 2014 awarded to, earned by, or paid to Jeff W. Dick, the Bank's Chairman, President and Chief Executive Officer, and Thomas J. Chmelik, the Bank's Executive Vice President and Chief Financial Officer. Messrs. Dick and Chmelik received perquisites and other personal benefits in addition to other compensation during the periods stated. The aggregate amounts of these perquisites and other personal benefits for each individual, however, did not exceed \$10,000 in either year and, therefore, have been omitted.

## Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Jeff W. Dick <i>Chairman, President &amp; Chief Executive Officer</i>	2015	\$342,500	\$138,600	--	--	--	--	--	\$481,150
	2014	\$253,006	\$ 84,504	--	--	--	--	--	\$337,510
Thomas J. Chmelik <i>Executive Vice President &amp; Chief Financial Officer</i>	2015	\$246,278	\$45,000	--	--	--	--	--	\$345,378
	2014	\$201,422	\$62,277	--	--	--	--	--	\$268,699

The table below includes information with respect to all unexercised options and unvested restricted stock awards held by the named executive officers at December 31, 2015.

### Outstanding Equity Awards at Fiscal 2015 Year-End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(2)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>
Jeff W. Dick	--	--	--	--	--	--	--	6,250	\$77,188
Thomas J. Chmelik	--	--	--	--	--	--	--	9,445	\$116,646

(1) The amounts in this column represent the fair market value of the restricted stock as of December 31, 2015, based on the closing market price of the Bank's stock on that date, which was \$12.35 per share.

(2) Reflects shares of restricted stock granted on November 20, 2007 outside of the Bank's incentive stock compensation plans. These shares vest in 5%, 10% or 15% increments over a period of 10 years from the date of grant.

### Retirement Benefits.

The Bank maintains a voluntary, contributory 401(k) plan for employees and, starting January 1, 2010, began providing a company match for employee contributions of 3% of the first 3% of the salary and 0.5% of the next 2% of the salary.

**PROPOSAL TWO -  
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR**

The Audit Committee has appointed YHB as the Bank's independent auditor for the fiscal year ending December 31, 2016, subject to shareholder ratification at the Annual Meeting. YHB also served as independent auditor for the fiscal year ended December 31, 2015. In the event that the appointment of YHB is not ratified by shareholders at the Annual Meeting, the Audit Committee will consider making a change in the independent auditor for 2016.

Representatives of YHB are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to any appropriate questions.

**The Board of Directors recommends a vote "FOR" ratification of the appointment of Yount, Hyde, and Barbour, P.C. as the Bank's independent auditor for the fiscal year ending December 31, 2016.**

**PROPOSAL THREE -  
THE PROPOSED REORGANIZATION**

*The reorganization will be accomplished pursuant to the reorganization agreement, which is attached to this Proxy Statement as Appendix A and incorporated herein by reference. Although we believe that the description in this section covers the material terms of the reorganization and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read the entire Proxy Statement and the other documents we refer to or incorporate by reference in this Proxy Statement for a more complete understanding of the reorganization.*

**Summary**

The formation of a holding company will be accomplished pursuant to the reorganization agreement, whereby the Bank will become a wholly-owned subsidiary of MainStreet Bancshares, Inc., a Virginia corporation formed for the sole purpose of becoming the holding company for the Bank. Under the terms of the reorganization agreement, each outstanding share of Bank common stock will be exchanged, in a tax-free transaction, for one share of MainStreet Bancshares common stock, and the holders of Bank common stock will have the right to acquire and become the holders of all of the outstanding shares of MainStreet Bancshares common stock, subject to the complete exercise of appraisal rights, if any. MainStreet Bancshares was incorporated on February 16, 2016, and has no prior operating history. Following the reorganization, it is intended that the Bank will continue its operations at the same locations, with the same management, and subject to all the rights, obligations and liabilities of the Bank existing immediately prior to the reorganization.

**Recommendation of the Bank's Board of Directors**

At a meeting held on January 20, 2016, the Bank's Board of Directors unanimously concluded that the reorganization is in the best interests of the Bank's shareholders and approved the reorganization. On February 17 and April 4, 2016, the Bank's Board of Directors approved and subsequently amended the reorganization agreement as approved, adopted and subsequently amended by the initial directors of MainStreet Bancshares, subject to the receipt of all required regulatory approvals and approval of the reorganization and the reorganization agreement by the Bank's shareholders at the Annual Meeting.

**The Board of Directors of the Bank unanimously recommends that you vote "FOR" approval of the reorganization and the reorganization agreement.**

**Reasons for the Reorganization**

The Bank's Board of Directors is proposing the reorganization to permit greater flexibility and strategic benefits to the Bank and to provide a vehicle for growth and potential geographic diversification. Some of the strategic benefits of the proposed reorganization considered by the Board of Directors include:

- structural flexibility for alternative business investments at the holding company level, as discussed below;



- when appropriate, the ability to repurchase stock from existing shareholders as part of the holding company's capital management strategy;
- the ability to access the capital markets with alternative structures such as senior or subordinated debt securities; and
- the ability to better compete against other financial institutions that already possess these capabilities.

Bank holding companies may establish or acquire companies engaged in activities closely related to banking. For examples of the types of activities closely related to banking in which holding companies are permitted to engage, see "Supervision and Regulation of MainStreet Bancshares, Inc."

The Bank's Board of Directors also believes that the holding company may provide additional funding sources for the Bank, as well as better access to diverse money and capital markets. Any capital raised by the holding company could then be invested as capital in the Bank. Additionally, the Bank's Board of Directors believes that a bank holding company will be in a better position to respond to the competitive environment in which the Bank is operating, characterized in large part by the activities of regional and national bank holding companies. In general, the Board of Directors of the Bank believes that operating as a bank holding company will serve the best interests of the current shareholders of MainStreet Bank.

### **Description of the Reorganization**

At the direction of the Bank, MainStreet Bancshares, Inc. was incorporated on February 16, 2016 under the laws of the Commonwealth of Virginia to serve as the holding company for the Bank upon consummation of the reorganization.

The reorganization will be accomplished pursuant to the reorganization agreement, which provides that, contingent upon regulatory and shareholder approvals, the reorganization will be accomplished as follows:

- The Bank will be acquired by MainStreet Bancshares, which will own 100% of the issued and outstanding shares of the Bank after the share exchange. The share exchange will be accomplished pursuant to the provisions of, and with the effect provided in, Section 6.2-822 of the Virginia Banking Act.
- The Bank will become a wholly-owned subsidiary of MainStreet Bancshares.
- The common shareholders of the Bank will have the right to acquire and become shareholders of MainStreet Bancshares and each outstanding share of Bank common stock will become one share of MainStreet Bancshares common stock (subject to the exercise of appraisal rights as explained below).
- The shares of Bank common stock held by MainStreet Bancshares at the effective date of the reorganization will remain as the only issued and outstanding shares of Bank stock after the reorganization.
- The shareholders of MainStreet Bancshares will be those persons who were common shareholders of the Bank immediately prior to the reorganization (subject to appraisal rights). The Bank, as a wholly-owned subsidiary of MainStreet Bancshares, will continue to carry on its business and activities as conducted immediately prior to the reorganization.

### **Anticipated Effective Date of the Reorganization**

The reorganization will become effective pursuant to the issuance of a Certificate of Share Exchange by the Virginia SCC. Subject to the receipt of all requisite regulatory approvals and the satisfaction of all other conditions to the reorganization, it is anticipated that the reorganization will become effective during the third quarter of 2016. The requested approval of the Virginia SCC is not, and should not be considered as, a recommendation or endorsement of the reorganization by the Virginia SCC.

## **Optional Exchange of Stock Certificates**

After the reorganization, certificates evidencing shares of Bank common stock will represent, by operation of law, shares of MainStreet Bancshares common stock in the ratio of one share of MainStreet Bancshares common stock for each share of Bank common stock previously owned. Former holders of Bank stock will *not* be required to exchange certificates for their Bank common stock for MainStreet Bancshares stock certificates, but will have the option to do so, unless such holders exercise appraisal rights.

If you wish to exchange your certificates after the reorganization, you may do so by contacting Thomas J. Chmelik, Executive Vice President and Chief Financial Officer, MainStreet Bancshares, Inc., 10089 Fairfax Boulevard, Fairfax, Virginia 22030; telephone (703) 481-4567.

## **Financial Resources of MainStreet Bancshares, Inc.**

The Bank currently intends to transfer \$100,000 as a capital contribution to MainStreet Bancshares upon the effective date of the reorganization. Immediately following the reorganization, the assets of MainStreet Bancshares, on an unconsolidated basis, will consist of \$100,000 and all of the then outstanding shares of Bank common stock. While the Bank may in the future transfer additional funds to MainStreet Bancshares, the amount of funds that may be transferred to MainStreet Bancshares by the Bank is subject to a number of factors, including MainStreet Bancshares' and the Bank's future financial obligations and then applicable regulatory restrictions.

## **Material Federal Income Tax Consequences**

The following discussion summarizes the material federal income tax consequences of the reorganization to holders of MainStreet Bank common stock. The discussion does not address all aspects of federal income taxation that may be relevant to particular shareholders and may not be applicable to shareholders who are not citizens or residents of the United States, nor does the discussion address the effect of any applicable foreign, state, local or other tax laws, except as expressly set forth below. This discussion assumes that Bank shareholders hold their Bank common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Each shareholder should consult his or her own tax advisor as to the particular tax consequences to him or her of the reorganization, including the applicability and effect of foreign, state, local and other tax laws.

In the opinion of Jones Walker LLP, special counsel to MainStreet Bank, the reorganization will, under current law, constitute a tax-free reorganization under Section 368(a) of the Code and MainStreet Bancshares and MainStreet Bank will each be a party to the Reorganization within the meaning of Section 368(b) of the Code. In rendering such opinion, counsel has relied upon written representations as to facts and covenants of MainStreet Bancshares and MainStreet Bank.

As a tax-free reorganization, in counsel's opinion, the reorganization will have the following federal income tax consequences for the shareholders, MainStreet Bank and MainStreet Bancshares:

- No gain or loss will be recognized by holders of MainStreet Bank common stock as a result of the exchange of such shares for shares of MainStreet Bancshares common stock pursuant to the reorganization.
- The tax basis of the shares of MainStreet Bancshares common stock to be received by each shareholder of MainStreet Bank will equal the tax basis of such shareholder's shares of MainStreet Bank common stock exchanged in the reorganization.
- The holding period for the shares of MainStreet Bancshares common stock received by each shareholder of MainStreet Bank will include the holding period for the shares of MainStreet Bank common stock of such shareholder exchanged in the reorganization.
- Neither MainStreet Bancshares nor MainStreet Bank will recognize gain or loss as a result of the reorganization.
- Dissenting shareholders of MainStreet Bank who receive cash in lieu of MainStreet Bancshares common stock will recognize gain or loss on receipt of such cash for federal income tax purposes. Generally, any gain or loss

recognized as a result of the receipt of such cash will be capital gain or loss equal to the difference between the cash received and the tax basis of the shareholder's MainStreet Bank common stock.

No ruling has been sought from the Internal Revenue Service as to the federal income tax consequences of the reorganization, and the opinion of Jones Walker is not binding on the Internal Revenue Service. The Internal Revenue Service could disagree with the conclusions reached in such opinion. In the event of any such disagreement, there can be no assurance that a shareholder or the Bank would prevail in a judicial proceeding.

**The above discussion of federal income tax consequences is a summary of general information. We urge you to consult your own tax advisors with regard to federal, state and local tax consequences that may be applicable to you.**

## **Appraisal Rights**

Shareholders of record of the Bank's common stock who comply with the procedures described below will be entitled to appraisal rights under Article 15 of Section 13.1 of the Virginia SCA. Where appropriate, shareholders are urged to consult with their legal counsel to determine the appropriate procedures for the making of a notice of intent to demand payment (as described below). No further notice of the events giving rise to appraisal rights or deadlines for related actions will be provided by the Bank to shareholders prior to the Annual Meeting.

*The following discussion is only a summary, does not purport to be a complete statement of the law pertaining to appraisal rights under the Virginia SCA and is qualified in its entirety by reference to Article 15, Section 13.1 of the Virginia SCA. Shareholders are urged to consult Article 15 of the Virginia SCA, which is reprinted in its entirety as Appendix D to this Proxy Statement.*

Shareholders who follow the procedures set forth in Article 15 of the Virginia SCA will be entitled to receive payment of the "fair value" of their shares of Bank common stock. Any shareholder who wishes to exercise appraisal rights should review the following discussion and Appendix D carefully because failure to comply in a timely and proper manner with the procedures specified may result in the loss of appraisal rights under the Virginia SCA.

A holder of shares of Bank common stock who wishes to exercise appraisal rights must deliver to the Bank, prior to or at the Annual Meeting before the vote is taken, a written notice of intent to demand payment for such shareholder's shares if the reorganization becomes effective.

A shareholder delivering a notice of intent must not vote the shareholder's shares in favor of the reorganization proposal or the shareholder's appraisal rights will be lost. All notices of intent should be sent or delivered to the Bank's Corporate Secretary, Thomas J. Chmelik, at the Bank's principal executive offices located at 10089 Fairfax Boulevard, Fairfax, Virginia 22030, or they may be hand delivered to him at the Annual Meeting before the voting begins.

If the reorganization agreement is approved and the reorganization becomes effective, within 10 days after the effective date of the reorganization, the Bank will deliver an appraisal notice in writing to all shareholders who correctly and timely delivered a notice of intent (as described above) and also did not vote for approval of the reorganization agreement (an "eligible shareholder"). The appraisal notice will:

- state where the eligible shareholder's payment demands should be sent and where and when stock certificates should be deposited;
- set a date by which the Bank must receive the payment demand (which date may not be fewer than 40 days nor more than 60 days after the date the appraisal notice is sent);
- provide an estimate of the fair value of the shares of Bank common stock that are the subject of the appraisal right demand;
- set the date by which a notice to withdraw the appraisal right demand must be received (a date within 20 days of the date indicated in the second bullet point above); and
- include such other information as required by the Virginia SCA.

An eligible shareholder to whom an appraisal notice is sent must demand payment within the time specified in the appraisal notice, deposit the shareholder's stock certificates in accordance with the terms of the appraisal notice and make certain certifications required by the Virginia SCA. If an eligible shareholder fails to take such actions, the shareholder's appraisal rights will be lost.

Within 30 days of the due date for receipt of any payment demands, if an eligible shareholder has complied with the provisions of Article 15 of the Virginia SCA, the Bank shall pay each eligible shareholder the Bank's estimate of the fair value of the shareholder's shares of Bank common stock, plus accrued interest. With any payment, the Bank must provide its most recent annual and quarterly financial statements, an explanation of how it calculated the fair value of the shares of Bank common stock and interest, and a description of the procedures an eligible shareholder may follow if the eligible shareholder is not satisfied with the payment.

An eligible shareholder who is dissatisfied with the amount paid or offered by the Bank must notify the Bank in writing of his or her own estimate of the fair value of the eligible shareholder's Bank common shares and the amount of interest due (less any amount that may have been already received by the shareholder from the Bank) and demand that the Bank pay this estimated amount. This notice must be given in writing within 30 days of the date that the Bank made or offered to make payment for the shareholder's shares of Bank common stock.

If an eligible shareholder's demand for payment remains unsettled, the Bank shall commence a proceeding in a Virginia circuit court to determine the fair value of the shares of Bank common stock and accrued interest within 60 days of the receipt of the payment demand. If the Bank fails to commence such proceeding within the 60-day period, it must pay the shareholder the amount demanded.

The costs and expenses of any appraisal proceeding will be determined by the court and assessed against the Bank unless the court finds that the shareholder seeking appraisal acted arbitrarily, vexatiously or not in good faith with respect to payment of the fair value of the shares of Bank common stock, in which case such costs and expenses may be assessed against the shareholder. Eligible shareholders will only be entitled to receive payment in accordance with Article 15 of the Virginia SCA and will not be entitled to vote their shares of Bank common stock or exercise any other rights as a holder of Bank common stock.

After the date by which a notice to withdraw the appraisal right demand must be received, an eligible shareholder demanding appraisal may withdraw his or her demand only with the consent of the Bank.

If any eligible shareholder who has demanded appraisal of the shareholder's shares under Article 15 of the Virginia SCA fails to perfect, or effectively withdraws or loses, his or her right to appraisal, as provided in the Virginia SCA, such shareholder's shares of Bank common stock will be converted into the right to receive shares of MainStreet Bancshares common stock in accordance with the reorganization agreement.

Any shareholder who perfects the right to be paid the fair value of the shareholder's shares will recognize gain or loss, if any, for federal income tax purposes upon the receipt of cash for the shares. The amount of gain or loss and its character as ordinary or capital gain or loss will be determined in accordance with applicable provisions of the Internal Revenue Code.

### **Market Price and Dividend Data for Common Stock**

The Bank's common stock is traded on the OTCQX marketplace maintained by the OTC Markets Group (the "OTCQX") under the symbol "MNSB." The OTCQX is an inter-dealer quotation and trading system. To be traded on this tier, companies must undergo qualitative review by OTC Markets Group and, among other things, post financial information with OTC Markets Group.

The following quoted market prices reflect inter-dealer prices, without adjustments for retail markups, markdowns, or commissions and may not represent actual transactions. The market prices represent highs and lows reported during the quarterly period, together with the dividends declared per share of common shares for the periods indicated.

	Close Price		Cash Dividends
	High	Low	Declared
<b><u>Fiscal Year Ending December 31, 2016</u></b>			
First Quarter.....	\$ 12.35	\$ 11.95	--
<b><u>Fiscal Year Ended December 31, 2015</u></b>			
First Quarter.....	\$ 9.49	\$ 8.80	--
Second Quarter.....	10.50	9.26	--
Third Quarter.....	11.59	9.90	--
Fourth Quarter.....	12.35	10.20	--
<b><u>Fiscal Year Ended December 31, 2014</u></b>			
First Quarter.....	\$ 8.50	\$ 7.75	--
Second Quarter.....	8.50	7.70	--
Third Quarter.....	8.75	7.85	--
Fourth Quarter.....	9.10	7.95	--

We do not have knowledge of the prices paid in all transactions and have not verified the accuracy of those prices that have been reported. Because of the lack of an established market for our common shares, these prices may not reflect the prices at which the common stock would trade in an active and liquid market.

There can be no assurance as to future dividends because they are dependent on our future earnings, capital requirements and financial condition. Banking regulations limit the amount of dividends that may be paid by the Bank and the holding company without prior regulatory approval.

We may pay dividends out of legally available funds as and when determined by our Board of Directors after consideration of our earnings, general economic conditions, our financial condition and other factors as may be appropriate in determining dividend policy. Since its inception, the Bank has retained its profits to support growth and has not paid any dividends on its common stock. At present, the Bank and the holding company intend to retain any future earnings to support long-term growth. Holders of the Bank's common stock are entitled to receive and share equally in any dividends, if, when and as declared by our Board of Directors.

The Federal Reserve Board is authorized to determine under certain circumstances relating to the financial condition of a bank that the payment of dividends would be an unsafe and unsound practice and to prohibit payment thereof pursuant to Federal Reserve Board Regulation H. Under that regulation, a member bank may not declare or pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the Bank's net income during the current year and the retained net income of the prior two years, unless the dividend has been approved in advance by the Federal Reserve Board. In addition, a member bank may not declare or pay a dividend if the dividend would exceed the bank's undivided profits as reportable on its report of condition and income, unless the bank has received the prior approval of the Federal Reserve Board and at least two-thirds of the shareholders of each class of stock outstanding.

Virginia law also restricts a bank's ability to pay cash dividends. Virginia banking regulations prohibit the Bank from paying dividends until any deficit in capital funds originally paid in shall have been restored by earnings to their initial level, and, furthermore, no dividend can be declared by the Bank which would impair the paid-in capital. The dividend policy of the Bank is subject to the discretion of the Board of Directors and depends upon a number of factors, including earnings, financial condition, cash needs and general business conditions, as well as applicable regulatory considerations. Based on our current plans, we do not anticipate paying cash dividends in the foreseeable future.

### **Conditions to the Reorganization**

The reorganization agreement sets forth the following conditions which must be met before the reorganization will be consummated:

- the approval of the reorganization agreement by the affirmative vote of the holders of a majority of the outstanding shares of the Bank’s common stock;
- approval of the reorganization by the Federal Reserve and the Virginia SCC and any other governmental agencies that may be required for the consummation of the reorganization;
- an opinion of counsel that the reorganization will be treated as a nontaxable transaction under the Code (see “—Material Federal Income Tax Consequences”);
- unless waived or reduced by the Bank, the number of shares whose holders have perfected appraisal rights represents less than 2.5% of the Bank’s outstanding common stock; and
- compliance by MainStreet Bancshares with all applicable federal and state securities laws relating to the issuance of MainStreet Bancshares common stock.

Consummation of the reorganization is subject to approval by the Federal Reserve and the Virginia SCC of MainStreet Bancshares’s applications to acquire all the outstanding shares of Bank common stock in connection with the reorganization. MainStreet Bancshares has filed the required applications with the Federal Reserve and Virginia SCC seeking approval of the reorganization. Such approvals have not been obtained as of the date of this Proxy Statement.

While MainStreet Bancshares and the Bank do not know of any reason why MainStreet Bancshares would not be able to obtain the necessary approvals in a timely manner, or why they would be received with conditions unacceptable to MainStreet Bancshares, they cannot be certain when or if they will receive them or as to the nature of any conditions imposed. Approval of the reorganization by the Federal Reserve and the Virginia SCC, as well as approval by any other applicable federal or state regulatory agency, does not constitute recommendation or endorsement of the reorganization by the Federal Reserve, the Virginia SCC or other regulatory agency.

**Amendment, Termination or Waiver**

The Board of Directors of the Bank may cause the reorganization agreement to be amended or terminated if the Board determines for any reason that such amendment or termination would be advisable. Such amendment or termination may occur at any time prior to the filing of the Certificate of Share Exchange with the Virginia SCC, whether before or after shareholder approval of the reorganization agreement, provided that no such amendment may be made to the reorganization agreement after shareholder approval if such amendment is deemed to be materially adverse to the shareholders of the Bank. Additionally, any of the terms or conditions of the reorganization agreement may be waived by the party which is entitled to the benefit thereof.

**Management and Operations After the Reorganization**

On the effective date of the reorganization, MainStreet Bancshares will become the parent holding company for the Bank. The Board of Directors of MainStreet Bancshares will be comprised of the same individuals who serve as directors of the Bank. Approval of the reorganization by the shareholders of the Bank at the Annual Meeting will be deemed to constitute the election of the nine designees as directors of MainStreet Bancshares at the effective date of the reorganization. The MainStreet Bancshares Board is divided into three classes, and directors are elected to serve staggered three-year terms. The classes into which the directors will be divided are as follows:

<b>Group I</b>	<b>Group II</b>	<b>Group III</b>
Jeff W. Dick	Thomas J. Chmelik	Dr. William E. Cox, EdD
Paul Thomas Haddock	Patsy I. Rust	Elizabeth S. Bennett (aka Betsy Johns)
Terry M. Saeger		Darrell Green

The directors in Group I will serve until the 2017 annual meeting of shareholders of MainStreet Bancshares, and the Group II and Group III directors will serve until the 2018 and 2019 annual meetings, respectively.

The Board of Directors, officers and employees of the Bank will not change as a result of the reorganization.

Following the reorganization, the Bank will keep its existing name and office locations and will continue to carry on its banking businesses in the same manner as before the reorganization.

Jeff W. Dick, the current Chairman, President and Chief Executive Officer of the Bank, will serve as Chairman, President and Chief Executive Officer of MainStreet Bancshares. Thomas J. Chmelik, Executive Vice President and Chief Financial Officer of the Bank, will serve as Executive Vice President and Chief Financial Officer of MainStreet Bancshares. See Proposal One – “Election of Directors” for more information on directors and officers.

### **Effect on Restricted Stock Awards**

All outstanding restricted stock awards of the Bank at the effective date of the reorganization will become, by virtue of the reorganization, restricted stock awards of MainStreet Bancshares. Under the reorganization agreement, restricted stock awards with respect to shares of Bank common stock outstanding prior to consummation of the reorganization will automatically become options to purchase and restricted stock awards for the same number of shares of MainStreet Bancshares common stock upon consummation of the reorganization, upon identical terms and conditions and for an identical price, and MainStreet Bancshares will assume all of the Bank’s obligations with respect to such outstanding awards. It is intended that all other employee benefit plans of the Bank and the employment arrangements will be unchanged by the reorganization.

### **Shareholder Rights as a Result of the Reorganization**

MainStreet Bancshares is a corporation governed by the laws of Virginia applicable to business corporations, while the Bank is a commercial bank governed by the banking laws of Virginia, which incorporate the Virginia laws applicable to business corporations only to the extent they do not conflict with the banking laws. The rights of holders of shares of Bank stock are governed by the Articles of Incorporation and Bylaws of the Bank and the Virginia SCA and the Virginia Banking Act. As a result of the reorganization, holders of shares of Bank stock would become shareholders of MainStreet Bancshares, other than those shareholders who properly exercise appraisal rights. Accordingly, shareholders of MainStreet Bancshares will be governed by the Articles of Incorporation and Bylaws of MainStreet Bancshares and the Virginia SCA.

The Articles of Incorporation and Bylaws of MainStreet Bancshares are substantially the same as those of the Bank. As such, there are no material differences between the rights of shareholders of the bank and shareholders of MainStreet Bancshares. Forms of the Articles of Incorporation and Bylaws of MainStreet Bancshares are attached as Appendices B and C, respectively, to this Proxy Statement.

### **Supervision and Regulation**

The Bank currently is subject to regulation and examination by the Federal Reserve and the Virginia SCC, and it will continue to be subject to such regulation and examination after the reorganization. In addition, MainStreet Bancshares will be subject to regulation by the Federal Reserve and the Virginia SCC after the reorganization. See “Supervision and Regulation of MainStreet Bancshares, Inc.” for additional information.

### **Resales of MainStreet Bancshares Common Stock**

The shares of MainStreet Bancshares common stock to be issued to shareholders of the Bank in connection with the reorganization will be freely transferable by those shareholders not deemed to be “affiliates” of MainStreet Bancshares or the Bank. Generally, an affiliate is deemed to be a person that directly or indirectly controls, is controlled by or is under common control with a company. Although control is a question of fact based on the particular facts of each situation, directors, executive officers and 10% shareholders are generally deemed to be affiliates.

Shares of MainStreet Bancshares common stock acquired by a person who is an affiliate of MainStreet Bancshares will be subject to the resale restrictions of Rule 144 under the Securities Act. Under Rule 144, each affiliate of MainStreet Bancshares who complies with the other conditions of Rule 144 (including those conditions that require the affiliate’s sales to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of (i) 1% of the outstanding shares of MainStreet Bancshares common stock or (ii) the average weekly trading volume in such shares during the preceding four calendar weeks. In addition, affiliates must have held those shares for more than one year (including the amount of time that they held shares of Bank common stock). The ability of affiliates to resell shares of MainStreet Bancshares common stock received in the reorganization under Rule 144 will also be subject to MainStreet Bancshares having satisfied its requirement to make

publicly available certain information regarding MainStreet Bancshares. Affiliates also would be permitted to resell shares of MainStreet Bancshares common stock received in the reorganization pursuant to an effective registration statement under the Securities Act or an available exemption from the Securities Act registration requirements.

### **Articles of Incorporation and Bylaws**

The form of Articles of Incorporation for MainStreet Bancshares are attached as Appendix B to this Proxy Statement. Among other things, the Articles provide for the authorized capital stock; a classified Board of Directors; the conduct of shareholder meetings; and indemnification and elimination of liability.

The form of Bylaws for MainStreet Bancshares is attached as Appendix C to this Proxy Statement. Among other things, the Bylaws provide for meetings of shareholders, including director nominations and special meetings; the powers, numbers, qualifications, election, removal and meetings of directors; director committees; officers; indemnification; and capital stock.

## **MAINSTREET BANCSHARES, INC.**

### **General**

MainStreet Bancshares, Inc. was incorporated under the laws of Virginia on February 16, 2016, at the direction of the Board of Directors of the Bank for the purpose of acquiring all of the outstanding shares of the Bank common stock. MainStreet Bancshares has filed applications with the Federal Reserve and the Virginia SCC for prior approval to become a bank holding company and to acquire all outstanding shares of Bank common stock. MainStreet Bancshares has not yet engaged in business activity, and there are no current plans to engage in any activities other than acting as a holding company for the common stock of the Bank.

MainStreet Bancshares owns no properties and therefore, as necessary, will use the Bank's existing premises, facilities and personnel. MainStreet Bancshares's needs in this regard are expected to be minimal, and MainStreet Bancshares will reimburse the Bank for such expenses. MainStreet Bancshares' offices will be located in the Bank's offices at 10089 Fairfax Boulevard, Fairfax, Virginia 22030, and its telephone number will be the same as that of the Bank: (703) 481-4567. MainStreet Bancshares does not, therefore, contemplate any substantial expenditures for equipment, office space or additional personnel prior to consummation of the reorganization or for the foreseeable future.

MainStreet Bancshares is not a party to any pending legal proceedings before any court, administrative agency or other tribunal. Further, MainStreet Bancshares is not aware of any material litigation which is threatened against it or the Bank in any court, administrative agency or other tribunal.

See "The Proposed Reorganization — Management and Operations After the Reorganization" and "Proposal One – Election of Directors" for more information on directors and officers of the Bank and MainStreet Bancshares.

### **Description of Capital Stock**

*Common Stock.* MainStreet Bancshares' Articles of Incorporation authorize 7,500,000 shares of common stock, par value \$4.00 per share. The Board of Directors may issue shares of our common stock from time to time for such consideration as the Board may deem advisable without further shareholder approval, subject to the maximum authorized common stock provided in our Articles of Incorporation. The common stock is nonwithdrawable capital, is not an insurable account and is not insured by the FDIC.

*Dividend Rights.* Dividends, as declared from time to time by the Board of Directors, may be paid out of funds legally available for the payment of dividends, subject to certain restrictions imposed by federal and state laws. The holders of common stock are entitled to receive and share equally in any dividends as may be declared by the Board of Directors.

*Voting Rights.* In all elections of directors, each shareholder has the right to cast one vote for each share of common stock owned by him or her and is entitled to vote for as many persons as there are directors to be elected. Shareholders do not have cumulative voting rights. On any other question to be determined by a vote of shares at any meeting of shareholders, each shareholder shall be entitled to one vote for each share of common stock owned by him or her and entitled to vote. Unless



otherwise required by the Virginia SCA or the Articles of Incorporation, one-third of the votes entitled to be cast on a matter by a voting group at a shareholder meeting shall constitute a quorum.

*Preemptive Rights.* Holders of the common stock have no preemptive rights.

*Calls and Assessments.* All common stock outstanding is fully paid and nonassessable.

*Liquidation Rights.* Upon our liquidation, dissolution or winding up, whether voluntary or involuntary, holders of our common stock are entitled to share ratably, after satisfaction in full of all of our liabilities (including deposit liabilities), in all of our remaining assets available for distribution. If preferred stock is issued, holders of preferred stock may have a priority over the holders of the holding company's common stock in the event of liquidation or dissolution.

*Preferred Stock.* The Articles of Incorporation vest in the Board of Directors the authority to issue up to 2,000,000 shares of preferred stock, par value \$1.00 per value, in one or more series and, to the extent permitted by law, fix and determine the preferences, limitations and relative rights of the shares of any series so established. These provisions give the Board of Directors the flexibility, at any time or from time to time, without further shareholder approval (except as may be required by applicable laws, regulatory authorities or the rules of any stock exchange on which the holding company's securities are then listed), to create one or more series of preferred stock and to determine the terms of each such series by adopting an amendment of the Articles of Incorporation. Holders of the preferred stock would have no preemptive rights. No shares of preferred stock are issued and outstanding.

*Transfer Agent.* American Stock Transfer & Trust Co. serves as transfer agent for the Bank's common stock and will be transfer agent for the common stock of MainStreet Bancshares.

*Provisions That May Affect Change of Control.* The Articles of Incorporation and the Virginia SCA contain certain provisions designed to enhance the ability of the Board of Directors to deal with attempts to acquire control of the Bank. These provisions and the ability to set the voting rights, preferences and other terms thereof may be deemed to have an anti-takeover effect and may discourage takeover attempts which have not been approved by the Board (including takeovers which certain shareholders may deem to be in their best interest). To the extent that such takeover attempts are discouraged, temporary fluctuations in the market price of our common stock resulting from actual or rumored takeover attempts may be inhibited. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even though such transaction may be favorable to the interests of stockholders, and could potentially adversely affect the market price of our common stock.

The following briefly summarizes protective provisions that are contained in our Articles of Incorporation and provided by the Virginia SCA. This summary is necessarily general and is not intended to be a complete description of all the features and consequences of those provisions and is qualified in its entirety by reference to our Articles of Incorporation and the Virginia SCA.

- the Articles of Incorporation require a supermajority of 80% or more of all votes entitled to be cast for shareholder approval of certain actions, unless at least two-thirds of the Board of Directors has approved and recommended the action. Items subject to this supermajority provision include amendments of our Articles of Incorporation, approval of plans of merger or share exchange, asset sales of all or substantially all of the holding company's assets other than in the regular course of business and plans of dissolutions. If at least two-thirds of the Board of Directors has approved and recommended one of the above actions, a simple majority vote is required to approve the matter.
- According to the Bylaws, the Board of Directors must have a minimum of five members and a maximum of 15 members. The Board consists of three groups each of which serves three-year terms, with the term of office of one group expiring each year. According to the Articles of Incorporation and Bylaws, a director may be removed with or without cause by the affirmative vote of a majority in interest of shareholders present at a meeting where a quorum is in attendance.
- Articles 14 and 14.1 of the Virginia SCA also contain provisions regarding affiliated transactions and control share acquisitions. Both the affiliated transactions statute and the control share acquisitions statute apply to Virginia corporations with more than 300 shareholders. As of the Record Date for the Annual Meeting, the Bank

had approximately 250 shareholders of record. These provisions could have an anti-takeover effect, thereby reducing the control premium that might otherwise be reflected in the value of the common stock. Although Virginia corporations are permitted to opt out of these provisions, the Bank and the holding company have not done so. Below is a summary of the key provisions of these Articles. You should read the actual provisions of the Virginia SCA for a complete understanding of the restrictions that these provisions place on affiliated transactions and control share acquisitions.

- Article 14 of the Virginia SCA governs “affiliated transactions,” or transactions between a Virginia corporation and an “interested shareholder.” “Interested shareholders” are holders of more than 10% of any class of a corporation’s outstanding voting shares. Subject to certain exceptions discussed below, the affiliated transactions statute requires that, for three years following the date upon which any shareholder becomes an interested shareholder, any affiliated transaction must be approved by the affirmative vote of holders of two-thirds of the outstanding shares of the corporation entitled to vote, other than the shares beneficially owned by the interested shareholder, and by a majority (but not less than two) of the “disinterested directors.” The affiliated transactions statute defines a disinterested director as a member of a corporation’s board of directors who either (i) was a member before the later of January 1, 1988 or the date on which an interested shareholder became an interested shareholder or (ii) was recommended for election by, or was elected to fill a vacancy and received the affirmative vote of, a majority of the disinterested directors then on the corporation’s board of directors. At the expiration of the three year period after a shareholder becomes an interested shareholder, these provisions require that any affiliated transaction be approved by the affirmative vote of the holders of two-thirds of the outstanding shares of the corporation entitled to vote, other than those beneficially owned by the interested shareholder.

The principal exceptions to the special voting requirement apply to affiliated transactions occurring after the three year period has expired and require either that the affiliated transaction be approved by a majority of the corporation’s disinterested directors or that the transaction satisfy specific statutory fair price requirements. In general, the fair price requirements provide that the shareholders must receive for their shares the higher of: the highest per share price paid by the interested shareholder for his or its shares during the two year period prior to becoming an interested shareholder, or the fair market value of the shares. The fair price requirements also require that, during the three years preceding the announcement of the proposed affiliated transaction, all required dividends have been paid and no special financial accommodations have been accorded the interested shareholder, unless approved by a majority of the disinterested directors.

- With specific enumerated exceptions, Article 14.1 of the Virginia SCA applies to acquisitions of shares of a corporation which would result in an acquiring person’s ownership of the corporation’s shares entitled to be voted in the election of directors falling within any one of the following ranges: 20% to 33 1/3 %, 33 1/3% to 50% or 50% or more. Shares that are the subject of a control share acquisition will not be entitled to voting rights unless the holders of a majority of the “disinterested shares” vote at an annual or special meeting of shareholders of the corporation to accord the control shares with voting rights. Disinterested shares are those outstanding shares entitled to be voted that are not owned by the acquiring person or by officers and inside directors of the target company. Under specific circumstances, the control share acquisitions statute permits an acquiring person to call a special shareholders’ meeting for the purpose of considering granting voting rights to the holders of the control shares. As a condition to having this matter considered at either an annual or special meeting, the acquiring person must provide shareholders with detailed disclosures about his or its identity, the method and financing of the control share acquisition and any plans to engage in specific transactions with, or to make fundamental changes to, the corporation, its management or business. Under specific circumstances, the control share acquisitions statute grants dissenters’ rights to shareholders who vote against granting voting rights to the control shares. Among the acquisitions specifically excluded from the control share acquisitions statute are acquisitions which are a part of certain negotiated transactions to which the corporation is a party and which, in the case of mergers or share exchanges have been approved by the corporation’s shareholders under other provisions of the Virginia SCA.
- MainStreet Bancshares is unable to determine the effects of any future issuance of a series of preferred stock on the rights of its shareholders until the Board of Directors determines the rights of the holders of such series. However, such effects might include: (i) a preference in the payment of dividends to holders of preferred stock; (ii) dilution of voting power in the unlikely event that the holders of shares of preferred stock are given voting rights; (iii) dilution of the equity interests and voting power of holders of common stock if the preferred stock is converted into common stock; (iv) a liquidation preference above the holders of common stock; and (v)

prevention of mergers with or business combinations by the holding company and discouragement of possible tender offers for shares of the common stock.

*Limitations on Liability of Officers and Directors.* As permitted by the Virginia SCA, the Articles of Incorporation contain provisions that indemnify our directors and officers to the full extent permitted by Virginia law and eliminate the personal liability of our directors and officers for monetary damages to us or our shareholders for breach of their fiduciary duties except to the extent that the Virginia Act prohibits indemnification or elimination of liability. These provisions do not limit or eliminate the rights of us or any shareholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's or officer's fiduciary duty. In addition, these provisions apply only to claims against a director or officer arising out of his role as a director or officer and do not relieve a director or officer from liability if he engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law. In addition, our Articles of Incorporation provide for the indemnification of both directors and officers for expenses that they incur in connection with the defense or settlement of claims asserted against them in their capacities as directors and officers. This right of indemnification extends to judgments or penalties assessed against them. We have limited our exposure to liability for indemnification of directors and officers by purchasing directors and officers liability insurance coverage.

The rights of indemnification provided in the Articles of Incorporation are not exclusive of any other rights that may be available under any insurance or other agreement, by vote of shareholders or disinterested directors or otherwise.

## **SUPERVISION AND REGULATION OF MAINSTREET BANCSHARES, INC.**

### **General**

As a bank holding company, MainStreet Bancshares will be subject to regulation under the BHCA, and the examination and reporting requirements of the Federal Reserve. Under the BHCA, a bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve.

In general, the BHCA also limits the activities of a bank holding company to that of banking, managing or controlling banks, or any other activity that the Federal Reserve has determined to be so closely related to banking or to managing or controlling banks that an exception is allowed for those activities. Bank holding companies that qualify and elect to be treated as "financial holding companies" may engage in a broad range of additional activities that are (i) financial in nature or incidental to such financial activities or (ii) complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. These activities include securities underwriting and dealing, insurance underwriting and making merchant banking investments. Subsequent to consummation of the holding company reorganization, we may make an election to be treated as a financial holding company.

As a Virginia-chartered bank that is a member of the Federal Reserve System, the Bank is subject to regulation, supervision and examination by the Virginia SCC's Bureau of Financial Institutions and the Federal Reserve, and it will continue to be subject to such regulation, supervision and examination after the reorganization. State and federal law also governs the activities in which the Bank engages, the investments that it makes and the aggregate amount of loans that may be granted to one borrower. Various consumer and compliance laws and regulations also affect the Bank's operations.

The earnings of MainStreet Bancshares' subsidiaries, and therefore the earnings of MainStreet Bancshares, will be affected by general economic conditions, management policies, changes in state and federal legislation and actions of various regulatory authorities, including those referred to above. The following description summarizes some of the significant state and federal and state laws to which MainStreet Bancshares will be, and the Bank is, subject. To the extent that statutory or regulatory provisions or proposals are described, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions or proposals.

### **Payment of Dividends**

MainStreet Bancshares will be a legal entity separate and distinct from its banking and other subsidiaries. The majority of MainStreet Bancshares's revenues will result from dividends paid to MainStreet Bancshares by the Bank. The Bank is subject to laws and regulations that limit the amount of dividends that it can pay. Under Virginia law, without the permission of the Virginia SCC, a state bank may not pay dividends, except from retained earnings. Under federal law applicable to state-chartered Federal Reserve member banks, a bank may not declare or pay a dividend without prior Federal Reserve

approval if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the bank's net income during the current calendar year and the retained net income of the prior two calendar years. Also under federal banking law, the Bank cannot declare or pay a cash dividend on its capital stock if the Bank is insolvent or if the payment of the dividend would render it insolvent or unable to pay its obligations as they become due in the ordinary course of business.

In addition, MainStreet Bancshares will be, and the Bank is, subject to various regulatory restrictions relating to the payment of dividends, including requirements to maintain capital at or above regulatory minimums. The Federal Reserve has issued guidance indicating that banking organizations should generally pay dividends only if the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition. The Federal Reserve's guidance also states that bank holding companies should inform and consult with the Federal Reserve in advance of declaring or paying a dividend that exceeds earnings for the period (e.g., quarter) for which the dividend is being paid or that could result in a material adverse change to the organization's capital structure.

## **Capital Requirements**

In July 2013, the Federal Reserve and the other federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

The final capital rule applies to all depository institutions as well as to bank holding companies with consolidated assets of \$1 billion or more. The rule's capital requirements also apply on a consolidated basis to any bank holding company with consolidated assets of less than \$1 billion if the holding company (1) is engaged in significant nonbanking activities either directly or through a nonbank subsidiary; (2) conducts significant off-balance sheet activities (including securitization and asset management or administration) either directly or through a nonbank subsidiary; or (3) has a material amount of debt or equity securities outstanding (other than trust preferred securities) that are registered with the Securities and Exchange Commission. The Federal Reserve may apply the risk-based guidelines at its discretion to any bank holding company, regardless of asset size, if such action is warranted for supervisory purposes. We believe that MainStreet Bancshares will not be subject to the consolidated risk-based capital measures.

The final rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets) and increased the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets). The rule also included changes in what constitutes regulatory capital, some of which are subject to a two-year transition period. These changes include the phasing-out of certain instruments as qualifying capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of common stock will be required to be deducted from capital, subject to a two-year transition period.

The final capital rule also included changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and nonresidential mortgage loans that are 90 day past due or otherwise on nonaccrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk-weights (from 0% to up to 600%) for equity exposures.

Finally, the rule will limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement will be phased in beginning January 1, 2016 at 0.625% of risk-weighted assets increasing each year until fully implemented at 2.5% on January 1, 2019.

The final capital rule was effective for the Bank on January 1, 2015. As of December 31, 2015, the Bank was in compliance with all regulatory capital standards and qualified as "well capitalized."

## **Deposit Insurance**

The deposits of the Bank are insured up to applicable limits by the Depository Insurance Fund of the Federal Deposit Insurance Corporation (the “FDIC”) and are subject to deposit insurance assessments to maintain the Deposit Insurance Fund. The deposit insurance assessment is based on average total assets minus average tangible equity, pursuant to a rule issued by the FDIC as required by the Dodd-Frank Act.

The Federal Deposit Insurance Act, as amended by the Federal Deposit Insurance Reform Act and the Dodd-Frank Act, requires the FDIC to set a ratio of deposit insurance reserves to estimated insured deposits of at least 1.35%. The FDIC has adopted a risk-based premium system that provides for quarterly assessments based on an insured institution’s ranking in one of four risk categories based on their examination ratings and capital ratios. The assessment base is the institution’s average consolidated assets less average tangible equity. Average assets are reduced by goodwill and other intangibles. Average tangible equity equals Tier 1 capital. The base assessment rate for insured institutions in Risk Category I ranges between 5 to 9 basis points and for institutions in Risk Categories II, III, and IV, the base assessment rate is 14, 23 and 35 basis points, respectively. An institution’s assessment rate may be reduced based on the amount of its outstanding unsecured long-term debt and for institutions in Risk Categories II, III and IV may be increased based on their brokered deposits.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC at an annual rate of approximately one basis point of insured deposits to fund interest payments on bonds issued by the Financing Corporation, an agency of the federal government established to recapitalize the Federal Savings and Loan Insurance Corporation. These assessments will continue until the FICO bonds mature in 2017 through 2019.

### **Support of Subsidiary Institutions**

MainStreet Bancshares will be required to act as a source of financial strength for the Bank and to commit resources to support the Bank. This support can be required at times when it would not be in the best interest of MainStreet Bancshares’s shareholders or creditors to provide it. In the unlikely event of MainStreet Bancshares’s bankruptcy, any commitment by MainStreet Bancshares to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

### **Restrictions on Transactions with Affiliates**

The Bank is, and MainStreet Bancshares will be, subject to the provisions of Section 23A of the Federal Reserve Act. For purposes of Section 23A, the MainStreet Bancshares will be an “affiliate” of the Bank. Section 23A places limits on the amount of:

- a bank’s loans or extensions of credit, including purchases of assets subject to an agreement to repurchase, to affiliates;
- a bank’s investment in affiliates;
- assets a bank may purchase from affiliates, except for real and personal property exempted by the Federal Reserve;
- the amount of loans or extensions of credit to third parties collateralized by the securities or debt obligations of affiliates;
- transactions involving the borrowing or lending of securities and any derivative transaction that results in credit exposure to an affiliate; and
- a bank’s guarantee, acceptance or letter of credit issued on behalf of an affiliate.

The total amount of the above transactions is limited in amount, as to any one affiliate, to 10% of a bank’s capital and surplus and, as to all affiliates combined, to 20% of a bank’s capital and surplus. In addition to the limitation on the amount of these transactions, a bank’s extensions of credit to an affiliate must also meet specified collateral requirements. The Bank must also comply with other provisions designed to avoid acquiring low-quality assets from its affiliates.

In addition, the Bank is, and MainStreet Bancshares will be, subject to the provisions of Section 23B of the Federal Reserve Act, which, among other things, prohibits an institution from engaging in any transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

### **Consumer Financial Protection**

The Bank is subject to a number of federal and state consumer protection laws that extensively govern its relationship with its customers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act, laws governing flood insurance, federal and state laws prohibiting unfair and deceptive business practices, foreclosure laws, and various regulations that implement some or all of the foregoing. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans and providing other services. If the Bank fails to comply with these laws and regulations, it may be subject to various penalties. Failure to comply with consumer protection requirements may also result in failure to obtain any required bank regulatory approval for merger or acquisition transactions the Bank or Main Street Bancshares may wish to pursue or being prohibited from engaging in such transactions even if approval is not required.

The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau (the “CFPB”), and giving it responsibility for implementing, examining, and enforcing compliance with federal consumer protection laws. The CFPB focuses on (1) risks to consumers and compliance with the federal consumer financial laws, (2) the markets in which firms operate and risks to consumers posed by activities in those markets, (3) depository institutions that offer a wide variety of consumer financial products and services, and (4) non-depository companies that offer one or more consumer financial products or services.

The CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit “unfair, deceptive or abusive” acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer’s ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer’s (1) lack of financial savvy, (2) inability to protect himself in the selection or use of consumer financial products or services, or (3) reasonable reliance on a covered entity to act in the consumer’s interests. The CFPB can issue cease-and-desist orders against banks and other entities that violate consumer financial laws. The CFPB may also institute a civil action against an entity in violation of federal consumer financial law in order to impose a civil penalty or injunction.

### **Other Safety and Soundness Regulations**

There are a number of obligations and restrictions imposed on depository institutions by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default. The federal banking agencies also have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institution in question is well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, as defined by the law. The Bank is currently classified as a well-capitalized financial institution. Federal regulatory authorities also have broad enforcement powers over us, including the power to impose fines and other civil and criminal penalties, and to appoint a receiver in order to conserve the assets of any such institution for the benefit of depositors and other creditors.

## **PROPOSAL FOUR - APPROVAL OF THE MAINSTREET BANK 2016 EQUITY INCENTIVE PLAN**

The Board of Directors has adopted, subject to shareholder approval, the MainStreet Bank 2016 Equity Incentive Plan (the “Equity Incentive Plan”), to provide officers, other selected employees and directors of the Bank with additional incentives to promote the growth and performance of the Bank. By approving the Equity Incentive Plan, our shareholders will provide us with additional flexibility to continue to attract, retain, incent and reward highly qualified personnel by offering a compensation program that is further linked to the performance of our common stock. The Equity Incentive Plan is intended to further align

the interests of Equity Incentive Plan participants with the interests of our shareholders by potentially increasing the ownership interests of the participants in the common stock of the Bank.

*The following summary of the material features of the Equity Incentive Plan is qualified in its entirety by reference to the provisions of the Equity Incentive Plan, attached hereto as Appendix E. In the event of a conflict between the terms of this summary and the terms of the Equity Incentive Plan, the terms of the Equity Incentive Plan control.*

## **General**

Subject to permitted adjustments for certain corporate transactions, the Equity Incentive Plan authorizes the issuance of up to 200,000 shares of Bank common stock representing approximately 4.71% of the shares of common stock currently outstanding. Upon the effective date of the Equity Incentive Plan, no new awards may be granted under the Bank's 2006 Incentive Stock Plan. Shares of Bank common stock may be issued under the Equity Incentive Plan pursuant to grants of incentive stock options, non-qualified stock options and restricted stock awards. Of this number, the maximum number of shares of Bank common stock that may be issued under the Equity Incentive Plan pursuant to the exercise of stock options is 200,000 shares, reduced by the number of shares issued upon the vesting of restricted stock awards, and the maximum number of shares of Bank common stock that may be issued as restricted stock awards is 200,000 shares, reduced by the number of shares issued upon the exercise of stock options.

The Equity Incentive Plan will be administered by the Compensation Committee, who are disinterested board members (the "Committee"). The Committee has full and exclusive power within the limitations set forth in the Equity Incentive Plan to make all decisions and determinations with respect to: (i) selecting participants and granting awards; (ii) establishing the terms and conditions relating to each award; (iii) adopting rules, regulations and guidelines for carrying out the Equity Incentive Plan's purposes; and (iv) interpreting the provisions of the Equity Incentive Plan.

Pursuant to the reorganization agreement adopted by the Board of Directors of the Bank in connection with the Bank's proposed formation of a bank holding company, the terms and conditions of the Equity Incentive Plan will be converted into and deemed to be the terms and conditions of a substantially identical holding company incentive compensation plan, which shall be effective on and continue after the effective date of the holding company reorganization.

## **Eligibility**

Employees and outside directors of the Bank or its subsidiaries or any future parent company are eligible to receive awards under the Equity Incentive Plan.

## **Types of Awards**

The Committee may determine the type and terms and conditions of awards under the Equity Incentive Plan, which must be set forth in an award agreement delivered to each participant. Awards may be granted as incentive stock options, non-qualified stock options, restricted stock awards or any combination thereof, as follows:

**Stock Options.** A stock option gives the option recipient the right to purchase shares of common stock at a specified price for a specified period of time. The exercise price may not be less than the fair market value of the Bank's common stock on the date the stock option is granted. Fair market value for purposes of the Equity Incentive Plan means the final sales price of Bank's common stock as reported on the OTCQX Marketplace (or other exchange on which Bank shares are listed or traded) on the date the option is granted, or if the Bank's common stock was not traded on such date, then the closing price on the first preceding day on which sales were reported and without regard to after-hours trading activity. The Committee will determine the fair market value, in accordance with Section 422 of the Internal Revenue Code and applicable requirements of Section 409A of the Internal Revenue Code, if it cannot be determined in the manner described herein. Further, the Committee may not grant a stock option with a term of exercisability that is longer than 10 years.

Stock options are either "incentive" stock options or "non-qualified" stock options. Incentive stock options may provide certain tax advantages for employee recipients and must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are eligible to receive incentive stock options. Shares of common stock purchased upon the exercise of a stock option must be paid for in full at the time of exercise: (i) either in cash or with stock valued at fair market value as of the day of exercise; (ii) by a "cashless exercise" through a third party; (iii) by a net settlement of the stock option using a portion of the shares issuable as payment of the exercise price of the stock option; (iv) by personal, certified or cashiers'

check; (v) by other property deemed acceptable by the Committee; or (vi) by a combination of the foregoing. Stock options are subject to vesting conditions and restrictions as determined by the Committee.

***Restricted Stock.*** A restricted stock award is a grant of common stock, subject to vesting requirements, to a participant for no consideration or minimum consideration as may be required by applicable law. Restricted stock awards under the Equity Incentive Plan will be granted only in whole shares of common stock and are subject to vesting conditions and other terms and conditions established by the Committee as set forth in the Equity Incentive Plan or the award agreement. Awards will be evidenced by award agreements approved by the Committee, which will set forth the terms and conditions of each award. Unless otherwise determined by the Committee, the recipient of a restricted stock award may exercise any voting rights with respect to common stock subject to an award prior to such award being earned. Unless the Committee determines otherwise, any dividends or distributions declared and paid with respect to shares subject to a restricted stock award will be distributed to the participant by the Bank within 30 days of the respective dividend payment date, subject to applicable tax withholding; provided, that in the event of the forfeiture of such award, all future dividend rights shall cease.

***Prohibition Against Option Repricing.*** The Equity Incentive Plan provides that neither the Committee nor the Board is authorized to make any adjustment or amendment that reduces or would have the effect of reducing the exercise price of a stock option that has been previously granted unless such action is approved by a vote of the Bank's shareholders.

***Restrictions on Transfer.*** Generally, all awards, except non-statutory stock options, granted under the Equity Incentive Plan will be nontransferable except by will or in accordance with the laws of intestate succession. Restricted stock awards may be transferable pursuant to a qualified domestic relations order. At the Committee's sole discretion, non-statutory stock options may be transferred for valid estate planning purposes that are permitted by the Internal Revenue Code and federal securities laws. During the life of the participant, awards can only be exercised by him or her. The Committee may permit a participant to designate a beneficiary to exercise or receive any rights that may exist under the Equity Incentive Plan upon the participant's death.

#### **Limitation on Awards under the Equity Incentive Plan**

The following limits and restrictions apply to awards under the Equity Incentive Plan:

- The maximum number of shares of common stock that may be delivered to participants and their beneficiaries under the Equity Incentive Plan will be equal to 200,000 shares of common stock in the aggregate. Upon the effective date of the Equity Incentive Plan, no additional new awards will be granted under the Bank's 2006 Incentive Stock Plan.
- The maximum number of shares of common stock that may be delivered pursuant to the exercise of stock options (all of which may be granted as incentive stock options, non-qualified common stock options or a combination of each) is 200,000 shares of common stock, reduced by any shares of common stock issued as restricted stock awards.
- The maximum number of shares of common stock that may be issued as restricted stock awards is 200,000 shares of common stock, reduced by any shares of common stock issued upon the exercise of stock options.
- Total shares of common stock issued to outside directors under the Equity Incentive Plan will not exceed 100,000 shares of common stock in the aggregate. The maximum number of shares of common stock issuable to any individual outside director under the Equity Incentive Plan will not exceed 20,000 shares of common stock in the aggregate, and the maximum number of shares of common stock related to the award of non-qualified stock options and restricted stock awards in any calendar year to any individual outside director will not exceed 2,500 shares of common stock in the aggregate.
- Total shares of common stock to be issued to employees under the Equity Incentive Plan will not exceed 200,000 shares of common stock in the aggregate, reduced by the aggregate of shares of common stock issued to outside directors. The maximum number of shares of common stock issuable to any individual employee under the Equity Incentive Plan will not exceed 30,000 shares of common stock in the aggregate, and the maximum number of shares of common stock related to the award of stock options (all of which may be granted as incentive stock



options, non-qualified stock options or a combination of each) or restricted stock awards in any calendar year to any individual Employee will not exceed 5,000 shares of common stock in the aggregate.

In the event of a corporate transaction involving the common stock of the Bank (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the foregoing share limitations and all outstanding awards will automatically be adjusted proportionally and uniformly to reflect such event. Such adjustments are intended to preserve the benefits or potential benefits of the awards.

In addition, to the extent any shares of Bank common stock covered by an award under the Equity Incentive Plan (including restricted stock awards) are not delivered to a participant or beneficiary because the award is forfeited or canceled or because the stock option is not exercised, prior to its expiration, then such shares will not be deemed to have been delivered for purposes of determining the maximum number of shares of common stock available for delivery under the Equity Incentive Plan.

### **Performance Based Features**

***Performance Measures.*** Upon the grant of an award, the Committee may establish the performance targets (other than being based solely on continuation of service) which must be met before such awards may begin to become first earned and non-forfeitable or exercisable. Such performance targets may be expressed as a minimum threshold level and an optimum level, and each level of performance attainment may yield a specified number of stock options and/or restricted stock awards. The terms and conditions of any award, including any performance targets, if any, for each participant will be detailed in an award agreement. Except as otherwise provided herein, if such performance targets are not attained by the ending date of the performance period as specified in the applicable award agreement, then such award will be forfeited. Once such performance targets are attained, as certified by the Committee, such award will be deemed first earned and non-forfeitable. Such performance targets may consist of Bank financial metrics, peer group rankings based upon financial metrics, or such other criteria that may be established by the Committee as of the date of grant, except as otherwise modified thereafter by the Committee as permitted herein. Notwithstanding the foregoing, the Committee will have the authority to adjust or modify performance measures with respect to awards, including the authority to determine that awards will be earned without regard to whether such performance measures previously established have been satisfied and/or to authorize the implementation of a new performance period and performance measures and the re-issuance of previously forfeited awards under the new program. The Committee will have sole discretion in determining how performance measures are calculated. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Bank or the manner in which the Bank conducts its business or other events or circumstances render current performance measures to be unsuitable, the Committee may modify such performance measures, in whole or in part, as the Committee deems appropriate. The Committee will certify in writing that any performance goals or other material terms applicable to an award were in fact satisfied, modified or waived, prior to such award first becoming earned and non-forfeitable.

### **Vesting of Awards**

If the right to become vested in an award under the Equity Incentive Plan is conditioned on the completion of a specified period of service with the Bank, without the achievement of performance measures or objectives, then unless otherwise determined by the Committee and evidenced in an award agreement, then the required period of service for full vesting will be determined by the Committee and evidenced in an award agreement, and may be subject to acceleration of vesting in the event of death, disability, retirement or upon a change in control.

- Awards to employees under the Equity Incentive Plan will be granted with a vesting rate equal to one-third of such award per year, with the first installment vesting on the one year anniversary of the date of grant, and succeeding installments vesting on each annual anniversary thereafter during periods of continued service by the award recipient until such award is fully earned.
- Awards to outside directors under the Equity Incentive Plan will be granted with a vesting rate equal to 50% of such award per year, with the first installment vesting on the one year anniversary of the date of grant and 50% vesting on the second anniversary thereafter during periods of continued service by the award recipient until such award is fully earned.

For a participant who is a director, termination of service as a director will not be deemed to have occurred if he or she continues as a director emeritus or advisory director. For a participant who is both an employee and a director, termination of employment as an employee will not be considered a termination event so long as the participant continues to provide service as a director, director emeritus or advisory director. The Committee may in its discretion elect to use a different vesting schedule or different performance measures set forth in the Equity Incentive Plan, provided that such terms are detailed in the participant's award agreement.

### **Change in Control**

Unless otherwise stated in an award agreement, upon the occurrence of a change in control of the Bank, all outstanding stock options then held by a participant will become fully exercisable, and all restricted stock awards will be fully earned and vested. For the purposes of the Equity Incentive Plan, a "Change in Control" means (i) the Bank merges into or consolidates with another entity, or merges another bank or corporation into the Bank, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were shareholders of the Bank immediately before the merger or consolidation; (ii) a person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Bank's voting securities; provided, however, this clause (ii) shall not apply to beneficial ownership of the Bank's voting shares held in a fiduciary capacity by an entity of which the Bank directly or indirectly beneficially owns 50% or more of its outstanding voting securities; (iii) during any period of two consecutive years, individuals who constitute the Bank's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Bank's Board of Directors; provided, however, that for purposes of this clause (iv), each director who is first elected by the Board (or first nominated by the Board for election by the shareholders) by a vote of at least two-thirds of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or (v) the Bank sells to a third party all or substantially all of its assets.

In the event of a Change in Control, any performance measures related to an award under the Equity Incentive Plan will be deemed satisfied as of the date of the Change in Control.

### **Amendment and Termination**

The Board of Directors may, at any time, amend or terminate the Equity Incentive Plan or any award granted under the Equity Incentive Plan; provided, however, that other than as provided in the Equity Incentive Plan, no amendment or termination may adversely impair the rights of an outstanding award without the participant's (or affected beneficiary's) written consent. The Board of Directors may not amend the provisions of the Equity Incentive Plan related to repricing, materially increase the original number of securities which may be issued under the Equity Incentive Plan (other than as provided in the Equity Incentive Plan), materially increase the benefits accruing to a participant, or materially modify the requirements for participation in the Equity Incentive Plan without approval of shareholders. Notwithstanding the foregoing, the Board may amend the Equity Incentive Plan at any time, retroactively or otherwise, to insure that the Equity Incentive Plan complies with current or future law without shareholder approval, and the Board of Directors may unilaterally amend the Equity Incentive Plan and any outstanding award, without participant consent, in order (i) to maintain an exemption from, or to comply with, Section 409A of the Internal Revenue Code, and its applicable regulations and guidance, or (ii) to avoid an accounting treatment resulting from an accounting pronouncement or interpretation thereof issued by the Securities and Exchange Commission or Financial Accounting Standards Board subsequent to the adoption of the Equity Incentive Plan or the making of the award affected thereby, which, in the sole discretion of the Committee, may materially and adversely affect the financial condition or results of operations of the Bank.

### **Duration of Plan**

The Equity Incentive Plan will become effective upon approval by the shareholders at the Annual Meeting. The Equity Incentive Plan will remain in effect as long as any awards under it are outstanding; however, no awards may be granted under the Equity Incentive Plan on or after the day immediately prior to the 10-year anniversary of its effective date. At any time, the Board of Directors may terminate the Equity Incentive Plan. However, any termination of the Equity Incentive Plan will not affect outstanding awards.

### **Clawback Policy**

Awards granted in accordance with the Equity Incentive Plan will be subject to any additional clawback or recoupment policies adopted by the Bank from time to time, even if adopted after the date of grant of such Awards.

## **Federal Income Tax Considerations**

The following is a summary of the U.S. federal income tax consequences that may arise in conjunction with participation in the Equity Incentive Plan.

***Non-Qualified Stock Options.*** The grant of a non-qualified stock option will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares, and the Bank will be entitled to a corresponding deduction for tax purposes. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the cost basis in such shares equal to the fair market value of the shares at the time of exercise.

***Incentive Stock Options.*** The grant of an incentive stock option will not result in taxable income to the participant. The exercise of an incentive stock option also will not result in taxable income to the participant; provided, however, that the participant was, without a break in service, an employee of the Bank or a subsidiary during the period beginning on the date of the grant of the option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Internal Revenue Code). The Bank will not be entitled to a tax deduction upon the exercise of an incentive stock option.

The excess of the fair market value of the shares at the time of the exercise of an incentive stock option over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the incentive stock option is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares acquired pursuant to the incentive stock option exercise, the participant will have a basis in those shares equal to the fair market value of the shares at the time of exercise.

If the participant does not sell or otherwise dispose of the shares within the later of two years from the date of the grant of the incentive stock option or one year after the exercise of such stock option, then, upon disposition of such shares, any amount realized in excess of the exercise price will be taxed as capital gain. A capital loss will be recognized to the extent that the amount realized is less than the exercise price.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income at the time of the disposition of the shares, in an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the exercise price, or (ii) the excess, if any, of the amount realized upon disposition of the shares over the exercise price, and the Bank will be entitled to a corresponding deduction. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be a capital gain. If the amount realized at the time of disposition is less than the exercise price, the participant will recognize no income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

***Restricted Stock.*** A participant who has been granted a restricted stock award will not realize taxable income at the time of grant; provided, however, that the stock subject to the award is not delivered at the time of grant, or if the stock is delivered, it is subject to restrictions that constitute a "substantial risk of forfeiture" for federal income tax purposes. Upon the later of delivery or vesting of shares subject to an award, the holder will realize ordinary income in an amount equal to the then fair market value of those shares, and the Bank will be entitled to a corresponding deduction for tax purposes. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of delivery or vesting. Dividends paid to the holder during the restriction period, if so provided, will also be compensation income to the participant and the Bank will be entitled to a corresponding deduction. A participant who makes a voluntary election under Section 83(b) of the Internal Revenue Code will include the full fair market value of the restricted stock award in taxable income in the year of grant, rather than upon the lapse of the substantial risk of forfeiture, at the grant date fair market value, and the Bank will be entitled to this earlier deduction.

***Withholding of Taxes.*** The Bank may withhold amounts from participants to satisfy withholding tax requirements. Except as otherwise provided by the Committee, participants may have shares withheld from awards or may tender previously owned shares to the Bank to satisfy the minimum tax withholding requirements.

***Change in Control.*** Any acceleration of the vesting or payment of awards under the Equity Incentive Plan in the event of a Change in Control may cause part or all of the consideration involved to be treated as an "excess parachute payment" under

the Internal Revenue Code, which may subject the participant to a 20% excise tax and preclude a tax deduction by the Bank as to some or all of such compensation.

**Tax Advice.** The preceding discussion is based on U.S. tax laws and regulations presently in effect, which are subject to change, and this discussion does not purport to be a complete description of the U.S. income tax aspects of the Equity Incentive Plan. A participant may also be subject to state and local taxes in connection with the grant of awards under the Equity Incentive Plan. The Bank suggests that participants consult with their individual tax advisors to determine the applicability of the tax rules to the awards granted to them in their personal circumstances.

### **Accounting Treatment**

Under United States generally accepted accounting principles, the Bank is required to recognize compensation expense in its financial statements over the requisite service period based on the grant date fair value of options and other equity-based compensation (such as restricted stock awards).

### **Awards to be Granted**

The Board of Directors has adopted the Equity Incentive Plan. If the Equity Incentive Plan is approved by shareholders, the Compensation Committee intends to meet at a later date after such shareholder approval to determine the specific terms of the awards, including the allocation of awards to executive officers, employees, outside employee directors and advisory directors. At the present time, no specific determination has been made as to the grant or allocation of awards.

### **Required Vote and Recommendation of the Board**

In order to approve the Equity Incentive Plan, the proposal must receive an affirmative vote of a majority of the Bank's shareholders at a meeting of shareholders of the Bank.

In the event at the time of the Annual Meeting there are not sufficient votes to approve the Equity Incentive Plan, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE 2016 EQUITY INCENTIVE PLAN**

### **ADJOURNMENT OF ANNUAL MEETING**

If necessary, the holders of the Bank's common stock may be asked to approve the adjournment of the Annual Meeting to solicit further votes in favor of the reorganization and/or the Equity Incentive Plan. If you vote against the reorganization or the Equity Incentive Plan to be voted upon at the Annual Meeting, your proxy may not be used by management to vote in favor of an adjournment pursuant to its discretionary authority.

### **FINANCIAL INFORMATION**

The Bank is required to file periodic financial and other information with its federal bank regulators. On a quarterly basis, the Bank files a Consolidated Report of Condition and Income, generally referred to as a call report, which includes unaudited financial information. The report can be obtained through the following link located at the FDIC's Internet website: [https://www2.fdic.gov/call\\_tfr\\_rpts](https://www2.fdic.gov/call_tfr_rpts).

### **LEGAL MATTERS**

The validity of MainStreet Bancshares common stock to be issued pursuant to the reorganization will be passed upon for MainStreet Bancshares by the law firm of Jones Walker LLP, Washington, D.C., which has acted as special counsel to the Bank and MainStreet Bancshares in connection with the reorganization. In addition, certain United States federal tax matters will be passed upon by Jones Walker LLP.

### **WHAT INFORMATION YOU SHOULD RELY ON**

We have not authorized any person to give any information or to make any representation that differs from, or adds to, the information discussed in this Proxy Statement or the appendices attached hereto, or in documents or information external to this Proxy Statement/prospectus that are incorporated herein by reference. Therefore, if anyone gives you different or additional information, you should not rely on it.

The information contained and referenced in this Proxy Statement speaks only as of its date unless the information specifically indicates that another date applies. This document does not constitute an offer to exchange or sell, or a solicitation of an offer to exchange or purchase MainStreet Bancshares common stock, or to solicit proxies, to or from any person to whom it is unlawful to direct these activities.

## **OTHER MATTERS**

As of the date of this Proxy Statement, the Board of Directors of the Bank has no knowledge of any matters to be presented for consideration at the Annual Meeting other than those referred to above. If any other matter properly comes before the Annual Meeting, the proxy agents named in the accompanying proxy intend to vote such proxy, to the extent entitled, in their discretion.

**APPENDIX A**

**AGREEMENT AND PLAN OF REORGANIZATION AND PLAN OF SHARE EXCHANGE**

## AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION is made and entered into as of February 17, 2016, and amended as of April 4, 2016, by and among MainStreet Bancshares, Inc., a proposed bank holding company organized under the laws of the Commonwealth of Virginia, with its principal office in Fairfax, Virginia (the “Holding Company”), and MainStreet Bank, a commercial bank chartered under the laws of the Commonwealth of Virginia, with its main office in Fairfax, Virginia (the “Bank”).

### WITNESSETH:

**WHEREAS**, the respective Boards of Directors of the Holding Company and the Bank have previously resolved that the reorganization of the Bank under a holding company structure pursuant to a statutory share exchange transaction under the Virginia Stock Corporation Act (the “Share Exchange”) so that the Bank will become a wholly owned subsidiary of the Holding Company, is in the respective best interests of the constituent corporations and their shareholders; and

**WHEREAS**, each Board has approved this Agreement and Plan of Reorganization.

**NOW THEREFORE**, in consideration of the mutual agreements set forth herein, the constituent corporations agree as follows:

1. **The Share Exchange.** At the Effective Date, the Bank shall become a wholly owned banking subsidiary of the Holding Company pursuant to the Plan of Share Exchange attached hereto as Appendix A. The Share Exchange and the reorganization shall be effective on the date shown on the Certificate of Share Exchange issued by the State Corporation Commission of Virginia, effectuating the reorganization (the “Effective Date”).

2. **Name; Articles of Incorporation; Bylaws; Offices.** At the Effective Date, the name, articles of incorporation and bylaws of the Bank will not change. The main office and branches of the Bank immediately prior to the Share Exchange shall not change as a result of the Share Exchange. At the Effective Date, the articles of incorporation and bylaws of the Holding Company will be in the forms attached hereto as Appendix B and Appendix C, respectively.

3. **Conversion of Shares.** Upon, and by reason of, the Share Exchange becoming effective, shares of the Bank shall be converted into shares of the Holding Company pursuant to Article 3 of the Plan of Share Exchange.

4. **Board of Directors; Officers.**

(a) At the Effective Date, the boards of directors of the Bank and the Holding Company shall continue to serve as the directors of the Bank and the Holding Company, respectively, except as otherwise determined in the discretion of the Boards prior to the Effective Date, until the next annual meeting or until such time as their successors have been elected and qualified.



(b) At the Effective Date, the respective officers of the Bank and the Holding Company shall continue to serve in their then current positions until such time as their successors have been elected or appointed.

5. **Capital of the Bank.** The capital, surplus and undivided profits of the Bank at the Effective Date will be equal to the capital structure of the Bank immediately prior to the Effective Date.

6. **Rights of Dissenting Shareholders.** Shareholders of the Bank who dissent from the Share Exchange will be entitled to the dissenters' rights of appraisal and remedies set forth in Article 15 of the Virginia Stock Corporation Act (Va. Code § 13.1-729, et seq.). Any holder of Bank Common Stock who has perfected dissenters' rights of appraisal in accordance with and as contemplated by the applicable provisions of Article 15 of the Virginia Stock Corporation Act (Va. Code § 13.1-729, et seq.) shall be entitled to receive from the Bank the value of such shares in cash as determined pursuant to such provisions of law; provided, however, that no such payment shall be made to any dissenting shareholder unless and until such dissenting shareholder has complied with the applicable provisions of Article 15 of the Virginia Stock Corporation Act (Va. Code § 13.1-729, et seq.) and duly surrendered the certificate(s) representing the shares for which payment is being made. In the event that a dissenting shareholder having dissenters' rights as a matter of law fails to perfect or effectively withdraws or loses the right to appraisal and of payment for the shareholder's shares, after the Effective Date, the Holding Company will issue and deliver the consideration to which such holder was entitled (without interest) on surrender of the certificate(s) representing shares of Bank Common Stock held by such holder.

7. **Conditions to the Share Exchange.** Consummation of the Share Exchange is conditioned upon:

(a) Approval and recommendation of this Agreement by the affirmative vote of at least two-thirds (2/3) of the directors of the Bank in office.

(b) Approval of this Agreement by the affirmative vote of the shareholders owning a majority of the outstanding shares of common stock of the Bank at a meeting to be held on the call of its board of directors.

(c) Receipt of all required regulatory approvals and compliance with applicable federal and state securities law requirements.

(d) Receipt of an opinion of counsel as to the tax-free nature of the share exchange transaction.

(e) Unless waived or reduced by the Bank, the number of shares whose holders perfected appraisal rights under the Virginia Stock Corporation Act shall not represent two and one-half percent (2.5%) or more of the outstanding shares of Bank common stock.

8. **Termination.** This Agreement may be terminated by the unilateral action of either of the boards of directors of the Bank or the Holding Company prior to the approval of this Agreement by the Bank's shareholders or by the mutual consent of the respective boards of directors of the Bank and the Holding Company after the Bank's shareholders approve the transaction. Upon termination for any reason, this Agreement shall be void and of no further effect,

and there shall be no liability by reason of this Agreement or the termination thereof on the part of the Bank or the Holding Company or any of their directors, officers, employees, agents or shareholders.

**WITNESS**, the following signatures and seals for the parties, each hereunto set by its President and attested by its Cashier or Secretary, pursuant to duly authorized resolutions of its Board of Directors.

**ATTEST:**

**MAINSTREET BANCSHARES, INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Jeff W. Dick

Title: President and Chief Executive Officer

**ATTEST:**

**MAINSTREET BANK**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Jeff W. Dick

Title: President and Chief Executive Officer

**PLAN OF SHARE EXCHANGE  
BETWEEN  
MAINSTREET BANCSHARES, INC.  
AND  
MAINSTREET BANK**

**ARTICLE 1  
THE PARTIES TO THE SHARE EXCHANGE AND EFFECTIVE DATE**

1.1 **The Parties to the Share Exchange.** The name of the party whose shares are being acquired in the Share Exchange (as defined in section 2.1 below) is the MainStreet Bank, a Virginia corporation (the “Bank”). The name of the party acquiring the shares of the Bank in the Share Exchange is MainStreet Bancshares, Inc., a Virginia corporation (the “Holding Company”).

1.2 **Effective Date.** The effective date (the “Effective Date”) of the Share Exchange shall be the date shown on the Certificate of Share Exchange issued by the State Corporation Commission of Virginia, effectuating the Share Exchange.

**ARTICLE 2  
TERMS AND CONDITIONS OF THE SHARE EXCHANGE**

2.1 **The Share Exchange.** At the Effective Date, the Bank shall become a wholly owned subsidiary of the Holding Company through the exchange of the outstanding shares of common stock of the Bank for shares of the common stock of the Holding Company (the “Share Exchange”). The Share Exchange shall be effected in accordance with Section 3.1 of this Plan of Share Exchange and pursuant to Section 13.1-717 of the Virginia Stock Corporation Act.

2.2 **Effect of Share Exchange.** At the Effective Date, the Share Exchange shall have the effect as provided in Section 13.1-721 of the Virginia Stock Corporation Act.

2.3 **No Change of Control.** This Plan of Share Exchange shall not constitute a change of control for purposes of any Bank Options (as defined below) granted by the Bank under the Bank Stock Option Plan (as defined below).

**ARTICLE 3  
MANNER OF EXCHANGING SHARES**

3.1 **Exchange of Shares.** Upon the Effective Date, shares of Holding Company common stock shall be issued and allocated as follows:

(a) Issued and outstanding shares of common stock of the Bank (“Bank Common Stock”) shall be the only class or series of Bank capital stock outstanding as of the Effective Date.

(b) Except with respect to shares as to which dissenters’ rights of appraisal have been perfected in accordance with the provisions of Article 15 of the Virginia Stock Corporation Act, Section 13.1-729, et seq., if any, each of the issued and outstanding shares of Bank Common Stock shall be automatically exchanged for one share of common stock of the Holding Company

(“Holding Company Common Stock”). Outstanding certificates representing shares of Bank Common Stock will thereafter represent an equal number of shares of Holding Company Common Stock. After the Effective Date, holders of Bank Common Stock shall have no rights as shareholders of the Bank other than the right to receive an equal number of shares of Holding Company Common Stock, and there shall be no transfer on the stock transfer book of the Bank of the shares of Bank Common Stock which were outstanding immediately prior to the Effective Date. As soon as practicable thereafter, the Holding Company will issue new stock certificates representing the shares of Holding Company Common Stock received in the Share Exchange. Each holder of Bank Common Stock, upon the surrender of the shareholder’s Bank stock certificates to the Holding Company duly endorsed for transfer, will be entitled to receive in exchange therefore a certificate or certificates representing an equivalent number of shares of Holding Company Common Stock, but shareholders will not be required to surrender their Bank stock certificates.

(c) Shares of Bank Common Stock issued and outstanding shall, by virtue of the Share Exchange, continue to be issued and outstanding shares and shall be denoted on the books and records of the Bank as held of record by the Holding Company.

### **3.2 Conversion of Stock Options.**

(a) On the Effective Date, all rights with respect to Bank Common Stock pursuant to stock options (“Bank Options”) granted by the Bank under the Bank’s 2004 Stock Option and Incentive Plan, the Bank’s 2006 Incentive Stock Plan and the Bank’s proposed 2016 Equity Incentive Plan (the “Bank Stock Option Plans”) that are outstanding on the Effective Date, whether or not they are exercisable, shall be converted into and become rights with respect to Holding Company Common Stock, and the Holding Company shall assume each Bank Option in accordance with the terms of the Bank Stock Option Plan under which it was issued and the stock option agreement by which it is evidenced.

(b) From the Effective Date forward,

(i) each Bank Option assumed by the Holding Company may be exercised solely for shares of Holding Company Common Stock, and

(ii) the number of shares of Holding Company Common Stock subject to each Bank Option shall be equal to the number of shares of Bank Common Stock subject to such option immediately prior to the Effective Date, and

(iii) the per share exercise price under each such Bank Option shall be the per share exercise price under each such option prior to the Effective Date, and

(iv) the terms and conditions of each Bank Stock Option Plan shall be converted into and deemed to be the terms and conditions of a substantially identical Holding Company Stock Option Plan, which shall be effective on and continue after the Effective Date.

**FORM OF ARTICLES OF INCORPORATION  
OF  
MAINSTREET BANCSHARES, INC.**

**ARTICLES OF INCORPORATION**  
**OF**  
**MAINSTREET BANCSHARES, INC.**

The undersigned, pursuant to Chapter 9 of Title 13.1 of the Code of Virginia, states as follows:

**ARTICLE I**  
**NAME**

The name of the Corporation is: **MainStreet Bancshares, Inc.**

**ARTICLE II**  
**PURPOSES**

The purpose of the Corporation is to conduct the business of a corporation and bank holding company and to conduct any and all business, including trust business, and to have any and all corporate powers, which are permitted to corporations organized to conduct the business of a corporation and bank holding company pursuant to the laws of the Commonwealth of Virginia, including such powers as may be granted from time to time by the State Corporation Commission to corporations organized to conduct, and authorized to engage in, the business of a corporation and bank holding company.

**ARTICLE III**  
**AUTHORIZED STOCK**

1. **Number.** The aggregate number of shares of stock which the Corporation shall have the authority to issue, and the par value per share, is as follows:

<u>Class</u>	<u>Number of Shares</u>	<u>Par Value</u>
Common Stock	7,500,000	\$4.00
Preferred Stock	2,000,000	\$1.00

2. **Preemptive Rights.** No holder of any class of stock of the Corporation shall have any preemptive rights with respect to any subscriptions, warrants, rights or options to purchase any shares of any class of stock of the Corporation, or obligations convertible into any shares of any class of stock of the Corporation or into subscriptions, warrants, rights or options to purchase any shares of any class of stock of the Corporation.

3. **Voting; Liquidation.** The holders of the Common Stock shall, to the exclusion of the holders of any other class of stock of the Corporation, 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 existing statutes of Virginia. The holders of the Common Stock shall have one vote for each share of Common Stock held by them. Except as may be set forth in any articles of amendment applicable to shares of Preferred Stock, the holders of the Common Stock shall be entitled to receive the net assets of the Corporation upon liquidation, dissolution or winding up.

4. **Establishing Preferred Stock.** Authority is expressly vested in the Board of Directors to divide the Preferred Stock into and issue the same in series and, to the fullest extent permitted by law, to fix and determine the preferences, limitations and relative rights of the shares of any series so established, and to provide for the issuance thereof. Prior to the issuance of any share of a series of Preferred Stock, the

Board of Directors shall establish such series by adopting an amendment of the articles of incorporation setting forth the designation and number of shares of the series and the preferences, limitations and relative rights thereof, and the Corporation shall file with the State Corporation Commission articles of amendment as required by law, and the State Corporation Commission shall have issued a certificate of amendment.

#### **ARTICLE IV DIRECTORS CLASSIFIED BOARD**

1. **Number.** The management, control and government of the Corporation shall be vested in the Board of Directors, which shall be composed of no fewer than five (5) nor more than fifteen (15) directors which minimum and maximum number of directors may not be changed except by amendment to the Articles of Incorporation.

2. **Classified Board.** The Board of Directors shall be divided into three groups of directors that shall be designated Group I, Group II, and Group III. The members of each group shall be elected for a term of three years and until their successors are duly elected by the shareholders and qualified. Such groups shall be as nearly equal in number as the then total number of directors constituting the entire Board of Directors shall permit, with the term of office of Group I to expire at the first annual meeting of shareholders, the term of office of Group II to expire at the annual meeting of shareholders one year thereafter, and the term of office of Group III to expire at the annual meeting of shareholders two years thereafter. At each annual meeting of shareholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of shareholders after their election.

Whenever the holders of any one or more series of Preferred Stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the Board of Directors shall consist of said directors so elected in addition to the number of directors fixed as provided above in this Article.

#### **ARTICLE V QUORUM AT SHAREHOLDERS MEETINGS SHAREHOLDER APPROVAL OF CERTAIN TRANSACTIONS**

1. **Quorum at Shareholder Meetings.** Unless otherwise required by the Code of Virginia, or these Articles, one-third (1/3) of the votes entitled to be cast on a matter by a voting group at a shareholder meeting shall constitute a quorum of that voting group for action on a matter presented at a shareholder meeting. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting.

2. **Shareholder Approval of Certain Actions.** An amendment of the Corporation's Articles of Incorporation, a plan of merger or share exchange, a transaction involving the sale of all or substantially all the Corporation's assets other than in the regular course of business, and a plan of dissolution shall be approved by the vote of a majority of all the votes entitled to be cast on such transactions by each voting group entitled to vote on the transaction at a meeting at which a quorum of the voting group is present, provided that the transaction has been approved and recommended by at least two-thirds (2/3) of the Directors in office at the time of such approval and recommendation. If the transaction is not so approved and recommended by at least two-thirds (2/3) of the Directors in office, then the transaction shall be approved by the vote of eighty percent (80%) or more of all the votes entitled to be cast on such transactions by each voting group entitled to vote on the transaction.

**ARTICLE VI**  
**INDEMNIFICATION AND ELIMINATION OF LIABILITY**

1. ***Indemnification of Directors and Officers.*** Except as provided in Section 2 of this Article, the Corporation shall indemnify every individual made a party to a proceeding because he is or was a director or officer against liability incurred in the proceeding if: (i) he conducted himself in good faith; and (ii) he believed, in the case of conduct in his official capacity with the Corporation, that his conduct was in its best interests and, in all other cases, that his conduct was at least not opposed to its best interests (or in the case of conduct with respect to an employee benefit plan, that his conduct was for a purpose he believed to be in the interests of the participants of and beneficiaries of the plan); and (iii) he had no reasonable cause to believe, in the case of any criminal proceeding, that his conduct was unlawful.

2. ***Indemnification Not Permitted.*** The Corporation shall not indemnify any individual against his willful misconduct or a knowing violation of the criminal law or against any liability incurred by him in any proceeding charging improper personal benefit to him, whether or not by or in the right of the Corporation or involving action in his official capacity, in which he was adjudged liable by a court of competent jurisdiction on the basis that personal benefit was improperly received by him.

3. ***Effect of Judgment or Conviction.*** The termination of a proceeding by judgment, order, settlement or conviction is not, of itself, determinative that an individual did not meet the standard of conduct set forth in Section 1 of this Article or that the conduct of such individual constituted willful misconduct or a knowing violation of the criminal law.

4. ***Determination and Authorization.*** Unless ordered by a court of competent jurisdiction, any indemnification under Section 1 of this Article shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the individual is permissible in the circumstances because: (i) he met the standard of conduct set forth in Section 1 of this Article and, with respect to a proceeding by or in the right of the Corporation in which such individual was adjudged liable to the Corporation, he is fairly and reasonably entitled to indemnification in view of all of the relevant circumstances even though he was adjudged liable; and (ii) the conduct of such individual did not constitute willful misconduct or a knowing violation of the criminal law.

Such determination shall be made: (i) by the board of directors by a majority vote of a quorum consisting of directors not at the time parties to the proceeding; or (ii) if such a quorum cannot be obtained, by a majority vote of a committee duly designated by the board of directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding; or (iii) by special legal counsel selected by the board of directors or its committee in the manner heretofore provided or, if such a quorum of the board of directors cannot be obtained and such a committee cannot be designated, selected by a majority vote of the board of directors (in which selection directors who are parties may participate); or (iv) by the shareholders, but shares owned by or voted under the control of individuals who are at the time parties to the proceeding may not be voted on the determination. Authorization of indemnification, evaluation as to reasonableness of expenses and determination and authorization of advancements for expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination is made by special legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses shall be made by those selecting such counsel.

5. ***Advance for Expenses.*** If permitted by applicable law, the Corporation shall pay for or reimburse the reasonable expenses incurred by any individual who is a party to a proceeding in advance of final disposition of the proceeding if: (i) he furnished the Corporation a written statement of his good faith belief that he has met the standard of conduct described in Section 1 of this Article and a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that



indemnification of such individual in the specific case is not permissible; and (ii) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article.

6. ***Indemnification of Employees and Agents.*** The Corporation may, but shall not be required to, indemnify and advance expenses to employees and agents of the Corporation to the same extent as provided in this Article with respect to directors and officers.

7. ***Elimination of Liability of Directors and Officers.*** Except as provided in Section 8 of this Article, in any proceeding brought by or in the right of the Corporation or brought by or on behalf of shareholders of the Corporation, a director or officer of the Corporation shall not be liable in any monetary amount for damages arising out of or resulting from a single transaction, occurrence or course of conduct.

8. ***Liability of Directors and Officers Not Eliminated.*** The liability of a director or officer shall not be eliminated in accordance with the provisions of Section 7 of this Article if the director or officer engaged in willful misconduct or a knowing violation of the criminal law or of any federal or state securities law, including without limitation, any claim of unlawful insider trading or manipulation of the market for any security.

9. ***Definitions.*** In this Article:

“Director” and “officer” mean an individual who is or was a director or officer of the Corporation, as the case may be, or who, while a director or officer of the Corporation is or was serving at the Corporation’s request as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. A director or officer shall be considered to be serving an employee benefit plan at the Corporation’s request if his duties to the Corporation also impose duties on, or otherwise involve services by, him to the plan or to participants in or beneficiaries of the plan.

“Individual” includes, unless the context requires otherwise, the estate, heirs, executors, personal representatives and administrators of an individual.

“Corporation” means the Corporation and any domestic or foreign predecessor entity of the Corporation in a merger or other transaction in which the predecessor’s existence ceased upon the consummation of the transaction.

“Expenses” includes but is not limited to reasonable counsel fees.

“Liability” means the obligation to pay a judgment, settlement, penalty, fine, including any excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.

“Official capacity” means: (i) when used with respect to a director, the office of director in the Corporation; (ii) when used with respect to an officer, the office in the Corporation held by him; or (iii) when used with respect to an employee or agent, the employment or agency relationship undertaken by him on behalf of the Corporation. “Official capacity” does not include service for any foreign or domestic corporation or other partnership, joint venture, trust, employee benefit plan or other enterprise.

“Party” includes an individual who was, is or is threatened to be made a named defendant or respondent in a proceeding.

“Proceeding” means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal.

10. *Provisions Not Exclusive.* As authorized by the Virginia Stock Corporation Act, the provisions of this Article are in addition to and not in limitation of the specific powers of a corporation to indemnify directors and officers set forth therein. If any provision of this Article shall be adjudicated invalid or unenforceable by a court of competent jurisdiction, such adjudication shall not be deemed to invalidate or otherwise affect any other provision hereof or any power of indemnity which the Corporation may have under the Virginia Stock Corporation Act or other laws of the Commonwealth of Virginia.

## **ARTICLE VII REGISTERED OFFICE AND REGISTERED AGENT**

The initial registered office of the Corporation is 10089 Fairfax Boulevard, Fairfax, Virginia 22030, which is located in the City of Fairfax, Virginia. The initial registered agent is Jeff W. Dick, whose business address is the same as the initial registered office and who is a resident of Virginia and an initial director of the Corporation.

**FORM OF BYLAWS  
OF  
MAINSTREET BANCSHARES, INC.**

**MAINSTREET BANCSHARES, INC.**

**BYLAWS**

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**ARTICLE I**

**Meeting of Shareholders**

Section 1. Places of Meetings. All meetings of the shareholders shall be held at such place, either within or without the Commonwealth of Virginia, as may, from time to time, be fixed by the Board of Directors.

Section 2. Annual Meetings. The annual meeting of the shareholders, for the election of directors and transaction of such other business as may properly come before the meeting, shall be held on such date and at such time as the Board of Directors of the Corporation may designate.

Section 3. Special Meetings. Except as otherwise specifically provided by law, special meetings of shareholders for any purpose or purposes may only be called by the Chief Executive Officer, President, Chairman of the Board or by a majority of the Board of Directors. At a special meeting, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting.

Section 4. Notice of Meetings. Except as otherwise required by law or these Bylaws, written or printed notice stating the place, day and hour of every meeting of the shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by mail, postage prepaid, or by any other means permitted by applicable law, not less than 10 nor more than 60 calendar days before the date of the meeting to each shareholder of record entitled to vote at such meeting, at his or her address appearing in the share transfer books of the Corporation or such electronic mail address, facsimile number or other form of address provided by the shareholder for receiving notice.

Section 5. Quorum. Except as otherwise provided by law, a quorum for the transaction of business at any annual or special meeting of shareholders shall consist of shareholders representing, either in person or by proxy, one-third of the outstanding shares of capital stock of the Corporation entitled to vote at such meeting. If less than a quorum shall be in attendance, in person or by proxy, at the time for which a meeting shall have been called, the meeting may be adjourned by a majority of the shareholders in attendance, in person or by proxy, without notice other than by announcement at the meeting, until a quorum is present. Once a share is represented as present at a meeting, either in person or by proxy, it is deemed present for quorum purposes for the remainder of the meeting including adjournment of that meeting unless a new record date is set for adjournment of that meeting.

Section 6. Adjournments. Any meeting of shareholders, annual or special, may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 120 calendar days, or if after the adjournment a new record date is fixed for the adjourned

meeting, notice of the adjourned meeting shall be given to each shareholder of record as of the new record date entitled to vote at the meeting.

Section 7. Voting. At any meeting of the shareholders each shareholder of a class entitled to vote on the matters coming before the meeting shall have one vote, in person or by proxy, for each such share standing in his or her name on the books of the Corporation at the record date for such meeting.

Section 8. Record Date. The transfer books for shares of stock of the Corporation may be closed by order of the Board of Directors for a period not exceeding 70 calendar days immediately preceding any shareholders' meeting for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or in order to make a determination of shareholders for any other proper purpose. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date to be not more than 70 calendar days preceding the date of the meeting, dividend payment or action requiring such determination of shareholders.

Section 9. Inspector. The Board of Directors or the officer presiding over a meeting of shareholders shall appoint an inspector for a meeting of shareholders. The inspector will open and close the polls, will receive and take charge of proxies and ballots, and will decide all questions as to the qualifications of voters, validity of proxies and ballots, and the number of votes properly cast.

Section 10. Conduct of Meetings. The Chief Executive Officer shall preside over all meetings of shareholders. If such officer is not present, or if there is no Chief Executive Officer, the President shall preside over meetings of shareholders. If such officer is not present, or if there is no President, then either the Secretary or Treasurer shall preside over meetings of shareholders. If none of such officers are present, the Board of Directors shall select a presiding officer for the meeting. The Secretary of the Corporation shall act as secretary of all meetings of shareholders if the Secretary is present. If the Secretary is not present, the presiding officer of the meeting shall appoint a secretary of the meeting.

Section 11. Consent. Any action that may be taken by the shareholders in a meeting may be taken by unanimous written consent of all shareholders entitled to vote on the action.

Section 12. Notice of Shareholder's Proposals and Nominations. Except as otherwise provided by law, at any annual or special meeting of shareholders only such business shall be conducted as shall have been properly brought before the meeting in accordance with this Section 12.

(a) Annual Meetings of Shareholders.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders shall be properly brought before the meeting only (A) if specified in the written notice of the meeting (or any supplement thereto) given to shareholders of record on the record date for such meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) (the "Meeting Notice"), (B) if brought before the meeting at the direction of the Board of Directors (or any duly authorized committee thereof) or the officer presiding over the meeting, or (C) if brought by a shareholder of the Corporation, or a duly authorized proxy for a shareholder, who, at the time the notice provided for in this Section 12(a) is delivered to the Secretary of the Corporation, is entitled

to vote at the meeting and complies with the notice procedures set forth in this Section 12(a). The nomination by a shareholder of any person for election as a director, other than the persons nominated by the Board of Directors or any duly authorized committee thereof, shall be considered business other than business specified in clauses (A) and (B) of this Section 12(a)(i) and shall be permitted only upon compliance with the requirements of clause (C) of this Section 12(a)(i).

(ii) For director nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of Section 12(a)(i) above, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business other than the nominations of persons for election to the Board of Directors must constitute a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 120<sup>th</sup> calendar day prior to the first anniversary of the preceding year's annual meeting date; *provided, however*, that in the event the date of the annual meeting is more than 30 calendar days before or after such anniversary date, notice by the shareholder will be considered timely if it is delivered by the close of business on the 10<sup>th</sup> calendar day following the day on which notice of the date of the annual meeting was first mailed or public announcement of the date of the annual meeting was first made, whichever occurs first. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice pursuant to this Section 12(a). Such shareholder's notice shall set forth as to each matter such shareholder proposes to bring before the annual meeting: (1) a brief description of the business desired to be brought before the annual meeting, including the text of the proposal or business, and the reasons for conducting such business at the annual meeting, and (2) as to the shareholder giving such notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (A) the name and address of such shareholder, as they appear on the Corporation's stock transfer books, and of such beneficial owner, (B) the class or series and number of shares of capital stock of the Corporation that are owned beneficially and of record by such shareholder and such beneficial owner, (C) a description of all arrangements or understandings between such shareholder or beneficial owner and any other person or persons (including their names) in connection with the nomination or proposal of such business by such shareholder and any material interest of such shareholder or beneficial owner, if any, in such business, (D) a representation that such shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (E) a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group that intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (ii) otherwise to solicit proxies from shareholders in support of such proposal or nomination, and (3) in the case of the nomination of a person as a director, a brief description of the background and credentials of such person including (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class or series and number of shares of capital stock of the Corporation that are owned beneficially and of record by such person, (D) any other information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, if the Corporation were subject to Regulation 14A, and (E) such person's written consent to being named in a proxy statement as a nominee and to serving as a director if elected. The Corporation may require any proposed nominee for director to furnish such other information as it may

reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time the notice provided for in this section is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and on such election and who complies with the notice procedures set forth in this section. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder entitled to vote in such election of directors may nominate a person or persons, as the case may be, for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder delivers a notice setting forth all of the information required to be set forth in a shareholder's notice delivered under Section 12(a) to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90<sup>th</sup> calendar day prior to such special meeting or the 10<sup>th</sup> calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for giving of a shareholder's notice as described above.

(c) General. Only such persons who are nominated in accordance with the procedures set forth in this Section 12 shall be eligible at an annual or special meeting of shareholders of the Corporation to be elected as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 12. Except as otherwise provided by law, the presiding officer of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 12 and (B) to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 12, if the shareholder (or a designated representative of the shareholder) does not appear at the annual or special meeting of shareholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

## **ARTICLE II** **Directors**

Section 1. General Powers. The property, affairs and business of the Corporation shall be managed under the direction of the Board of Directors, and except as otherwise expressly provided by law, the Articles of Incorporation or these Bylaws, all of the powers of the Corporation shall be vested in such Board.

Section 2. Number of Directors. The Board of Directors shall consist of no fewer than 5 and no more than 15 persons, with the exact number of directors to be determined from time to

time by resolution adopted by the affirmative vote of a majority of the directors then in office or by the Board's approval of a specific number of director nominees for the annual meeting of shareholders combined with the number of directors continuing in office after such meeting.

Section 3. Qualifications of Directors. To be eligible for election, reelection, appointment or reappointment to the Board of Directors, a person must: (i) have experience in one or more matters pertinent to the Corporation's business, including without limitation transactional expertise, strategic expertise, corporate governance expertise, operational expertise, marketing expertise, financial expertise, or specific industry expertise in markets targeted by the Corporation; (ii) be at least eighteen years of age; (iii) own in his or her sole name, sufficient shares of the Corporation's stock to qualify as a director under applicable regulatory requirements; (iv) be a citizen of the United States; (v) reside in, or have his or her primary place of business located within, a 50 mile radius of any operating office or branch of the Corporation or any subsidiary; (vi) not be affiliated with, employed by, a consultant to, or a representative of, or serve as a director of, any individual, corporation, association, partnership, firm, business enterprise or other entity or organization which the Board of Directors, after having such matter formally brought to its attention, determines to be in competition with the Corporation or any of its subsidiaries (any such individual, corporation, association, partnership, firm, business enterprise or other entity or organization being hereinafter referred to as a "Business Competitor"), unless the Board of Directors expressly determines that it would nevertheless be in the Corporation's best interests for such individual to serve as a director of the Corporation; *provided, however,* that passive ownership of a debt or equity interest not exceeding 1% of the outstanding debt or equity, as the case may be, in any Business Competitor shall not constitute such affiliation, employment or representation; *provided further,* that any financial institution shall be presumed to be a Business Competitor unless the Board of Directors determines otherwise; and (vii) not have a significant business affiliation with another director of the Corporation. Except as required by applicable law, the foregoing requirements shall not apply to a person serving as a director on February 17, 2016. In addition, no person shall be eligible for election, reelection, appointment or reappointment to the Board of Directors if such person (i) has been convicted of a crime involving dishonesty or breach of trust, (ii) has been adjudicated bankrupt, or (iii) is currently charged in any information, indictment, or other complaint with the commission of or participation in such a crime.

Section 4. Election of Directors. Directors shall be elected at each annual meeting of shareholders. The Board of Directors shall be divided into three classes, Group I, Group II and Group III, as nearly equal in number as possible, with directors in each group elected for terms of 3 years and until their successors are elected and qualified. The successors to the group of directors whose terms expire shall be identified as being of the same group as the directors they succeed and elected to hold office for a term expiring at the third succeeding annual meeting of shareholders. When the number of directors is changed, any newly created directorships or any decrease in directorships shall be apportioned among the groups by the Board of Directors as to make all groups as nearly equal in number as possible, but in no event will a decrease in the number of directors shorten the term of any director then serving.

Section 5. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at the registered office or principal office of the Corporation or at such other place, within or without the Commonwealth of Virginia, as the Board of Directors may designate from time to time. A regular meeting of the Board of Directors shall be held as soon as practicable after each annual meeting of the shareholders for the purpose of appointing officers and transacting such other business as may properly come before the meeting.



Section 6. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board of Directors, the Chief Executive Officer, the President or by a majority of the directors. Written notice of the date, time and place of special meetings of the Board shall be given to each director either by personal delivery, by mail or other method of delivery, by electronic mail or by facsimile telecommunication, by or at the direction of the officer or directors calling the meeting, to the address, electronic mail address or the facsimile number of such director as it appears in the records of the Corporation, not less than 24 hours before the date of the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or any waiver of notice of such meeting. A director's attendance at or participation in a meeting waives any required notice to him of the meeting unless at the beginning of the meeting or promptly upon the director's arrival the director objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to the action taken at the meeting.

Section 7. Waiver of Notice. Notice of any meeting may be waived before or after the date and time of the meeting in a writing signed by the director entitled to notice and delivered to the Secretary of the Corporation for inclusion in the minutes of the meeting or filing with the corporate records.

Section 8. Quorum. A quorum at any meeting of the Board of Directors shall be a majority of the number of directors in office immediately before the meeting begins. If less than a quorum is present at a meeting of the Board of Directors, a majority of the directors present may postpone the meeting to a subsequent date without any further notice to any of the directors.

Section 9. Conduct of Meetings. The Chairman of the Board of Directors, or if such officer is not present, the Chief Executive Officer, shall act as chairman of and preside over meetings of the Board of Directors. If no such officer is present, the directors present shall elect a chairman of the meeting. The Secretary, or if such officer is not present, the Assistant Secretary, shall act as secretary of Board meetings. If no such officer is present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 10. Participation by Conference Telephone. The Board of Directors may permit any or all directors to participate in a meeting of the directors by, or conduct the meeting through the use of, conference telephone or any other means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by such means shall be deemed to be present in person at the meeting.

Section 11. Board Action. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present at a meeting is the act of the Board of Directors.

Section 12. Action Without Meeting. Any action required or permitted by law to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all of the members of the Board of Directors. The action shall be evidenced by one or more written consents stating the action taken, signed by each director either before or after the action taken, and included in the minutes or filed with the corporate records reflecting the action taken.

Section 13. Removal. The shareholders entitled to vote may remove any director, with or without cause, by the affirmative vote of a majority of shares entitled to vote in the election of directors. The shareholders may remove a director only at a meeting called for the purpose of removing the director, and the meeting notice must state that the purpose, or one of the purposes of the meeting, is removal of the director.

Section 14. Vacancies. If the office of any director shall become vacant, the directors at the time in office, whether or not a quorum, may, by majority vote of such directors, choose a successor who shall hold office until the next annual meeting of shareholders. In such event, the successor elected by the shareholders at that annual meeting shall hold office for a term that shall coincide with the remaining term of the group of directors to which that person has been elected. Vacancies resulting from an increase in the number of directors shall be filled in the same manner.

Section 15. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President or the Secretary. A resignation shall be effective when delivered, unless the notice specifies a later effective date.

### **ARTICLE III** **Committees**

Section 1. Committees. The Board of Directors may, by resolution, create one or more Committees and appoint members of the Board of Directors to serve on them. Each Committee may have two or more members, who serve at the pleasure of the Board of Directors. The Board of Directors shall specify the powers and authorities of the Committee in the resolution creating the Committee, except that a committee may not (i) approve or recommend to the shareholders any action which requires shareholder approval, (ii) fill vacancies on the Board or any other Committees, (iii) amend the articles of incorporation, (iv) adopt, amend, or repeal the Bylaws, (v) approve a plan of merger not requiring shareholder approval, (vi) authorize or approve distributions which do not conform to general formula or method prescribed by the Board of Directors, or (vii) authorize or approve the issuance, sale, or contract for sale of shares of stock, or determine the designation and relative rights, preferences and limitation of a class or series of shares of stock, except as the Board of Directors may authorize a Committee, or a senior executive officer of the Corporation, to do so within the limits specifically prescribed by the Board of Directors. Each Committee shall report its actions to the Board of Directors at the next meeting of the Board.

Section 2. Notice of Committee Meetings; Quorum. The provisions of Sections 6 through 13 of Article II, which provide for, among other things, meetings, action without meetings, notice and waiver of notice, quorum and voting requirements of the Board of Directors, shall apply to committees and their members as well.

### **ARTICLE IV** **Officers**

At the regular meeting of the Board of Directors held as soon as practicable after each annual meeting of the shareholders, the Board of Directors shall elect a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Treasurer, and may elect or appoint one or more Vice-Presidents or such other officers as it may deem proper. The Chairman of the Board shall be chosen from among the directors. Any officer may hold more than one office simultaneously. All officers shall serve for a term of one year until their respective successors are elected and qualify, but any officer may be removed summarily with or without cause at any time by the vote of a majority of the directors. The directors shall fill any vacancies among the officers. The officers of the Corporation shall have such powers and duties as generally pertain to their respective offices as well as such powers and duties as from time to time may be delegated to them by the Board of Directors.

**ARTICLE V**  
**Indemnification**

Section 1. Advances for Expenses. Subject to the terms and conditions of Article VII of the Articles of Incorporation of the Corporation, which shall control, the Corporation shall pay for or reimburse the reasonable expenses incurred by a director, officer, employee or agent who is party to a proceeding if (i) the director, officer, employee, or agent furnishes the Corporation with written statement of his or her good faith belief that he or she has met the standard of conduct described in Article VII, Section 1 of the Articles of Incorporation of the Corporation, (ii) the director, officer, employee, or agent furnishes to the Corporation a written undertaking, executed personally, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct, and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Section.

Section 2. Determination and Authorization of Indemnification.

(a) Subject to the terms and conditions of Article VII of the Articles of Incorporation of the Corporation, which shall control, the Corporation will indemnify a director, officer, employee, or agent only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is permissible in the circumstances because he or she has met the standard of conduct.

(b) The determination shall be made by any of the following:

(1) a majority vote of a committee duly designated by the Board of Directors who are not at the time parties to the proceeding;

(2) a majority vote of a committee duly designated by the Board of Directors consisting solely of one or more directors not at the time parties to the proceeding if a quorum cannot be obtained;

(3) by special legal counsel either selected by the Board of Directors or its committee or, if a quorum of the Board of Directors cannot be obtained and a committee cannot be designated, selected by a majority vote of the vote of the full Board of Directors, in which selection those directors who are parties to the proceeding may participate; or

(4) by the shareholders, excluding shares owned by or voted under the control of directors who are, at the time, parties to the proceeding.

**ARTICLE VI**  
**Capital Stock**

Section 1. Certificates. The shares of capital stock of the Corporation may be certificated or uncertificated as provided under the Virginia Stock Corporation Act. All certificates representing shares of capital stock of the Corporation shall be in such forms as prescribed by the Board of Directors and executed by the Chairman of the Board, the Chief Executive Officer or the President and by the Secretary or an Assistant Secretary and stating thereon the information required by law. Transfer agents and/or registrars for one or more classes of the stock of the Corporation may be appointed by the Board of Directors and may be required to countersign certificates representing stock of such class or classes. In the event that any officer whose signature or facsimile thereof shall have been used on a stock certificate shall for any reason cease to be an officer of the Corporation and such certificate shall not then have been delivered by

the Corporation, the Board of Directors may nevertheless adopt such certificate and it may then be issued and delivered as though such person had not ceased to be an officer of the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares of the Corporation, the Corporation shall send, or cause to be sent, to the holder a written statement that shall include the information required by law to be set forth on certificates for shares of capital stock.

Section 2. Lost, Destroyed and Mutilated Certificates. Holders of the stock of the Corporation in certificated form shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Board of Directors may, in its discretion, cause one or more new certificates or evidence of such holder's ownership of such shares in uncertificated form for the same number of shares in the aggregate to be issued to such shareholder upon the surrender of the mutilated certificate or upon satisfactory proof of such loss or destruction, and the deposit of a bond in such form and amount and with such surety as the Board of Directors may require.

Section 3. Transfer of Stock. The stock of the Corporation shall be transferable or assignable only on the stock transfer books of the Corporation by the holders in person or by attorney, and in the case of shares of stock of the Corporation represented by a certificate, on surrender of the certificate for such shares duly endorsed and, if sought to be transferred by attorney, accompanied by a written power of attorney to have the same transferred on the stock transfer books of the Corporation. Uncertificated shares shall be transferable or assignable only on the stock transfer books of the Corporation upon proper instruction from the holder of such shares.

Section 4. Holder of Shares. Except as otherwise expressly required by Virginia law, the Corporation may treat the person in whose name shares of stock of the Corporation (whether or not represented by a certificate) stand of record on its stock transfer books as the absolute owner of the shares and the person exclusively entitled to receive notification and distributions, to vote, and to otherwise exercise the rights, powers and privileges of ownership of such shares, and the Corporation shall not be obligated to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice hereof.

## **ARTICLE VII** **Miscellaneous Provisions**

Section 1. Seal. The seal of the Corporation shall consist of a flat-faced circular die (of which there may be any number of counterparts) with the words "SEAL" and "VIRGINIA."

Section 2. Fiscal Year. The fiscal year of the Corporation shall end on December 31st of each year.

Section 3. Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors. The Corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar a record of its shareholders, giving the names and addresses of all shareholders, and the number, class and series of the shares being held.

Section 4. Voting of Stock Held. Unless otherwise designated by the Board of Directors, the President may either appoint attorneys to vote any stock of any other corporation owned by this Corporation or may attend any meeting of the holders of stock of such other corporation and vote such shares in person.

Section 5. Checks, Notes and Drafts. Checks, notes, drafts and other orders for the payment of money shall be signed by such persons as the Board of Directors from time to time may authorize. When the Board of Directors so authorizes, however, the signature of any such person may be a facsimile.

Section 6. Amendment of Bylaws. These Bylaws may be amended or altered at any meeting of the Board of Directors.

**ARTICLES OF THE  
VIRGINIA STOCK CORPORATION ACT  
APPRAISAL RIGHTS**

**APPRAISAL RIGHTS**  
**Virginia Stock Corporation Act**  
**Article 15**  
**Appraisal Rights and Other Remedies**

**§ 13.1-729. Definitions.**

In this article:

“Affiliate” means a person who directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with another person or is a senior executive officer thereof.

“Beneficial shareholder” means a person who is the beneficial owner of shares held in a voting trust or by a nominee on the beneficial owner’s behalf.

“Corporation” means the issuer of the shares held by a shareholder demanding appraisal and, for matters covered by §§ 13.1-734 through 13.1-740, includes the surviving entity in a merger.

“Fair value” means the value of the corporation’s shares determined:

Immediately before the effectuation of the corporate action to which the shareholder objects;

Using customary and current valuation concepts and techniques generally employed for similar businesses in the context of the transaction requiring appraisal; and

Without discounting for lack of marketability or minority status except, if appropriate, for amendments to the articles pursuant to subdivision A 5 of § 13.1-730.

“Interest” means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

“Interested transaction” means a corporate action described in subsection A of § 13.1-730, other than a merger pursuant to § 13.1-719 or 13.1-719.1, involving an interested person in which any of the shares or assets of the corporation are being acquired or converted. As used in this definition:

“Beneficial owner” means any person who, directly or indirectly, through any contract, arrangement, or understanding, other than a revocable proxy, has or shares the power to vote, or to direct the voting of, shares; except that a member of a national securities exchange is not deemed to be a beneficial owner of securities held directly or indirectly by it on behalf of another person solely because the member is the record holder of the securities if the member is precluded by the rules of the exchange from voting without instruction on contested matters or matters that may affect substantially the rights or privileges of the holders of the securities to be voted. When two or more persons agree to act together for the purpose of voting their shares of the corporation, each member of the group formed thereby is deemed to have acquired beneficial ownership, as of the date of the agreement, of all voting shares of the corporation beneficially owned by any member of the group.

“Interested person” means a person, or an affiliate of a person, who at any time during the one-year period immediately preceding approval by the board of directors of the corporate action:

Was the beneficial owner of 20% or more of the voting power of the corporation, excluding any shares acquired pursuant to an offer for all shares having voting power if the offer was made within one year prior to the corporate action for consideration of the same kind and of a value equal to or less than that paid in connection with the corporate action;

Had the power, contractually or otherwise, to cause the appointment or election of 25% or more of the directors to the board of directors of the corporation; or

Was a senior executive officer or director of the corporation or a senior executive officer of any affiliate thereof, and that senior executive officer or director will receive, as a result of the corporate action, a financial benefit not generally available to other shareholders as such, other than:

Employment, consulting, retirement, or similar benefits established separately and not as part of or in contemplation of the corporate action;

Employment, consulting, retirement, or similar benefits established in contemplation of, or as part of, the corporate action that are not more favorable than those existing before the corporate action or, if more favorable, that have been approved on behalf of the corporation in the same manner as is provided in § 13.1-691; or

In the case of a director of the corporation who will, in the corporate action, become a director of the acquiring entity in the corporate action or one of its affiliates, rights and benefits as a director that are provided on the same basis as those afforded by the acquiring entity generally to other directors of such entity or such affiliate.

“Preferred shares” means a class or series of shares whose holders have preference over any other class or series of shares with respect to distributions.

“Record shareholder” means the person in whose name shares are registered in the records of the corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with the corporation.

“Senior executive officer” means the chief executive officer, chief operating officer, chief financial officer and anyone in charge of a principal business unit or function.

“Shareholder” means both a record shareholder and a beneficial shareholder.

### **§ 13.1-730. Right to appraisal.**

A. A shareholder is entitled to appraisal rights, and to obtain payment of the fair value of that shareholder’s shares, in the event of any of the following corporate actions:

1. Consummation of a merger to which the corporation is a party (i) if shareholder approval is required for the merger by § 13.1-718, or would be required but for the provisions of subsection G of § 13.1-718; however, appraisal rights shall not be available to any shareholder of the corporation with respect to shares of any class or series that remain outstanding after consummation of the merger or (ii) if the corporation is a subsidiary and the merger is governed by § 13.1-719;

2. Consummation of a share exchange to which the corporation is a party as the corporation whose shares will be acquired, except that appraisal rights shall not be available to any shareholder of the corporation with respect to any class or series of shares of the corporation that is not exchanged;

3. Consummation of a disposition of assets pursuant to § 13.1-724 if shareholder approval is required for the disposition, except that appraisal rights shall not be available to any shareholder of the corporation with respect to shares of any class or series if:

a. Under the terms of the corporate action approved by the shareholders there is to be distributed to the shareholders in cash the corporation’s net assets, in excess of a reasonable amount reserved to meet claims of the type described in § 13.1-746 or 13.1-746.1:

- (1) Within one year after the shareholders’ approval of the action; and
- (2) In accordance with their respective interests determined at the time of distribution; and



- b. The disposition of assets is not an interested transaction;
  4. An amendment of the articles of incorporation with respect to a class or series of shares that reduces the number of shares of a class or series owned by the shareholder to a fraction of a share if the corporation has the obligation or right to repurchase the fractional share so created;
  5. Any other amendment to the articles of incorporation, or any other merger, share exchange or disposition of assets to the extent provided by the articles of incorporation, bylaws or a resolution of the board of directors; or
  6. Consummation of a domestication in which a domestic corporation becomes a foreign corporation if the shareholder does not receive shares in the foreign corporation resulting from the domestication that have terms as favorable to the shareholder in all material respects, and represent at least the same percentage interest in the total voting rights of the outstanding shares of the domestic corporation, as the shares held by the shareholder immediately before the domestication.
- B. Notwithstanding subsection A, the availability of appraisal rights under subdivisions A 1 through A 4 shall be limited in accordance with the following provisions:
1. Appraisal rights shall not be available for the holders of shares of any class or series of shares that is:
    - a. A covered security under § 18(b)(1)(A) or (B) of the federal Securities Act of 1933, as amended;
    - b. Traded in an organized market and has at least 2,000 shareholders and a market value of at least \$20 million, exclusive of the value of such shares held by the corporation's subsidiaries, senior executives, directors and beneficial shareholders owning more than 10 percent of such shares; or
    - c. Issued by an open end management investment company registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940 and may be redeemed at the option of the holder at net asset value.
  2. The applicability of subdivision 1 shall be determined as of:
    - a. The record date fixed to determine the shareholders entitled to receive notice of the meeting of shareholders to act upon the corporate action requiring appraisal rights; or
    - b. The day before the effective date of such corporate action if there is no meeting of shareholders.
  3. Subdivision 1 shall not be applicable and appraisal rights shall be available pursuant to subsection A for the holders of any class or series of shares who are required by the terms of the corporate action requiring appraisal rights to accept for such shares anything other than cash or shares of any class or any series of shares of any corporation, or any other proprietary interest of any other entity, that satisfies the standards set forth in subdivision 1 at the time the corporate action becomes effective.
  4. Subdivision 1 shall not be applicable and appraisal rights shall be available pursuant to subsection A for the holders of any class or series of shares where the corporate action is an interested transaction.
- C. Notwithstanding any other provision of this section, the articles of incorporation as originally filed or any amendment thereto may limit or eliminate appraisal rights for any class or series of preferred shares, but any such limitation or elimination contained in an amendment to the articles of incorporation that limits or eliminates appraisal rights for any of such shares that are outstanding immediately prior to the effective date of such amendment or that the corporation is or may be required to issue or sell thereafter pursuant to any conversion, exchange or other right existing immediately before the effective date of such amendment shall not apply to any corporate action that becomes effective within one year of that date if such action would otherwise afford appraisal rights.

**§ 13.1-731. Assertion of rights by nominees and beneficial owners.**

A. A record shareholder may assert appraisal rights as to fewer than all the shares registered in the record shareholder's name but owned by a beneficial shareholder only if the record shareholder objects with respect to all shares of the class or series owned by the beneficial shareholder and notifies the corporation in writing of the name and address of each beneficial shareholder on whose behalf appraisal rights are being asserted. The rights of a record shareholder who asserts appraisal rights for only part of the shares held of record in the record shareholder's name under this subsection shall be determined as if the shares as to which the record shareholder objects and the record shareholder's other shares were registered in the names of different record shareholders.

B. A beneficial shareholder may assert appraisal rights as to shares of any class or series held on behalf of the shareholder only if such shareholder:

1. Submits to the corporation the record shareholder's written consent to the assertion of such rights no later than the date referred to in subdivision B 2 b of § 13.1-734; and

2. Does so with respect to all shares of the class or series that are beneficially owned by the beneficial shareholder.

**§ 13.1-732. Notice of appraisal rights.**

A. Where any corporate action specified in subsection A of § 13.1-730 is to be submitted to a vote at a shareholders' meeting and the corporation has concluded that shareholders are or may be entitled to assert appraisal rights under this article, the meeting notice shall state the corporation's position as to the availability of appraisal rights.

A copy of this article shall accompany the meeting notice sent to those record shareholders who are or may be entitled to exercise appraisal rights.

B. In a merger pursuant to § 13.1-719, the parent corporation shall notify in writing all record shareholders of the subsidiary who are entitled to assert appraisal rights that the corporate action became effective. Such notice shall be sent within 10 days after the corporate action became effective and include the materials described in § 13.1-734.

C. Where any corporate action specified in subsection A of § 13.1-730 is to be approved by written consent of the shareholders pursuant to § 13.1-657:

1. Written notice that appraisal rights are, are not, or may be available must be given to each record shareholder from whom a consent is solicited at the time consent of such shareholder is first solicited and, if the corporation has concluded that appraisal rights are or may be available, must be accompanied by a copy of this article; and

2. Written notice that appraisal rights are, are not, or may be available must be delivered together with the notice to nonconsenting and nonvoting shareholders required by subsections F and G of § 13.1-657, may include the materials described in § 13.1-734, and, if the corporation has concluded that appraisal rights are or may be available, must be accompanied by a copy of this article.

D. Where corporate action described in subsection A of § 13.1-730 is proposed, or a merger pursuant to § 13.1-719 is effected, the notice referred to in subsection A or C, if the corporation concludes that appraisal rights are or may be available, and in subsection B shall be accompanied by:

1. The annual financial statements specified in subsection A of § 13.1-774 of the corporation that issued the shares that may be subject to appraisal, which shall be as of a date ending not more than 16 months before the date of the notice and shall comply with subsection B of § 13.1-774; provided that, if such annual financial statements are not reasonably available, the corporation shall provide reasonably equivalent financial information; and

2. The latest available quarterly financial statements of such corporation, if any.

E. A public corporation, or a corporation that ceased to be a public corporation as a result of the corporate action specified in subsection A of § 13.1-730, may fulfill its responsibilities under subsection D by delivering the specified financial statements, or otherwise making them available, in any manner permitted by the applicable rules and regulations of the U.S. Securities and Exchange Commission if the corporation was a public corporation as of the date of the specified financial statements.

F. The right to receive the information described in subsection D may be waived in writing by a shareholder before or after the corporate action.

**§ 13.1-733. Notice of intent to demand payment.**

A. If a corporate action specified in subsection A of § 13.1-730 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert appraisal rights with respect to any class or series of shares:

1. Must deliver to the corporation before the vote is taken written notice of the shareholder's intent to demand payment if the proposed action is effectuated; and

2. Must not vote, or cause or permit to be voted, any shares of such class or series in favor of the proposed action.

B. If a corporate action specified in subsection A of § 13.1-730 is to be approved by shareholders by written consent, a shareholder who wishes to assert appraisal rights with respect to any class or series of shares:

1. Shall deliver to the corporation before the proposed action becomes effective written notice of the shareholder's intent to demand payment if the proposed action is effectuated, except that such written notice is not required if the notice required by subsection C of § 13.1-732 is given less than 25 days prior to the date such proposed action is effectuated; and

2. Shall not sign a consent in favor of the proposed action with respect to that class or series of shares.

C. A shareholder who fails to satisfy the requirements of subsection A or B is not entitled to payment under this article.

**§ 13.1-734. Appraisal notice and form.**

A. If proposed corporate action requiring appraisal rights under § 13.1-730 becomes effective, the corporation shall deliver an appraisal notice and the form required by subdivision B 1 to all shareholders who satisfied the requirements of § 13.1-733. In the case of a merger under § 13.1-719, the parent corporation shall deliver an appraisal notice and form to all record shareholders who may be entitled to assert appraisal rights.

B. The appraisal notice shall be sent no earlier than the date the corporate action specified in subsection A of § 13.1-730 became effective and no later than 10 days after such date and shall:

1. Supply a form that (i) specifies the first date of any announcement to shareholders made prior to the date the corporate action became effective of the principal terms of the proposed corporate action, (ii) if such announcement was made, requires the shareholder asserting appraisal rights to certify whether beneficial ownership of those shares for which appraisal rights are asserted was acquired before that date, and (iii) requires the shareholder asserting appraisal rights to certify that such shareholder did not vote for or consent to the transaction;

2. State:

a. Where the form must be sent and where certificates for certificated shares must be deposited and the date by which those certificates must be deposited, which date may not be earlier than the date for receiving the required form under subdivision 2 b of this subsection;

b. A date by which the corporation must receive the form which date may not be fewer than 40 nor more than 60 days after the date the subsection A appraisal notice and form were sent, and state that the shareholder shall have waived the right to demand appraisal with respect to the shares unless the form is received by the corporation by such specified date;

c. The corporation's estimate of the fair value of the shares;

d. That, if requested in writing, the corporation will provide, to the shareholder so requesting, within 10 days after the date specified in subdivision 2 b of this subsection, the number of shareholders who returned the form by the specified date and the total number of shares owned by them; and

e. The date by which the notice to withdraw under § 13.1-735.1 must be received, which date must be within 20 days after the date specified in subdivision 2 b of this subsection; and

3. Be accompanied by a copy of this article.

### **§ 13.1-735.1. Perfection of rights; right to withdraw.**

A. A shareholder who receives notice pursuant to § 13.1-734 and who wishes to exercise appraisal rights must complete, sign, and return the form sent by the corporation and, in the case of certificated shares, deposit the shareholder's certificates in accordance with the terms of the notice by the date referred to in the notice pursuant to subdivision B 2 b of § 13.1-734. If the form requires the shareholder to certify whether the beneficial owner of such shares acquired beneficial ownership of the shares before the date required to be set forth in the notice pursuant to subdivision B 1 of § 13.1-734, and the shareholder fails to make the certification, the corporation may elect to treat the shareholder's shares as after-acquired shares under § 13.1-738. Once a shareholder deposits that shareholder's certificates or, in the case of uncertificated shares, returns the signed form, that shareholder loses all rights as a shareholder, unless the shareholder withdraws pursuant to subsection B.

B. A shareholder who has complied with subsection A may nevertheless decline to exercise appraisal rights and withdraw from the appraisal process by so notifying the corporation in writing by the date set forth in the appraisal notice pursuant to subdivision B 2 e of § 13.1-734. A shareholder who fails to withdraw from the appraisal process may not thereafter withdraw without the corporation's written consent.

C. A shareholder who does not sign and return the form and, in the case of certificated shares, deposit that shareholder's share certificates where required, each by the date set forth in the notice described in subsection B of § 13.1-734, shall not be entitled to payment under this article.

### **§ 13.1-737. Payment.**

A. Except as provided in § 13.1-738, within 30 days after the form required by subsection B 2 b of § 13.1-734 is due, the corporation shall pay in cash to those shareholders who complied with subsection A of § 13.1-735.1 the amount the corporation estimates to be the fair value of their shares plus interest.

B. The payment to each shareholder pursuant to subsection A shall be accompanied by:

1. The (i) annual financial statements specified in subsection A of § 13.1-774 of the corporation that issued the shares to be appraised, which shall be as of a date ending not more than 16 months before the date of payment and shall comply with subsection B of § 13.1-774; provided that, if such annual financial statements are not available, the corporation shall provide reasonably equivalent information, and (ii) the latest available quarterly financial statements of such corporation, if any;

2. A statement of the corporation's estimate of the fair value of the shares, which estimate shall equal or exceed the corporation's estimate given pursuant to subdivision B 2 c of § 13.1-734; and

3. A statement that shareholders described in subsection A have the right to demand further payment under §13.1-739 and that if any such shareholder does not do so within the time period specified therein, such

shareholder shall be deemed to have accepted such payment in full satisfaction of the corporation's obligations under this article.

C. A public corporation, or a corporation that ceased to be a public corporation as a result of the corporate action specified in subsection A of § 13.1-730, may fulfill its responsibilities under subdivision B 1 by delivering the specified financial statements, or otherwise making them available, in any manner permitted by the applicable rules and regulations of the U.S. Securities and Exchange Commission if the corporation was a public corporation as of the date of the specified financial statements.

**§ 13.1-738. After-acquired shares.**

A. A corporation may elect to withhold payment required by § 13.1-737 from any shareholder who was required to, but did not certify that beneficial ownership of all of the shareholder's shares for which appraisal rights are asserted was acquired before the date set forth in the appraisal notice sent pursuant to subdivision B 1 of § 13.1-734.

B. If the corporation elected to withhold payment under subsection A, it shall, within 30 days after the form required by subdivision B 2 b of § 13.1-734 is due, notify all shareholders who are described in subsection A:

1. Of the information required by subdivision B 1 of § 13.1-737;
2. Of the corporation's estimate of fair value pursuant to subdivision B 2 of § 13.1-737 and its offer to pay such value plus interest;
3. That they may accept the corporation's estimate of fair value plus interest in full satisfaction of their demands or demand for appraisal under § 13.1-739;
4. That those shareholders who wish to accept such offer must so notify the corporation of their acceptance of the corporation's offer within 30 days after receiving the offer; and
5. That those shareholders who do not satisfy the requirements for demanding appraisal under § 13.1-739 shall be deemed to have accepted the corporation's offer.

C. Within 10 days after receiving a shareholder's acceptance pursuant to subsection B, the corporation shall pay in cash the amount it offered under subdivision B 2 to each shareholder who agreed to accept the corporation's offer in full satisfaction of the shareholder's demand.

D. Within 40 days after sending the notice described in subsection B, the corporation shall pay in cash the amount it offered to pay under subdivision B 2 to each shareholder described in subdivision B 5.

**§ 13.1-739. Procedure if shareholder dissatisfied with payment or offer.**

A. A shareholder paid pursuant to § 13.1-737 who is dissatisfied with the amount of the payment must notify the corporation in writing of that shareholder's stated estimate of the fair value of the shares and demand payment of that estimate plus interest (less any payment under § 13.1-737). A shareholder offered payment under § 13.1-738 who is dissatisfied with that offer must reject the offer and demand payment of the shareholder's estimate of the fair value of the shares plus interest.

B. A shareholder who fails to notify the corporation in writing of that shareholder's demand to be paid the shareholder's stated estimate of the fair value plus interest under subsection A within 30 days after receiving the corporation's payment or offer of payment under § 13.1-737 or 13.1-738, respectively, waives the right to demand payment under this section and shall be entitled only to the payment made or offered pursuant to those respective sections.

**§ 13.1-740. Court action.**

A. If a shareholder makes a demand for payment under § 13.1-739 that remains unsettled, the corporation shall commence a proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the 60-day period, it shall pay in cash to each shareholder the amount the shareholder demanded pursuant to § 13.1-737 plus interest.

B. The corporation shall commence the proceeding in the circuit court of the city or county where the corporation's principal office, or, if none in the Commonwealth, where its registered office, is located. If the corporation is a foreign corporation without a registered office in the Commonwealth, it shall commence the proceeding in the circuit court of the city or county in the Commonwealth where the principal office, or, if none in the Commonwealth, where the registered office of the domestic corporation merged with the foreign corporation was located at the time the transaction became effective.

C. The corporation shall make all shareholders, whether or not residents of the Commonwealth, whose demands remain unsettled parties to the proceeding as in an action against their shares, and all parties shall be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

D. The corporation may join as a party to the proceeding any shareholder who claims to have demanded an appraisal but who has not, in the opinion of the corporation, complied with the provisions of this article. If the court determines that a shareholder has not complied with the provisions of this article, that shareholder shall be dismissed as a party.

E. The jurisdiction of the court in which the proceeding is commenced under subsection B is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers shall have the powers described in the order appointing them, or in any amendment to it. The shareholders demanding appraisal are entitled to the same discovery rights as parties in other civil proceedings. There shall be no right to a jury trial.

F. Each shareholder made a party to the proceeding is entitled to judgment (i) for the amount, if any, by which the court finds the fair value of the shareholder's shares plus interest exceeds the amount paid by the corporation to the shareholder for such shares or (ii) for the fair value plus interest of the shareholder's shares for which the corporation elected to withhold payment under § 13.1-738.

**§ 13.1-741. Court costs and counsel fees.**

A. The court in an appraisal proceeding commenced under § 13.1-740 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the shareholders demanding appraisal, in amounts the court finds equitable, to the extent the court finds such shareholders acted arbitrarily, vexatiously or not in good faith with respect to the rights provided by this article.

B. The court in an appraisal proceeding may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

1. Against the corporation and in favor of any or all shareholders demanding appraisal if the court finds the corporation did not substantially comply with the requirements of § 13.1-732, 13.1-734, 13.1-737 or 13.1-738; or

2. Against either the corporation or a shareholder demanding appraisal, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously or not in good faith with respect to the rights provided by this article.

C. If the court in an appraisal proceeding finds that the services of counsel for any shareholder were of substantial benefit to other shareholders similarly situated, and that the fees for those services should not be assessed

against the corporation, the court may award to such counsel reasonable fees to be paid out of the amounts awarded the shareholders who were benefited.

D. To the extent the corporation fails to make a required payment pursuant to § 13.1-737, 13.1-738 or 13.1-739, the shareholder may sue directly for the amount owed and, to the extent successful, shall be entitled to recover from the corporation all costs and expenses of the suit, including counsel fees.

**§ 13.1-741.1. Limitations on other remedies for fundamental transactions.**

A. Except for action taken before the Commission pursuant to § 13.1-614 or as provided in subsection B, the legality of a proposed or completed corporate action described in subsection A of § 13.1-730 may not be contested, nor may the corporate action be enjoined, set aside or rescinded, in a legal or equitable proceeding by a shareholder after the shareholders have approved the corporate action.

B. Subsection A does not apply to a corporate action that:

1. Was not authorized and approved in accordance with the applicable provisions of:

a. Article 11 § 13.1-705 et seq., Article 12 § 13.715.1 et seq., or Article 13 et seq.;

b. The articles of incorporation or bylaws; or

c. The resolutions of the board of directors authorizing the corporate action;

2. Was procured as a result of fraud, a material misrepresentation, or an omission of a material fact necessary to make statements made, in light of the circumstances in which they were made, not misleading;

3. Is an interested transaction, unless it has been authorized, approved or ratified by the board of directors in the same manner as is provided in subsection B of § 13.1-691 and has been authorized, approved or ratified by the shareholders in the same manner as is provided in subsection C of § 13.1-691 as if the interested transaction were a director's conflict of interests transaction; or

4. Is adopted or taken by less than unanimous consent of the voting shareholders pursuant to § 13.657 if:

a. The challenge to the corporate action is brought by a shareholder who did not consent and as to whom notice of the adoption or taking of the corporate action was not effective at least 10 days before the corporate action was effected; and

b. The proceeding challenging the corporate action is commenced within 10 days after notice of the adoption or taking of the corporate action is effective as to the shareholder bringing the proceeding.

C. Any remedial action with respect to corporate action described in subsection A of § 13.1-730 shall not limit the scope of, or be inconsistent with, any provision of § 13.1-614.

**2016 EQUITY INCENTIVE PLAN**



**MAINSTREET BANK  
2016 EQUITY INCENTIVE PLAN**

**ARTICLE 1 – GENERAL**

**Section 1.1**     **Purpose, Effective Date and Term.** The purpose of the MainStreet Bank 2016 Equity Incentive Plan (the “Plan”) is to promote the long-term financial success of MainStreet Bank and any of its Subsidiaries or future parent corporations, by providing a means to attract, to retain, to incent and to reward individuals who contribute to such success and to further align their interests with those of the Company’s stockholders through the ownership of additional common stock of the Company. The “Effective Date” of the Plan shall be the date the Plan satisfies the applicable shareholder approval requirements. The Plan shall remain in effect as long as any Awards are outstanding; *provided, however*, that no Awards may be granted under the Plan after the day immediately prior to the ten-year anniversary of the Effective Date.

**Section 1.2**     **Administration.** The Plan shall be administered by the Compensation Committee of the Company’s Board of Directors (the “Committee”), in accordance with Section 5.1.

**Section 1.3**     **Participation.** Employees and Outside Directors of the Company or any Subsidiary or future parent corporation of the Company shall be eligible to receive Awards in accordance with the terms of the Plan (“Eligible Participants”).

**Section 1.4**     **Definitions.** Capitalized terms used in this Plan are defined in Article 8 and elsewhere in this Plan.

**ARTICLE 2 – AWARDS**

**Section 2.1**     **General.** Any Award under the Plan may be granted singularly or in combination with another Award (or Awards). Each Award under the Plan shall be subject to the terms and conditions of the Plan and such additional terms, conditions, limitations and restrictions as the Committee shall provide with respect to such Award and as evidenced in the Award Agreement. Subject to the provisions of Section 2.7, an Award may be granted as an alternative to or replacement of an existing Award under the Plan or any other plan of the Company or any Subsidiary or as the form of payment for grants or rights earned or due under any other compensation plan or arrangement of the Company or its Subsidiaries, including without limitation the plan of any entity acquired by the Company or any Subsidiary. The types of Awards that may be granted under the Plan to Eligible Participants include:

(a)     *Stock Options.* A Stock Option means a grant under Section 2.2 that represents the right to purchase shares of Stock at an Exercise Price established by the Committee. Any Stock Option may be either an Incentive Stock Option (an “ISO”) that is intended to satisfy the requirements applicable to an “Incentive Stock Option” described in Code Section 422(b), or a Non-Qualified Stock Option (a “Non-Qualified Stock Option”) that is not intended to be an ISO; provided, however, that no ISOs may be granted: (i) after the day immediately prior to the ten-year anniversary of the Effective Date; or (ii) to Eligible Participants who are not Employees of the Company or a Subsidiary at the time of such Award grant. Unless otherwise specifically provided by its terms, any Stock Option granted to an Employee under this Plan shall be an ISO to the maximum extent permitted. Any ISO granted under this Plan that does not qualify as an ISO for any reason (whether at the time of grant or as the result of a subsequent event) shall be deemed to be a Non-Qualified Stock Option. In addition, any ISO granted under this Plan may be unilaterally modified by the Committee to disqualify such Stock Option from ISO treatment such that it shall become a Non-Qualified Stock Option; provided, however, that any such modification shall be

ineffective if it causes the Award to be subject to Code Section 409A (unless, as modified, the Award complies with Code Section 409A).

(b) *Restricted Stock Award.* Restricted Stock Award means a grant of shares of Stock under Section 2.3 for no payment of consideration or such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan, subject to a vesting schedule, the satisfaction of market conditions or performance conditions or other terms of the Award.

## **Section 2.2     Stock Options.**

(a) *Grant of Stock Options.* Each Stock Option shall be evidenced by an Award Agreement that shall: (i) specify the number of Stock Options covered by the Award; (ii) specify the date of grant of the Stock Option; (iii) detail the Exercise Price of such Stock Options; (iv) specify the vesting period or conditions to vesting; and (v) contain such other terms and conditions not inconsistent with the Plan, including the effect of termination of a Participant's employment or Service with the Company as the Committee may, in its discretion, prescribe.

(b) *Terms and Conditions.* A Stock Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee. In no event, however, shall a Stock Option expire later than ten years after the date of its grant (or five years with respect to ISOs granted to an Employee who is a 10% Stockholder). The "Exercise Price" of each Stock Option shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value of a share of Stock); *provided, however*, that the Exercise Price of an ISO shall not be less than 110% of Fair Market Value of a share of Stock on the date of grant if granted to a 10% Stockholder; *provided further*, that the Exercise Price may be higher or lower in the case of Stock Options exchanged in replacement of existing Awards held by an Employee, Director or Advisory Director of an acquired entity. The payment of the Exercise Price upon the exercise of a Stock Option shall be by cash or, subject to limitations imposed by applicable law, by such other means as the Committee may from time to time permit, including: (i) by tendering, either actually or constructively by attestation, shares of Stock otherwise owned by the Stock Option holder valued at Fair Market Value as of the day of exercise; (ii) by irrevocably authorizing a third party, acceptable to the Committee, to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Stock Option and to remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise; (iii) other than in the case of Stock Options granted as ISOs, by a net settlement of the Stock Option, using a portion of the shares of Stock obtained on exercise in payment of the Exercise Price of the Stock Option (and if applicable, any minimum required tax withholding); (iv) by personal, certified or cashier's check; (v) by other property deemed acceptable by the Committee; or (vi) by any combination thereof. The total number of shares of Stock that may be acquired upon the exercise of a Stock Option shall be rounded down to the nearest whole share.

(c) *Other Limitations Applicable to ISO Awards.* To the extent the aggregate Fair Market Value of shares of Stock with respect to which ISO Options are exercisable for the first time by an Employee during any calendar year, under the Plan or any other stock option plan of the Company or any Subsidiary, exceeds \$100,000, or such higher value as may be permitted under Code Section 422, such ISO Options in excess of the \$100,000 limit shall be treated as Non-Qualified Stock Options. Fair Market Value shall be determined as of the grant date for each ISO.

## **Section 2.3     Restricted Stock Awards.**

(a) *Grant of Restricted Stock Awards.* Each Restricted Stock Award shall be evidenced by an Award Agreement that shall: (i) specify the number of shares of Stock covered by the Restricted Stock Award; (ii) specify the date of grant of the Restricted Stock Award; (iii) specify the vesting period; and (iv)

contain such other terms and conditions not inconsistent with the Plan, including the effect of termination of a Participant's employment or Service with the Company, as the Committee may, in its discretion, prescribe. All Restricted Stock Awards shall be in the form of issued and outstanding shares of Stock that, at the discretion of the Committee, shall be either: (x) registered in the name of the Participant and held by the Company or on behalf of the Company, together with a stock power executed by the Participant in favor of the Company, pending the vesting or forfeiture of the Restricted Stock Award; or (y) registered in the name of, and delivered to, the Participant. In any event, the certificates evidencing the Restricted Stock Award shall at all times prior to the applicable vesting date bear the following legend:

The Stock evidenced hereby is subject to the terms of an Award Agreement with MainStreet Bank, dated [Date], made pursuant to the terms of the MainStreet Bank 2016 Equity Incentive Plan, copies of which are on file at the executive offices of MainStreet Bank, and may not be sold, encumbered, hypothecated or otherwise transferred except in accordance with the terms of such Plan and Award Agreement, or such other restrictive legend as the Committee, in its discretion, may specify. Notwithstanding the foregoing, the Company may in its sole discretion issue a Restricted Stock Award in any other approved format (*e.g., electronically*) in order to facilitate the paperless transfer of such Awards. In the event a Restricted Stock Award is not issued in certificate form, the Company and the transfer agent shall maintain appropriate bookkeeping entries that evidence Participants' ownership of such Awards. A Restricted Stock Award that is not issued in certificate form shall be subject to the same terms and conditions of the Plan as certificated shares, including the restrictions on transferability and the provision of a stock power executed by the Participant in favor of the Company, until the satisfaction of the conditions to which the Restricted Stock Award is subject.

(b) *Terms and Conditions.* Each Restricted Stock Award shall be subject to the following terms and conditions:

(i) *Dividends.* Unless the Committee determines otherwise with respect to any Restricted Stock Award and specifies such determination in the relevant Award Agreement, any dividends or distributions declared and paid with respect to shares of Stock subject to the Restricted Stock Award, other than a stock dividend consisting of shares of Stock, shall be distributed to the Participant by the Company within thirty days of the respective dividend payment date, subject to applicable tax withholding; provided that in the event of the forfeiture of such Restricted Stock Award, all future dividend rights shall cease. Any stock dividends declared on shares of Stock subject to a Restricted Stock Award shall be subject to the same restrictions and shall vest at the same time as the shares of Stock underlying such Restricted Stock Award from which said dividends were derived.

(ii) *Voting Rights.* Unless the Committee determines otherwise with respect to any Restricted Stock Award and specifies such determination in the relevant Award Agreement, voting rights applicable to the shares of Stock subject to the Restricted Stock Award may be exercised by the Participant prior to the date that such Restricted Stock Award is deemed earned and non-forfeitable.

(iii) *Tender Offers and Merger Elections.* Each Participant to whom a Restricted Stock Award is granted shall have the right to respond, or to direct the response, with respect to the related shares of Stock, to any tender offer, exchange offer, cash/stock merger consideration election or other offer made to, or elections made by, the holders of shares of Stock. Such a direction for any such shares of Stock shall be given by proxy or ballot (if the Participant is the beneficial owner of the shares of Stock for voting purposes) or by completing and filing, with the inspector of elections, the trustee or such other person who shall be independent of the Company as the Committee shall designate in the direction (if the Participant is not such a beneficial owner), a written direction in the form and manner prescribed by the Committee. If no such direction is given, then the shares of Stock shall not be tendered.

#### **Section 2.4 Performance-Based Compensation.**

(a) Upon the grant of an Award, the Committee may establish the performance targets, if any, which must be met before such Awards may begin to become first earned and non-forfeitable or exercisable. Such performance targets may be expressed as a minimum threshold level and an optimum level, and each level of performance attainment may yield a specified number of Stock Options and/or Restricted Stock Awards. The terms and conditions of any Award, including any performance targets, if any, for each Participant shall be detailed in an Award Agreement. Except as otherwise provided herein, if such performance targets are not attained by the ending date of the performance period as specified in the applicable Award Agreement, then such Award shall be forfeited. Once such performance targets are attained, as certified by the Committee, such Award shall be deemed first earned and non-forfeitable. Such performance targets may consist of Company financial metrics, peer group rankings based upon financial metrics, or such other criteria that may be established by the Committee as of the date of grant, except as otherwise modified thereafter by the Committee as permitted herein. Notwithstanding the foregoing, the Committee shall have the authority to adjust or modify performance measures with respect to Awards, including the authority to determine that Awards shall be earned without regard to whether such performance measures previously established have been satisfied and/or to authorize the implementation of a new performance period and performance measures and the re-issuance of previously forfeited awards under the new program.

(b) The Committee shall have sole discretion in determining how performance measures are calculated. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or its Subsidiary conducts its business or other events or circumstances render current performance measures to be unsuitable, the Committee may modify such performance measures, in whole or in part, as the Committee deems appropriate. The Committee shall certify in writing that any performance goals or other material terms applicable to an Award were in fact satisfied, or modified or waived, prior to such Award first becoming earned and non-forfeitable or exercisable.

#### **Section 2.5 Vesting of Awards.**

(a) The Committee shall specify the vesting schedule and other conditions of each Award. Unless otherwise specified by the Committee and set forth in an Award Agreement between the Company and the Participant, Awards to Employees under the Plan shall be granted with a vesting rate equal to one-third of such Award per year, with the first installment vesting on the one year anniversary of the date of grant, and succeeding installments vesting on each annual anniversary thereafter during periods of continued service by the Award recipient until such Award is fully earned. Unless otherwise specified by the Committee and set forth in an Award Agreement between the Company and the Participant, Awards to Outside Directors under the Plan shall be granted with a vesting rate equal to 50% of such Award per year, with the first installment vesting on the one year anniversary of the date of grant and 50% vesting on the second anniversary thereafter during periods of continued service by the Award recipient until such Award is fully earned. If the right to become vested in an Award under the Plan (including the right to exercise a Stock Option) is conditioned on the completion of a specified period of Service with the Company or its Subsidiaries, without achievement of performance measures or other performance objectives being required as a condition of vesting, and without it being granted in lieu of, or in exchange for, other compensation, then the required period of Service for full vesting shall be determined by the Committee and evidenced in the Award Agreement (subject to acceleration of vesting, to the extent permitted by the Committee, including in the event of the Participant's death, Disability or Retirement or upon a Change in Control). Unless otherwise provided by the Committee, Service as a director emeritus, advisory director or consultant shall constitute continued Service for purposes of vesting.

(b) Notwithstanding Section 2.8 and Article 4 hereof, unless otherwise prohibited by applicable law or regulation, the Committee may, in its sole discretion, determine that all Stock Options then held by a Participant shall become fully exercisable (subject to the expiration provisions otherwise applicable to the Stock Option) and all Restricted Stock Awards shall be fully earned and vested immediately.

**Section 2.6 Deferred Compensation.** If any Award would be considered “deferred compensation” as defined under Code Section 409A (“Deferred Compensation”), the Committee reserves the absolute right to unilaterally amend the Plan or the Award Agreement, without the consent of the Participant, to maintain exemption from, or to comply with, Code Section 409A. Any amendment by the Committee to the Plan or an Award Agreement pursuant to this Section 2.6 shall maintain, to the extent practicable, the original intent of the applicable provision without violating Code Section 409A. A Participant’s acceptance of any Award under the Plan constitutes acknowledgement and consent to such rights of the Committee, without further consideration or action. Any discretionary authority retained by the Committee pursuant to the terms of this Plan or pursuant to an Award Agreement shall not be applicable to an Award which is determined to constitute Deferred Compensation, if such discretionary authority would contravene Code Section 409A.

**Section 2.7 Prohibition Against Option Repricing.** Except for adjustments pursuant to Section 3.3, and reductions of the Exercise Price approved by the Company’s stockholders, neither the Committee nor the Board shall have the right or authority to make any adjustment or amendment that reduces or would have the effect of reducing the Exercise Price of a Stock Option previously granted under the Plan, whether through amendment, cancellation (including cancellation in exchange for a cash payment in excess of the Stock Option’s in-the-money value) or replacement grants, or other means.

**Section 2.8. Effect of Termination of Service on Awards.** The Committee shall establish the effect of a Termination of Service on the continuation of rights and benefits available under an Award or the Plan and, in so doing, may make distinctions based upon, among other things, the reason for Termination of Service and type of Award. Unless otherwise specified by the Committee and set forth in an Award Agreement between the Company and the Participant, the following provisions shall apply to each Award granted under this Plan:

(a) Upon a Participant’s Termination of Service for any reason other than Disability, death, Retirement or Termination for Cause, Stock Options shall be exercisable only as to those shares that were immediately exercisable by such Participant at the date of Termination of Service, and Stock Options may be exercised only for a period of three months following Termination of Service and any Restricted Stock Award that has not vested as of the date of Termination of Service shall expire and be forfeited.

(b) In the event of a Termination of Service for Cause, all Stock Options granted to a Participant that have not been exercised and all Restricted Stock Awards granted to a Participant that have not vested as of such date of Termination of Service shall expire and be forfeited.

(c) Upon Termination of Service for reason of Disability, death or, to the extent permitted by the Committee, Retirement, (i) all Stock Options shall be exercisable as to all shares of Stock subject to an outstanding Award, whether or not then exercisable, and (ii) all Restricted Stock Awards which have not yet become earned and non-forfeitable, shall, in each case, be deemed earned and be exercisable as if the Participant had Terminated Service as of the date of the final vesting event applicable to each outstanding Award. Stock Options may be exercised for a period of one year following Termination of Service due to death, Disability or Retirement; *provided, however*, that no Stock Option shall be eligible for treatment as an ISO in the event such Stock Option is exercised more than three months following Termination of Service due to Retirement, and *provided, further*, in order to obtain ISO treatment for Stock Options

exercised by heirs or devisees of an optionee, the optionee's death must have occurred while employed or within three months of Termination of Service.

(d) Notwithstanding anything herein to the contrary, no Stock Option shall be exercisable beyond the last day of the original term of such Stock Option.

(e) Notwithstanding the provisions of this Section 2.8, the effect of a Change in Control on the vesting and exercisability of Stock Options and Restricted Stock Awards is as set forth in Article 4.

### **ARTICLE 3 - SHARES SUBJECT TO PLAN**

**Section 3.1 Available Shares.** The shares of Stock with respect to which Awards may be made under the Plan shall be authorized but unissued shares of Stock, Stock currently held as treasury shares or, to the extent permitted by applicable law, Stock subsequently acquired by the Company as treasury shares, including shares of Stock purchased in the open market or in private transactions.

#### **Section 3.2 Share Limitations.**

(a) *Share Reserve.* Subject to the following provisions of this Section 3.2, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be equal to Two Hundred Thousand (200,000) shares of Stock in the aggregate. Upon the Effective Date of the Plan, no new awards may be granted under the Company's 2006 Incentive Stock Plan. The maximum number of shares of Stock that may be delivered pursuant to the exercise of Stock Options (all of which may be granted as ISOs, Non-Qualified Stock Options or a combination of each) is Two Hundred Thousand (200,000) shares of Stock, reduced by any shares of Stock issued as Restricted Stock Awards. The maximum number of shares of Stock that may be issued as Restricted Stock Awards is Two Hundred Thousand (200,000) shares of Stock, reduced by any shares of Stock issued upon the exercise of Stock Options. The aggregate number of shares of Stock available for grant under this Plan and the number of shares of Stock subject to outstanding Awards shall be subject to adjustment as provided in Section 3.3.

(b) *Limitations on Awards.*

(i) Total shares of Stock issued to Outside Directors under the Plan shall not exceed 100,000 shares of Stock in the aggregate. The maximum number of shares of Stock issuable to any individual Director under the Plan shall not exceed 20,000 shares of Stock in the aggregate, and the maximum number of shares of Stock related to the award of Non-Qualified Stock Options and Restricted Stock Awards in any calendar year to any individual Outside Director shall not exceed 2,500 shares of Stock in the aggregate.

(ii) Total shares of Stock issued to Employees under the Plan shall not exceed 200,000 shares of Stock in the aggregate, reduced by the aggregate of shares of Stock issued to Outside Directors. The maximum number of shares of Stock issuable to any individual Employee under the Plan shall not exceed 30,000 shares of Stock in the aggregate, and the maximum number of shares of Stock related to the award of Stock Options (all of which may be granted as ISOs, Non-Qualified Stock Options or a combination of each) or Restricted Stock Awards in any calendar year to any individual Employee shall not exceed 5,000 shares of Stock in the aggregate.

(c) *Computation of Shares Available.* For purposes of this Section 3.2, and in connection with the granting of Stock Options and Restricted Stock Awards, the number of shares of Stock available for the granting of additional Stock Options and Restricted Stock Awards shall be reduced by the number of shares of Stock issued with respect to such Awards. To the extent any shares of Stock covered by an Award (including Restricted Stock Awards) under the Plan are not delivered to a Participant or beneficiary for any reason, including because the Award is forfeited or canceled or because a Stock Option is not exercised

prior to its expiration, then such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. To the extent (i) a Stock Option is exercised by using an actual or constructive exchange of shares of Stock to pay the Exercise Price, (ii) shares of Stock are withheld to satisfy withholding taxes upon exercise or vesting of an Award granted hereunder, or (iii) shares are withheld to satisfy the exercise price of Stock Options in a net settlement of Stock Options, then the number of shares of Stock available shall be reduced by the gross number of Stock Options exercised or Awards earned, rather than by the net number of shares of Stock issued.

### **Section 3.3      Corporate Transactions.**

(a)      *General.* In the event any recapitalization, forward or reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or exchange of shares of Stock or other securities, stock dividend or other special and nonrecurring dividend or distribution (whether in the form of cash, securities or other property), liquidation, dissolution, or other similar corporate transaction or event, affects the shares of Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan and/or under any Award granted under the Plan, then the Committee shall, in an equitable manner, adjust any or all of (i) the number and kind of securities deemed to be available thereafter for grants of Stock Options and Restricted Stock Awards in the aggregate to all Participants and individually to any one Participant, (ii) the number and kind of securities that may be delivered or deliverable in respect of outstanding Stock Options and Restricted Stock Awards, and (iii) the Exercise Price of Stock Options. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Stock Options and Restricted Stock Awards (including, without limitation, cancellation of Stock Options and Restricted Stock Awards in exchange for the in-the-money value, if any, of the vested portion thereof, or substitution or exchange of Stock Options and Restricted Stock Awards using stock of a successor or other entity) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any parent or Subsidiary, or the financial statements of the Company or any parent or Subsidiary, or in response to changes in applicable laws, regulations, or accounting principles. Unless otherwise determined by the Committee, any such adjustment to an Award intended to qualify as “performance-based compensation” shall conform to the requirements of Code Section 162(m), if applicable, and the regulations thereunder then in effect.

(b)      *Merger in which the Company is Not Surviving Entity.* In the event of any merger, consolidation, or other business reorganization (including, but not limited to, a Change in Control) in which the Company is not the surviving entity, unless otherwise determined by the Committee at any time at or after grant and prior to the consummation of such merger, consolidation or other business reorganization, any Stock Options granted under the Plan which remain outstanding shall be converted into Stock Options to purchase voting common equity securities of the business entity which survives such merger, consolidation or other business reorganization having substantially the same terms and conditions as the outstanding Stock Options under this Plan and reflecting the same economic benefit (as measured by the difference between the aggregate Exercise Price and the value exchanged for outstanding shares of Stock in such merger, consolidation or other business reorganization), all as determined by the Committee prior to the consummation of such merger; provided, however, that the Committee may, in its sole discretion, at any time prior to the consummation of such merger, consolidation or other business reorganization, direct that all, but not less than all, outstanding Stock Options be canceled as of the effective date of such merger, consolidation or other business reorganization in exchange for a cash payment per share of Stock equal to the excess (if any) of the value exchanged for an outstanding share of Stock in such merger, consolidation or other business reorganization over the Exercise Price of the Stock Option being canceled.

**Section 3.4      Delivery of Shares.** Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) *Compliance with Applicable Laws.* Notwithstanding any other provision of the Plan, the Company shall have no obligation to deliver any shares of Stock or make any other distribution of benefits under the Plan unless such delivery or distribution complies with all applicable laws (including, the requirements of the Securities Act), and the applicable requirements of any Exchange.

(b) *Certificates.* To the extent that the Plan provides for the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by the Company's governance documents, applicable law or the applicable rules of any Exchange.

(c) *Award Payouts.* Awards may be paid out in the form of cash, shares of Stock, or combinations thereof as the Committee shall determine in its sole and absolute discretion, and with such restrictions as it may impose. The Committee may, in its sole discretion, determine that upon the exercise of a Stock Option, make a cash payment to the Participant, in whole or in part, in lieu of the delivery of shares of Stock. Such cash payment to be paid in lieu of delivery of shares of Stock shall be equal to the difference between the Fair Market Value of the shares of Stock on the date of the Stock Option exercise and the Exercise Price per share of the Stock Option multiplied by the number of shares of Stock subject to such Stock Option to be cashed-out. Such cash payment shall be in exchange for the cancellation of such Stock Option. Such cash payment shall not be made in the event that such transaction would result in liability to the Participant or the Company under Section 16(b) of the Exchange Act and regulations promulgated thereunder, or subject the Participant to additional tax liabilities related to such cash payments pursuant to Code Section 409A. The Committee may, in its sole and absolute discretion, determine that upon a Change in Control of the Company each outstanding Stock Option shall be cancelled in exchange for a cash payment equal to the difference between the Fair Market Value of the shares of Stock on the date of the Stock Option cancellation and the Exercise Price per share of the Stock Option multiplied by the number of shares of Stock subject to such Stock Option.

(d) *Other Matters.* In no event shall any shares newly-issued by the Company be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable state law. In the event that the Committee allows a Participant to exercise a Stock Option by delivering shares of Stock previously owned by such Participant, any such shares delivered which were initially acquired by the Participant from the Company (upon exercise of a stock option or otherwise) must have been owned by the Participant for at least six months prior to such date of delivery, except in the case of the net settlement of Stock Options. Shares of Stock used to satisfy the Exercise Price of a Stock Option shall be valued at their Fair Market Value on the date of exercise. The Company will not be obligated to deliver any shares of Stock unless and until it receives full payment of the Exercise Price and any related tax withholding obligations have been satisfied, or until any other conditions applicable to exercise or purchase have been satisfied. No Participant shall have any of the rights of a stockholder of the Company until shares of Stock are issued upon the exercise of such Stock Options or the delivery of shares following the vesting of a Restricted Stock Award, except as otherwise provided herein. Unless expressly provided otherwise in the applicable Award Agreement, the Committee may at any time within its sole discretion eliminate or limit a Participant's ability to pay the purchase or Exercise Price of any Award by any method other than a cash payment to the Company.

#### **ARTICLE 4 - CHANGE IN CONTROL**

**Section 4.1** **Consequence of a Change in Control.** Subject to the provisions of Section 3.3 (relating to the adjustment of shares), and except as otherwise provided in the Plan or as determined by the Committee and set forth in the terms of any Award Agreement:



(a) Upon a Change in Control, all Stock Options then held by the Participant shall become fully earned and exercisable (subject to the expiration provisions otherwise applicable to the Stock Option).

(b) Upon a Change in Control, all Restricted Stock Awards described in Section 2.1(b) shall be fully earned and vested immediately.

(c) In the event of a Change in Control, any performance measure or condition applicable to an Award under the Plan shall be deemed satisfied as of the date of the Change in Control.

**Section 4.2 Definition of Change in Control.** For purposes of the Plan, unless otherwise provided in an Award Agreement, a “Change in Control” shall be deemed to have occurred upon the earliest to occur of the following:

(a) *Merger.* The Company merges into or consolidates with another entity, or merges another bank or corporation into the Company, and as a result, less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company immediately before the merger or consolidation;

(b) *Acquisition of Significant Share Ownership.* A person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company’s Voting Securities; provided, however, this clause (b) shall not apply to beneficial ownership of the Company’s voting shares held in a fiduciary capacity by an entity of which the Company directly or indirectly beneficially owns 50% or more of its outstanding Voting Securities;

(c) *Change in Board Composition.* During any period of two consecutive years, individuals who constitute the Company’s Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company’s Board of Directors; provided, however, that for purposes of this clause (c), each director who is first elected by the board (or first nominated by the board for election by the stockholders) by a vote of at least two-thirds (2/3) of the directors who were directors at the beginning of the two-year period shall be deemed to have also been a director at the beginning of such period; or

(d) *Sale of Assets.* The Company sells to a third party all or substantially all of its assets.

Notwithstanding the foregoing, in the event that an Award constitutes Deferred Compensation, and the settlement of, or distribution of benefits under, such Award is to be triggered solely by a Change in Control, then with respect to such Award, a Change in Control shall be defined as required under Code Section 409A, as in effect at the time of such transaction.

## **ARTICLE 5 – COMMITTEE**

**Section 5.1 Administration.** The Plan shall be administered by the Board or the members of the Compensation Committee of the Company who are Disinterested Board Members. If the Committee consists of fewer than three Disinterested Board Members, then the Board shall appoint to the Committee such additional Disinterested Board Members as shall be necessary to provide for a Committee consisting of at least three Disinterested Board Members. Any members of the Committee who do not qualify as Disinterested Board Members shall abstain from participating in any discussion or decision to make or administer Awards that are made to Participants who at the time of consideration for such Award: (i) are persons subject to the short-swing profit rules of Section 16 of the Exchange Act, or (ii) are reasonably anticipated to be Covered Employees during the term of the Award. The Board or members of the Board who are eligible to serve on the Compensation Committee of the Company in accordance with the corporate

governance statutes or rules or listing requirements imposed by any Exchange on which the Company lists, has listed or seeks to list its securities may, in its discretion, take any action and exercise any power, privilege or discretion conferred on the Committee under the Plan with the same force and effect under the Plan as if done or exercised by the Committee. Notwithstanding the foregoing, action taken by the Committee at such time that the Committee's composition shall not be in conformity with the provisions of this Section or the requirements under Code Section 162(m) shall not disqualify the validity of such actions taken.

**Section 5.2 Powers of Committee.** The administration of the Plan by the Committee shall be subject to the following:

(a) The Committee will have the authority and discretion to select from among the Company's and its Subsidiaries' Directors and Employees, those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares of Stock covered by the Awards, to establish the terms, conditions, performance criteria, if any, restrictions (including without limitation, provisions relating to non-competition, non-solicitation and confidentiality), and other provisions of such Awards (subject to the restrictions imposed by Article 6) to cancel or suspend Awards and to reduce, eliminate or accelerate any restrictions or vesting requirements applicable to an Award at any time after the grant of the Award.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) The Committee will have the authority to define terms not otherwise defined herein.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the charter and bylaws of the Company and applicable corporate law.

(f) To the extent deemed applicable, the Committee, in its discretion, shall have the authority to grant Stock Options that satisfy the requirements for deductibility for compensation in excess of \$1 million in accordance with Code Section 162(m) as well as to grant Stock Options and Restricted Stock Awards that may not satisfy the requirements for deductibility for such compensation in excess of \$1 million in accordance with Code Section 162(m).

**Section 5.3 Delegation by Committee.** The Chairman of the Committee and such other directors and officers of the Company 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 Awards.

**Section 5.4 Information to be Furnished to Committee.** As may be permitted by applicable law, the Company and its Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and its Subsidiaries as to a Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined by the Committee to be manifestly incorrect. Subject to applicable law, Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

**Section 5.5 Committee Action.** The Committee shall hold such meetings, and may make such administrative rules and regulations, as it may deem proper. A majority of the members of the Committee shall constitute a quorum, and the action of a majority of the members of the Committee present at a meeting at which a quorum is present, as well as actions taken pursuant to the unanimous written consent of all of the members of the Committee without holding a meeting, shall be deemed to be actions of the Committee. Subject to Section 5.1, all actions of the Committee shall be final and conclusive and shall be binding upon the Company, Participants and all other interested parties. Any person dealing with the Committee shall be fully protected in relying upon any written notice, instruction, direction or other communication signed by a member of the Committee or by a representative of the Committee authorized to sign the same in its behalf.

## **ARTICLE 6 - AMENDMENT AND TERMINATION**

**Section 6.1 General.** The Board may, as permitted by law, at any time, amend or terminate the Plan, and may amend any Award Agreement, provided that no amendment or termination (except as provided in Section 2.6, Section 3.3 and Section 6.2) may cause the re-pricing of a Stock Option or, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely impair the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board; *provided, however*, that, no amendment may (a) materially increase the benefits accruing to Participants under the Plan, (b) materially increase the aggregate number of securities which may be issued under the Plan, other than pursuant to Section 3.3, or (c) materially modify the requirements for participation in the Plan, unless the amendment under (a), (b) or (c) above is approved by a vote of the Company's stockholders.

**Section 6.2 Amendment to Conform to Law and Accounting Changes.** Notwithstanding any provision in this Plan or any Award Agreement to the contrary, the Committee may amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of (i) conforming the Plan or the Award Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A), or (ii) avoiding an accounting treatment resulting from an accounting pronouncement or interpretation thereof issued by the Securities and Exchange Commission or Financial Accounting Standards Board subsequent to the adoption of the Plan or the making of the Award affected thereby, which, in the sole discretion of the Committee, may materially and adversely affect the financial condition or results of operations of the Company. By accepting an Award under this Plan, each Participant agrees and consents to any amendment by the Committee or the Board made pursuant to Sections 2.6, 6.2 or 7.17(b) to any Award granted under the Plan without further consideration or action.

## **ARTICLE 7 - GENERAL TERMS**

### **Section 7.1 No Implied Rights.**

(a) *No Rights to Specific Assets.* Neither a Participant nor any other person shall by reason of participation in the Plan acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including any specific funds, assets, or other property which the Company or any Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the shares of Stock or amounts, if any, payable or distributable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) *No Contractual Right to Employment or Future Awards.* The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating Employee the right to be retained in the employ of the Company or any Subsidiary or any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. No individual shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to receive a future Award under the Plan.

(c) *No Rights as a Stockholder.* Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

(d) *Compliance with Law.* Shares of Stock shall not be issued with respect to any Award granted under the Plan unless the issuance and delivery of such shares shall comply with all relevant provisions of applicable law, including, without limitation, the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, any applicable state securities laws and the requirements of any Exchange upon which the shares may then be listed. The inability of the Company to obtain any necessary authorizations, approvals or letters of non-objection from any regulatory body or authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares of Stock issuable hereunder shall relieve the Company of any liability with respect to the non-issuance or sale of such shares. As a condition to the exercise of any Stock Option or the delivery of shares of Stock in accordance with an Award, the Company may require the person exercising the Stock Option or receiving delivery of the shares of Stock to make such representations and warranties as may be necessary to assure the availability of an exemption from the registration requirements of federal or state securities law.

**Section 7.2 Restrictions on Transferability.** Except as otherwise so provided by the Committee, ISOs under the Plan are not transferable except (i) as designated by the Participant by will or by the laws of descent and distribution, (ii) to a trust established by the Participant, if under Code Section 671 and applicable state law, the Participant is considered the sole beneficial owner of the Stock Option while held in trust, or (iii) between spouses incident to a divorce or pursuant to a domestic relations order, provided, however, in the case of a transfer within the meaning of this Section 7.2(iii), the Stock Option shall not qualify as an ISO as of the day of such transfer. The Committee shall have the discretion to permit the transfer of Stock Options (other than ISOs) under the Plan if it determines that the transfer or assignment is for valid estate planning purposes and is permitted under the Code and Rule 16b-3 of the Exchange Act; *provided, however*, that such transfers shall be limited to Immediate Family Members of Participants, trusts and partnerships established for the primary benefit of such family members or to charitable organizations, and; *provided, further*, that such transfers are not made for consideration to the Participant.

Restricted Stock Awards shall not be transferable prior to the time that such Awards are deemed earned and non-forfeitable to the Participant unless provided for in accordance with a qualified domestic relations order.

**Section 7.3 Designation of Beneficiaries.** A Participant hereunder may file with the Company a written designation of a beneficiary or beneficiaries under this Plan and may from time to time revoke or amend any such designation ("Beneficiary Designation"). Any designation of beneficiary under this Plan shall be controlling over any other disposition, testamentary or otherwise (unless such disposition is pursuant to a qualified domestic relations order); *provided, however*, that if the Committee is in doubt as to the entitlement of any such beneficiary to any Award, the Committee may determine to recognize only the legal representative of the Participant, in which case the Company, the Committee and the members thereof shall not be under any further liability to anyone.

**Section 7.4 Non-Exclusivity.** Neither the adoption of this Plan by the Board nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any

limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including, without limitation, the granting of Restricted Stock Awards or Stock Options otherwise than under the Plan or an arrangement that is or is not intended to qualify under Code Section 162(m), if applicable, and such arrangements may be either generally applicable or applicable only in specific cases.

**Section 7.5 Award Agreement.** Each Award granted under the Plan shall be evidenced by an Award Agreement signed by an authorized representative of the Company and the Participant. A copy of the Award Agreement, in any medium chosen by the Committee, shall be provided (or made available electronically) to the Participant.

**Section 7.6 Form and Time of Elections.** Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be filed with the Company at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

**Section 7.7 Evidence.** Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information upon which the person is acting considers pertinent and reliable, and signed, made or presented by the proper party or parties.

**Section 7.8 Tax Withholding and Tax Matters.**

(a) Where a Participant is entitled to receive shares of Stock upon the vesting or exercise of an Award, the Company shall have the right to require such Participant to pay to the Company the amount of any tax that the Company is required to withhold with respect to such vesting or exercise, or, in lieu thereof, to retain, or to sell without notice, a sufficient number of shares of Stock to cover the minimum amount required to be withheld. To the extent determined by the Committee and specified in an Award Agreement, a Participant may be provided the opportunity to direct the Company to satisfy the minimum required federal, state and local tax withholding by: (i) with respect to a Stock Option settled in Stock, reducing the number of shares of Stock subject to the Stock Option (without issuance of such shares of Stock to the Stock Option holder) by a number equal to the quotient of (a) the total minimum amount of required tax withholding divided by (b) the excess of the Fair Market Value of a share of Stock on the exercise date over the Exercise Price per share of Stock; and (ii) with respect to a Restricted Stock Award, withholding a number of shares (based on the Fair Market Value on the vesting date) otherwise vesting that would satisfy the minimum amount of required tax withholding; provided that in each case there are no adverse accounting consequences to the Company (with a requirement to have liability classification of an award under Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718 being deemed an adverse consequence).

(b) *Notice of Section 83(b) Election.* In the event a Participant makes an election under Code Section 83(b) in connection with an Award, the Participant shall notify the Company in writing of such election within ten (10) days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(c) *Notice of Disqualifying Disposition.* If any Participant shall make a disposition of Stock delivered pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company in writing of such disposition within ten (10) days thereof.

(d) *Section 409A Compliance.* To the extent that any Award is determined to constitute “nonqualified deferred compensation” within the meaning of Code Section 409A (a “409A Award”), the Award shall be subject to such additional rules and requirements as specified by the Committee from time to time in order to comply with Code Section 409A. In this regard, if any amount under a 409A Award is payable upon a “separation from service” (within the meaning of Code Section 409A) to a Participant who is then considered a “specified employee” (within the meaning of Code Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the Participant’s separation from service, or (ii) the Participant’s death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Code Section 409A. Further, the settlement of any such 409A Award may not be accelerated except to the extent permitted by Code Section 409A. To the extent that an Award is deemed to constitute a 409A Award, and for which payment with respect to the Award or acceleration of such Award being deemed earned and exercisable or non-forfeitable is determined solely by reference to whether a Change in Control has occurred, the term “Change in Control” means (for purposes of determining whether a payment is due or acceleration exists) the first to occur of a “change in the ownership of the Company,” a “change in the effective control of the Company” or a “change in the ownership of a substantial portion of the Company’s assets,” as those phrases are determined under Code Section 409A and the regulations promulgated thereunder, as in effect at the time of such Change in Control transaction.

**Section 7.9 Action by Company or Subsidiary.** Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its board of directors, or by action of one or more members of the Board (including a committee of the Board) who are duly authorized to act for the Board, or (except to the extent prohibited by applicable law or applicable rules of any Exchange on which the Company lists its securities) by a duly authorized officer of the Company or such Subsidiary.

**Section 7.10 Successors.** All obligations of the Company under the Plan shall be binding upon and inure to the benefit of any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business, stock, and/or assets of the Company.

**Section 7.11 Indemnification.** To the fullest extent permitted by law and the Company’s governing documents, each person who is or shall have been a member of the Committee, or of the Board, or an officer of the Company to whom authority was delegated in accordance with Section 5.3, or an Employee of the Company, shall be indemnified and held harmless by the Company against and from any loss (including amounts paid in settlement), cost, liability or expense (including reasonable attorneys’ fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company’s approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or gross negligence, or except as expressly provided by statute or regulation. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company’s charter or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

**Section 7.12 No Fractional Shares; Minimum Issuances.** Unless otherwise permitted by the Committee, no fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash or other property shall be issued or paid in lieu of fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated by rounding down. No fewer than 100 shares of Stock may be purchased on exercise of any Stock Option

unless the total number purchased or exercised is the total number at the time available for purchase or exercise by the Participant.

**Section 7.13 Governing Law.** The Plan, all Awards granted hereunder, and all actions taken in connection herewith shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without reference to principles of conflict of laws, except as superseded by applicable federal law. The federal and state courts located in the Commonwealth of Virginia within thirty miles of the Company's principal office, shall have exclusive jurisdiction over any claim, action, complaint or lawsuit brought under the terms of the Plan. By accepting any award under this Plan, each Participant and any other person claiming any rights under the Plan agrees to submit himself or herself and any legal action that the Participant brings under the Plan, to the sole jurisdiction of such courts for the adjudication and resolution of any such disputes.

**Section 7.14 Benefits Under Other Plans.** Except as otherwise provided by the Committee or as set forth in a Qualified Retirement Plan, Awards to a Participant (including the grant and the receipt of benefits) under the Plan shall be disregarded for purposes of determining the Participant's benefits under, or contributions to, any Qualified Retirement Plan, non-qualified plan and any other benefit plans maintained by the Participant's employer. The term "Qualified Retirement Plan" means any plan of the Company or a Subsidiary that is intended to be qualified under Code Section 401(a).

**Section 7.15 Validity.** If any provision of this Plan is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision has never been included herein.

**Section 7.16 Notice.** Unless otherwise provided in an Award Agreement, all written notices and all other written communications to the Company provided for in the Plan or in any Award Agreement, shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid (provided that international mail shall be sent via overnight or two-day delivery), or sent by facsimile, email or prepaid overnight courier to the Company at its principal executive office. Such notices, demands, claims and other communications shall be deemed given:

- (a) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;
- (b) in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; or
- (c) in the case of facsimile or email, the date upon which the transmitting party received confirmation of receipt; *provided, however*, that in no event shall any such communications be deemed to be given later than the date they are actually received, provided they are actually received. In the event a communication is not received, it shall only be deemed received upon the showing of an original of the applicable receipt, registration or confirmation from the applicable delivery service. Communications that are to be delivered by U.S. mail or by overnight service to the Company shall be directed to the attention of the Company's Corporate Secretary.

**Section 7.17 Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events include, but are not limited to, termination of employment for cause, termination of the Participant's provisions of Services to the Company or any Subsidiary, violation of material Company or Subsidiary policies, breach of noncompetition,

confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct of the Participant that is detrimental to the business or reputation of the Company or any Subsidiary.

(b) Awards granted hereunder are subject to any clawback or recoupment policy adopted by the Company from time to time or as required by statute or regulations, whether adopted before or after the date of such Award.

**Section 7.18 Regulatory Requirements.** The grant and settlement of Awards under this Plan shall be conditioned upon and subject to compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the rules and regulations promulgated thereunder. Further, Participants must exercise or forfeit their Stock Options in the event the Company becomes critically undercapitalized or receives a capital directive, as determined by the Company's state or primary federal banking regulator.

**Section 7.19 Stockholder Approval.** Stockholder approval of such Plan shall be determined by an affirmative vote of a majority of the Company's stockholders at a meeting of stockholders of the Company held within one year of the date of adoption of the Plan by the Board of Directors of the Company. Any material amendment to the Plan deemed to require an approval vote of stockholders shall be approved by the requisite vote determined in accordance with applicable law.

**Section 7.20 Section 16 of Exchange Act.** It is the intent of the Company that the Awards and transactions permitted by Awards be interpreted in a manner that, in the case of Participants who are or may be subject to Section 16 of the Exchange Act, qualify, to the maximum extent compatible with the express terms of the Award, for exemption from matching liability under Rule 16b-3 promulgated under the Exchange Act. Notwithstanding the foregoing, the Company shall have no liability to any Participant for Section 16 consequences of Awards or events affecting Awards if an Award or event does not so qualify.

## **ARTICLE 8 - DEFINED TERMS; CONSTRUCTION**

**Section 8.1** In addition to the other definitions contained herein, unless otherwise specifically provided in an Award Agreement, the following definitions shall apply:

"10% Stockholder" means an individual who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company in accordance with Code Section 422.

"Advisory Director" means an individual designated by the Board of Directors of the Company as a member of an advisory board established by the Company or any Subsidiary or an individual serving the Company as a director emeritus, advisory director or in a similar capacity.

"Award" means any Stock Option or Restricted Stock Award or any combination of each, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.

"Award Agreement" means the document (in whatever medium prescribed by the Committee) which evidences the terms and conditions of an Award under the Plan. Such document is referred to as an agreement, regardless of whether a Participant's signature is required.

"Board" means the Board of Directors of the Company.

"Cause" or "Termination for Cause" means: (i) If the Participant is subject to a written employment agreement (or other similar written agreement) with the Company or a Subsidiary that provides a definition of termination for "Cause," then, for purposes of this Plan, the term "Cause" shall have



meaning set forth in such agreement, and (ii) In the absence of such a definition, “Cause” means (i) the conviction of the Participant of a felony or of any lesser criminal offense involving moral turpitude; (ii) the willful commission by the Participant of a criminal or other act that, in the judgment of the Board, will likely cause substantial economic damage to the Company or any Subsidiary or substantial injury to the business reputation of the Company or any Subsidiary; (iii) the commission by the Participant of an act of fraud in the performance of his duties on behalf of the Company or any Subsidiary; (iv) the continuing willful failure of the Participant to perform his duties to the Company or any Subsidiary (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness) after written notice thereof; or (v) an order of a federal or state regulatory agency or a court of competent jurisdiction requiring the termination of the Participant’s Service with the Company.

“Change in Control” has the meaning ascribed to it in Section 4.2.

“Code” means the Internal Revenue Code of 1986, as amended, and any rules, regulations and guidance promulgated thereunder, as modified from time to time.

“Code Section 409A” means the provisions of Code Section 409A and any rules, regulations and guidance promulgated thereunder, as modified from time to time.

“Committee” means the Board or the Committee acting under Article 5.

“Company” shall mean MainStreet Bank and any successor thereto, including a parent holding company of such banking entity established in accordance with a plan of reorganization and share exchange.

“Covered Employee” has the meaning given the term in Code Section 162(m), if applicable, and shall also include any other Employee who may become a Covered Employee before an Award vests, as the Committee may determine in its sole discretion.

“Director” means a member of the Board of Directors of the Company or a Subsidiary, or any successors thereto from time to time.

“Disability” or “Disabled” means: (i) with respect to Incentive Stock Options, the “permanent and total disability” of the Employee as such term is defined at Code Section 22(e)(3); and (ii) with respect to other Awards, a condition of incapacity of a Participant which renders that person unable to engage in the performance of his or her duties by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. In either case, except to the extent prohibited under Code Section 409A, if applicable, the Committee shall have discretion to determine if a termination due to Disability has occurred.

“Disinterested Board Member” means a member of the Board who: (a) is not a current Employee of the Company or a Subsidiary; (b) is not a former employee of the Company or a Subsidiary who receives compensation for prior Services (other than benefits under a tax-qualified retirement plan) during the taxable year; (c) has not been an officer of the Company or a Subsidiary; (d) does not receive remuneration from the Company or a Subsidiary, either directly or indirectly, in any capacity other than as a Director except in an amount for which disclosure would not be required pursuant to Item 404 of SEC Regulation S-K in accordance with the proxy solicitation rules of the SEC, as amended or any successor provision thereto; and (e) does not possess an interest in any other transaction, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(a) of SEC Regulation S-K under the proxy solicitation rules of the SEC, as amended or any successor provision thereto. A Disinterested Board Member must be eligible to serve on the Company’s Compensation Committee as required by any

Exchange on which the Company lists its securities, if applicable. The term Disinterested Board Member shall be interpreted in such manner as shall be necessary to conform to the requirements of Code Section 162(m), if applicable, Rule 16b-3 promulgated under the Exchange Act and the corporate governance standards imposed on compensation committees under the listing requirements imposed by any Exchange on which the Company lists or seeks to list its securities.

“Employee” means any person employed by the Company or any Subsidiary. Directors who are also employed by the Company or a Subsidiary shall be considered Employees under the Plan.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Exchange” means any national securities exchange on which the Stock may from time-to-time be listed or traded.

“Exercise Price” means the purchase price of the Stock established with respect to a Stock Option pursuant to Section 2.2.

“Fair Market Value” on any date, means (i) if the Stock is listed on an Exchange, the closing sales price on such Exchange or over such system on such date (and without regard to after-hours trading activity) or, in the absence of reported sales on such date, the closing sales price on the preceding date on which sales were reported, or (ii) if the Stock is not listed on a securities exchange, “Fair Market Value” shall mean a price determined by the Committee in good faith on the basis of objective criteria, and in accordance with Code Sections 409A and 422, if applicable.

“Immediate Family Member” means with respect to any Participant: (a) any of the Participant’s children, stepchildren, grandchildren, parents, stepparents, grandparents, spouses, former spouses, siblings, nieces, nephews, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law or sisters-in-law, including relationships created by adoption; (b) any natural person sharing the Participant’s household (other than as a tenant or employee, directly or indirectly, of the Participant); (c) a trust in which any combination of the Participant and persons described in section (a) and (b) above own more than 50% of the beneficial interests; (d) a foundation in which any combination of the Participant and persons described in sections (a) and (b) above control management of the assets; or (e) any other corporation, partnership, limited liability company or other entity in which any combination of the Participant and persons described in sections (a) and (b) above control more than 50% of the voting interests.

“ISO” has the meaning ascribed to it in Section 2.1(a).

“Non-Qualified Stock Option” means the right to purchase shares of Stock that is either (i) granted to a Participant who is not an Employee, or (ii) granted to an Employee and either is not designated by the Committee to be an ISO or does not satisfy the requirements of Code Section 422.

“Outside Director” means any member of the Board who is not also at that time an Employee.

“Participant” means any individual who has received, and currently holds, an outstanding Award under the Plan.

“Restricted Stock” or “Restricted Stock Award” has the meaning ascribed to it in Section 2.3.

“Retirement” means, unless otherwise specified in an Award Agreement, termination from employment as an Employee on or after the attainment of age 65 and completion of not less than ten years of employment, or Termination of Service as a Director on or after completion of not less than three years of Board service and having attained the of age 70; *provided, however*, that unless otherwise specified in an

Award Agreement, an Employee who is also a Director shall not be deemed to have terminated due to Retirement for purposes of vesting of Awards and the exercise of Stock Options until both Service as an Employee and Service as a Director has ceased. A Outside Director will be deemed to have terminated due to Retirement for purposes of vesting of Awards and the exercise of Stock Options only if the Outside Director has terminated Service on the Board(s) of Directors of the Company and any Subsidiary or affiliate in accordance with applicable Company policy, following the provision of written notice to such Board(s) of Directors of the Outside Director's intention to retire. An Outside Director who continues in Service as an Advisory Director shall be deemed to be in the Service of the Company or a Subsidiary for purposes of vesting of Awards and exercise of Stock Options.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Service” means continuous service as an Employee, service provider, or Outside Director of the Company or a Subsidiary, as the case may be, and shall include service as a director emeritus or advisory director. Service shall not be deemed interrupted in the case of sick leave, military leave or any other absence approved by the Company or a Subsidiary, in the case of transferees between payroll locations or between the Company, a Subsidiary or a successor.

“Stock” means the common stock of the Company, \$4.00 par value per share.

“Stock Option” means an ISO or a Non-Qualified Stock Option.

“Subsidiary” means any corporation, affiliate, bank or other entity which would be a subsidiary corporation with respect to the Company as defined in Code Section 424(f) and, other than with respect to an ISO, shall also mean any partnership or joint venture in which the Company and/or other Subsidiary owns more than 50% of the capital or profits interests.

“Termination of Service” means the first day occurring on or after a grant date on which the Participant ceases to be an Employee or Director (including an Advisory Director) of the Company or any Subsidiary, regardless of the reason for such cessation, subject to the following:

(I) The Participant's cessation as an Employee shall not be deemed to occur by reason of the transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries.

(II) The Participant's cessation as an Employee shall not be deemed to occur by reason of the Participant's being on a bona fide leave of absence from the Company or a Subsidiary approved by the Company or Subsidiary otherwise receiving the Participant's Services, provided such leave of absence does not exceed six months, or if longer, so long as the Employee retains a right to reemployment with the Company or Subsidiary under an applicable statute or by contract. For these purposes, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Employee will return to perform Services for the Company or Subsidiary. If the period of leave exceeds six months and the Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such six-month period. For purposes of this sub-section (II), to the extent applicable, an Employee's leave of absence shall be interpreted by the Committee in a manner consistent with Treasury Regulation Section 1.409A-1(h)(1).

(III) If, as a result of a sale or other transaction, the Subsidiary for whom Participant is employed (or to whom the Participant is providing Services) ceases to be a Subsidiary, and the Participant is not, following the transaction, an Employee of the Company or an entity that is then a Subsidiary, then the occurrence of such transaction shall be treated as the Participant's Termination of Service caused by the

Participant being discharged by the entity for whom the Participant is employed or to whom the Participant is providing Services.

(IV) Except to the extent Code Section 409A may be applicable to an Award, and subject to the foregoing paragraphs of this sub-section, the Committee shall have discretion to determine if a Termination of Service has occurred and the date on which it occurred. In the event that any Award under the Plan constitutes Deferred Compensation (as defined in Section 2.6 hereof), the term Termination of Service shall be interpreted by the Committee in a manner consistent with the definition of “Separation from Service” as defined under Code Section 409A and under Treasury Regulation Section 1.409A-1(h)(ii). For purposes of this Plan, a “Separation from Service” shall have occurred if the Company and Participant reasonably anticipate that no further Services will be performed by the Participant after the date of the Termination of Service (whether as an employee or as an independent contractor) or the level of further Services performed will be less than 50% of the average level of bona fide Services in the 36 months immediately preceding the Termination of Service. If a Participant is a “Specified Employee,” as defined in Code Section 409A and any payment to be made hereunder shall be determined to be subject to Code Section 409A, then if required by Code Section 409A, such payment or a portion of such payment (to the minimum extent possible) shall be delayed and shall be paid on the first day of the seventh month following Participant’s Separation from Service.

(V) With respect to a Participant who is a Director, cessation as a Director will not be deemed to have occurred if the Participant continues as a director emeritus or Advisory Director. With respect to a Participant who is both an Employee and a Director, termination of employment as an Employee shall not constitute a Termination of Service for purposes of the Plan so long as the Participant continues to provide Service as an Outside Director or director emeritus or Advisory Director.

“Voting Securities” means any securities which ordinarily possess the power to vote in the election of directors without the happening of any pre-condition or contingency.

**Section 8.2** In this Plan, unless otherwise stated or the context otherwise requires, the following uses apply:

(a) actions permitted under this Plan may be taken at any time and from time to time in the actor’s reasonable discretion;

(b) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or its successor, as in effect at the relevant time;

(c) in computing periods from a specified date to a later specified date, the words “from” and “commencing on” (and the like) mean “from and including,” and the words “to,” “until” and “ending on” (and the like) mean “to, but excluding”;

(d) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority or instrumentality;

(e) indications of time of day mean Eastern time;

(f) “including” means “including, but not limited to”;

(g) all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Plan unless otherwise specified;

(h) all words used in this Plan will be construed to be of such gender or number as the circumstances and context require;

(i) the captions and headings of articles, sections, schedules and exhibits appearing in or attached to this Plan have been inserted solely for convenience of reference and shall not be considered a part of this Plan nor shall any of them affect the meaning or interpretation of this Plan or any of its provisions;

(j) any reference to a document or set of documents in this Plan, and the rights and obligations of the parties under any such documents, shall mean such document or documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof; and

(k) all accounting terms not specifically defined herein shall be construed in accordance with the United States Generally Accepted Accounting Principles.