FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 18, 2022

TOWNEBANK

(Exact name of registrant as specified in its charter)

Virginia	**35095**	**54-1910608**
(State or other jurisdiction of incorporation)	(FDIC Insurance Cert. No.)	(IRS Employer Identification No.)

5716 High Street Portsmouth, Virginia	**23703**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code): **(757) 638-7500**

No change
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.667 per share	TOWN	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01. Entry into a Material Definitive Agreement.

Agreement and Plan of Merger

On August 18, 2022, TowneBank, a Virginia banking corporation, entered into an Agreement and Plan of Reorganization (the "Agreement") with Farmers Bankshares, Inc., a Virginia corporation ("Farmers"), and Farmers' wholly owned banking subsidiary, Farmers Bank, Windsor, Virginia, a Virginia banking corporation ("Farmers Bank"). Pursuant to the Agreement, Farmers and Farmers Bank will merge with and into TowneBank (the "Merger"), with TowneBank surviving the Merger. The boards of directors of each of TowneBank, Farmers and Farmers Bank have unanimously approved the Agreement.

Upon completion of the Merger, in exchange for each share of Farmers common stock, Farmers shareholders will receive 0.6050 shares of TowneBank's common stock, plus cash in lieu of any fractional shares. Each Farmers restricted stock award that is unvested or contingent and outstanding immediately prior to the consummation of the Merger will vest and convert into the right to receive, without interest, the merger consideration payable under the Agreement with respect to shares of Farmers common stock. The Merger is intended to be a tax-free reorganization under Section 368(a) of the Internal Revenue Code.

Upon completion of the Merger, each of the current members of Farmers' board of directors will be invited to join an advisory Suffolk regional board of directors of TowneBank. Membership on the regional board shall be conditional upon the director executing an agreement providing that such person will not engage in activities competitive with TowneBank until the later of the date that is one (1) year following the Merger or the date on which he or she ceases to be a member of the TowneBank regional board.

The Agreement contains customary representations, warranties and covenants from TowneBank and Farmers, including, among others, covenants relating to (1) the conduct of its business during the interim period between the execution of the Agreement and the effective date of the Merger, (2) Farmers' obligation to call a meeting of its shareholders to approve the Agreement, and, subject to certain exceptions, that its board of directors recommend that Farmers' shareholders vote to approve the Agreement, and (3) Farmers' non-solicitation obligations regarding alternative acquisition proposals. The Agreement provides certain termination rights for TowneBank and Farmers, and further provides that a termination fee of $2.95 million will be payable by Farmers in the event that the Agreement is terminated under certain circumstances. Furthermore, in connection with the execution of the Agreement, each of the executive officers, directors and certain significant shareholders of Farmers have entered into certain Affiliate Agreements (as described in Item 8.01 below).

The consummation of the Merger is subject to various customary conditions, including approval of the Agreement by shareholders of Farmers and the receipt of all required regulatory approvals. Subject to the satisfaction or waiver of the conditions for closing, the parties anticipate completing the Merger in the first quarter of 2023.

The foregoing description of the Agreement is not complete and is qualified in its entirety by reference to the Agreement, which is filed as Exhibit 2.1 to this Current Report on Form 8-K and incorporated by reference into this Item 1.01.

The representations, warranties and covenants contained in the Agreement were made only for purposes of the Agreement and as of specific dates, were solely for the benefit of the parties to the Agreement, will not survive consummation of the Merger unless otherwise specified in the Agreement, and are subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Agreement. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the Agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Accordingly, investors should not rely on the representations, warranties, and covenants or any description thereof as characterizations of the actual state of facts or conditions. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Agreement, which subsequent information may or may not be fully reflected in the parties' public disclosures. Accordingly, the Agreement is included with this filing only to provide investors with information regarding the terms of the Agreement, and not to provide investors with any other factual information regarding TowneBank, Farmers, their respective subsidiaries and

affiliates or their respective businesses. The Agreement should not be read alone, but should instead be read in conjunction with other information regarding TowneBank, Farmers, and their respective subsidiaries and affiliates or their respective businesses, the Agreement and the Merger that will be contained in or incorporated by reference into the proxy statement of Farmers that will include an offering circular of TowneBank, as well as in the Forms 10-K, Forms 10-Q, Forms 8-K and other filings that TowneBank makes with the Federal Deposit Insurance Corporation ("FDIC").

Item 8.01. Other Events.

Affiliate Agreements

Simultaneous with the execution of the Agreement, TowneBank and Farmers entered into Affiliate Agreements with each of the executive officers, directors and certain significant shareholders of Farmers. Each such party to an Affiliate Agreement has agreed, among other things, to vote shares of Farmers common stock owned by such shareholder and over which such shareholder has voting and investment power in favor of the Merger and the Agreement (and related plan of merger), and against any competing acquisition proposal, any action, proposal, transaction or agreement which could reasonably be expected to result in a breach of the Agreement or the Affiliate Agreement, or other action, proposal or transaction that could reasonably be expected to impede, interfere with, delay, discourage, adversely affect or inhibit the timely consummation of the Merger or the fulfillment of the parties' respective conditions under the Agreement. The Affiliate Agreements will terminate in certain circumstances, including upon consummation of the Merger or the termination of the Agreement in accordance with its terms.

The foregoing description of the Affiliate Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Affiliate Agreement, the form of which is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Employment Agreements

Simultaneous with the execution of the Agreement, TowneBank entered into employment agreements with Farmers' executives Thomas Woodward, Chad Rountree and Kelley Healey, pursuant to which such individuals will continue employment with TowneBank following the completion of the Merger. Following completion of the Merger, Mr. Woodward will serve as President, TowneBank – Suffolk, Mr. Rountree will serve as Senior Vice President, Western Tidewater Market Leader, and Mr. Healey will serve as Senior Vice President, Smithfield Market Leader.

Important Information and Where to Find It:

This Current Report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to buy securities of TowneBank or a solicitation of any vote or approval. Farmers will deliver a definitive proxy statement/offering circular to its shareholders seeking approval of the Merger and related matters. In addition, TowneBank may file other relevant documents concerning the proposed Merger with the FDIC. Before making any voting or investment decision, investors and security holders are urged to read the proxy statement/offering circular and any other relevant documents to be filed with the FDIC in connection with the proposed transaction because they contain important information about TowneBank, Farmers, and the proposed Merger. Shareholders are also urged to carefully review TowneBank's public filings with the FDIC, including, but not limited to, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and proxy statements. Free copies of TowneBank's public filings (when available) may be obtained through the website maintained by the FDIC at https://efr.fdic.gov/fcxweb/efr/index.html. These documents may also be obtained, without charge, from TowneBank at https://investor.townebank.com/investor-relations/default.aspx under the tab "Documents" or by directing a request to Investor Relations – TowneBank, 6001 Harbour View Blvd., Suffolk, Virginia 23435. In addition, free copies of the definitive proxy statement/offering circular, when available, may be obtained by directing a request by telephone or mail to Farmers Bankshares, Inc., 50 East Windsor Boulevard, Windsor, Virginia 23487, Attention: Investor Relations (telephone: (757) 242-6111) or by accessing Farmers' website at https://www.farmersbankva.com/invest. The information on TowneBank's website and Farmers' website is not, and shall not be deemed to be, a part of this report or incorporated into other filings TowneBank makes with the FDIC.

TowneBank, Farmers, and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Farmers in connection with the proposed Merger. Information about the directors and executive officers of Farmers and TowneBank and other persons who may be deemed participants in the solicitation, including their interests in the Merger, will be included in the proxy statement/offering circular when it becomes available. Additional information about the directors and executive officers of TowneBank can be found in TowneBank's proxy statement in connection with its annual meeting of shareholders, filed with the FDIC on April 18, 2022. Additional information about the directors and executive officers of Farmers can be found in Farmer's proxy statement in connection with its annual meeting of shareholders, as sent previously to Farmers' shareholders on or about April 7, 2022.

Cautionary Note Regarding Forward-Looking Statements

This Current Report on Form 8-K contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and Farmers and their respective management teams regarding future events, many of which, by their nature, are inherently uncertain and beyond the control of TowneBank and Farmers. Forward-looking statements may be identified by the use of such words as: "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional terms, such as "will," "would," "should," "could," "may," "likely," "probably," or "possibly." These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management, including statements about (i) the benefits of the Merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the Merger and (ii) TowneBank's and Farmers' plans, objectives, expectations and intentions and other statements contained in the presentation that are not historical facts. In addition, these forward-looking statements are subject to various risks, uncertainties and assumptions with respect to future business strategies and decisions that are subject to change and difficult to predict with regard to timing, extent, likelihood and degree of occurrence. As a result, actual results may differ materially from the anticipated results discussed in these forward-looking statements because of possible uncertainties.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the business of Farmers and Farmers Bank may not be successfully integrated into TowneBank, or such integration may take longer, be more difficult, time-consuming or costly to accomplish than expected; (2) the expected growth opportunities or cost savings from the Merger may not be fully realized or may take longer to realize than expected; (3) deposit attrition, operating costs, customer losses and business disruption following the Merger, including adverse effects on relationships with employees and customers, may be greater than expected; (4) the regulatory approvals required for the Merger may not be obtained on the proposed terms or on the anticipated schedule; (5) the shareholders of Farmers may fail to approve the Merger; (6) economic, legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which TowneBank and Farmers are engaged; (7) the impacts of the ongoing the impact of the COVID-19 pandemic and the associated efforts to limit its spread; (8) competitive pressures in the banking industry that may increase significantly; (9) changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; (10) changes in the credit worthiness of customers and the possible impairment of the collectability of loans; (11) general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; (12) cybersecurity threats or attacks, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; (13) competitors may have greater financial resources and develop products that enable them to compete more successfully; (14) changes in business conditions; (15) changes in the securities market; and (16) changes in the local economies with regard to TowneBank's and Farmer's respective market areas.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in TowneBank's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the FDIC and available on the Securities Exchange Act Filing website maintained by the FDIC at https://efr.fdic.gov/fcxweb/efr/index.html.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization, dated as of August 18, 2022, by and among TowneBank, Farmers Bankshares, Inc., and Farmers Bank, Windsor, Virginia.
99.1	Form of Affiliate Agreement, dated as of August 18, 2022, by and among TowneBank, Farmers Bankshares, Inc., and certain shareholders of Farmers Bankshares, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TowneBank
(Registrant)

Date: August 18, 2022

By: /s/ William B. Littreal
William B. Littreal
Senior Executive Vice President
and Chief Financial Officer

Exhibit 2.1

Execution Version

AGREEMENT AND PLAN OF REORGANIZATION

by and among

TOWNEBANK,

FARMERS BANKSHARES, INC.

and

FARMERS BANK, WINDSOR, VIRGINIA

August 18, 2022

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AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") is made and entered into as of August 18, 2022, by and among TowneBank, a Virginia banking corporation ("Towne"), Farmers Bankshares, Inc., a Virginia corporation ("Holding Company"), and Farmers Bank, Windsor, Virginia, a Virginia banking corporation and wholly owned subsidiary of Holding Company ("Bank Subsidiary").

WHEREAS, the Boards of Directors of Towne, Holding Company and Bank Subsidiary have approved, and deem it advisable and in the best interests of their respective shareholders to consummate, the business combination transactions provided for herein, including the merger of Holding Company and Bank Subsidiary with and into Towne (the "Merger");

WHEREAS, the Boards of Directors of Towne, Holding Company and Bank Subsidiary have each determined that the Merger is consistent with, and will further, their respective business strategies and goals; and

WHEREAS, it is the intention of the parties to this Agreement that, for federal income tax purposes, the Merger shall qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement shall constitute, and is adopted as, a "plan of reorganization" for purposes of Sections 354 and 361 of the Code.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1
The Merger and Related Matters

1.1 The Merger.

Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.2), Holding Company and Bank Subsidiary will be merged with and into Towne pursuant to the Plan of Merger substantially in the form attached hereto as Exhibit 1.1 and made a part hereof (the "Plan of Merger"). The separate corporate existence of each of Holding Company and Bank Subsidiary thereupon shall cease, and Towne will be the surviving corporation in the Merger. The Merger will have the effect set forth in Section 13.1-721 of the Virginia Stock Corporation Act (the "VSCA").

1.2 Effective Time; Closing.

(a) The Merger will become effective on the date and at the time shown on the Articles of Merger required to be filed with the office of the Virginia State Corporation Commission (the "VA SCC"), as provided in Section 13.1-720 of the VSCA, effecting the Merger (the "Effective Time"). Subject to the satisfaction or waiver of the conditions set forth in Article 6, the parties will use their reasonable best efforts to cause the Effective Time to occur as

soon as practicable after all required regulatory and shareholder approvals to consummate the Merger have been received. At or after the Closing Date (as defined herein), Towne, Holding Company and Bank Subsidiary will execute and deliver Articles of Merger containing the Plan of Merger to the VA SCC.

(b) Subject to the terms and conditions of this Agreement, the closing of the Merger will take place at 10:00 a.m. Eastern Time at the corporate office headquarters of Towne on a date mutually agreed to by the parties and which shall be held at or before the Effective Time (the "Closing Date"). All documents required by this Agreement to be delivered at or before the Effective Time will be exchanged by the parties on the Closing Date.

1.3 Articles of Incorporation and Bylaws of Towne.

(a) The Articles of Incorporation of Towne as in effect immediately prior to the Effective Time will be the Articles of Incorporation of Towne at and after the Effective Time until thereafter amended in accordance with applicable law.

(b) The Bylaws of Towne as in effect immediately prior to the Effective Time will be the Bylaws of Towne at and after the Effective Time until thereafter amended in accordance with applicable law.

1.4 Amendment of Holding Company Articles.

Subject to the provisions of this Agreement, and the receipt of the Holding Company Shareholder Approvals (as defined herein), immediately before the Effective Time, Holding Company shall amend Article 2 of Holding Company's Articles of Incorporation to read as follows (the "Holding Company Articles Amendment") in order to enable the Holding Company to merge with and into Towne under Virginia law at the Effective Time: "The purpose for which the corporation is formed is to transact banking business and trust business and any or all lawful business related or incidental thereto, and such other lawful business not required to be stated in the Articles of Incorporation ("Articles") in which a Virginia chartered banking corporation may engage under the laws of the Commonwealth of Virginia, as amended from time to time."

1.5 Governance.

At the Effective Time, each of the current members of Board of Directors of Holding Company will be invited to join an advisory Suffolk regional board of directors of Towne. Membership on the regional board shall be conditional upon each director of Holding Company executing an agreement providing that such person will not engage in activities competitive with Towne until the later of the date that is one (1) year following the Effective Time or the date on which he or she ceases to be a member of the Towne regional board.

1.6 Tax Treatment of the Merger.

The parties to this Agreement intend that the Merger constitute a "reorganization" within the meaning of Section 368(a) of the Code. Such parties hereby adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the final regulations promulgated under the Code by the United States Department of the Treasury (the

"Treasury Regulations"). All parties hereto agree to cooperate and use their best efforts in order to qualify the transactions contemplated herein as a reorganization under Section 368(a)(1) of the Code, to not take any action that could reasonably be expected to cause the Merger to fail to so qualify, and to report the Merger for federal, state, and any local income Tax (as defined herein) purposes in a manner consistent with such characterization.

ARTICLE 2
Merger Consideration; Exchange Procedures

2.1 Conversion of Shares.

At the Effective Time, by virtue of the Merger and without any action on the part of Towne, Holding Company or Bank Subsidiary or their respective shareholders:

(a) Each share of common stock, par value $1.667 per share, of Towne ("Towne Common Stock") that is issued and outstanding immediately before the Effective Time shall remain issued and outstanding and shall remain unchanged by the Merger.

(b) Each share of common stock, par value $0.1250 per share, of Holding Company ("Holding Company Common Stock") that is issued and outstanding immediately before the Effective Time shall be converted into and exchanged for the right to receive 0.6050 shares (the "Exchange Ratio") of Towne Common Stock, plus cash in lieu of any fractional shares pursuant to Section 2.4, except as described in Section 2.1(e) and Section 2.8 (collectively, the "Merger Consideration"). All shares of Holding Company Common Stock converted pursuant to this Section 2.1 shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Time.

(c) Each share of common stock, par value $0.625 per share, of Bank Subsidiary that is issued and outstanding immediately before the Effective Time shall automatically be cancelled and retired and shall cease to exist as of the Effective Time.

(d) Each certificate previously representing shares of Holding Company Common Stock (a "Holding Company Common Certificate") and the non-certificated shares of Holding Company Common Stock (the "Holding Company Book-Entry Shares") shall cease to represent any rights except the right to receive with respect to each share of Holding Company Common Stock (i) the Merger Consideration upon the surrender of such Holding Company Common Certificate or Holding Company Book-Entry Shares in accordance with Section 2.2, and (ii) any dividends or distributions which the holder thereof has the right to receive pursuant to Section 2.6.

(e) Each share of Holding Company Common Stock held by any party hereto and each share of Towne Common Stock held by Holding Company or any of the Holding Company Subsidiaries (as defined herein) prior to the Effective Time (in each case other than in a fiduciary or agency capacity or on behalf of third parties as a result of debts previously contracted) shall be cancelled and retired and shall cease to exist at the Effective Time and no consideration shall be issued in exchange therefor; provided, that such shares of Towne Common Stock shall resume the status of authorized and unissued shares of Towne Common Stock.

2.2 Exchange Procedures.

(a) On or before the Closing Date, Towne shall deposit, or shall cause to be deposited, with its transfer agent or such other transfer agent or depository or trust institution of recognized standing approved by Towne (in such capacity, the "Exchange Agent"), for the benefit of the holders of the Holding Company Common Certificates and the holders of Holding Company Book-Entry Shares, at the election of Towne, either certificates representing the shares of Towne Common Stock or noncertificated shares of Towne Common Stock (or a combination) issuable pursuant to this Article 2, together with any dividends or distributions with respect thereto and any cash to be paid in lieu of fractional shares without any interest thereon (the "Exchange Fund"), in exchange for the Holding Company Common Certificates and Holding Company Book-Entry Shares.

(b) As promptly as practicable after the Effective Time, Towne shall cause the Exchange Agent to send to each former shareholder of record of Holding Company immediately before the Effective Time transmittal materials for use in exchanging such shareholder's Holding Company Common Certificates or Holding Company Book-Entry Shares for the Merger Consideration, as provided for herein.

(c) Towne shall cause the Merger Consideration into which shares of Holding Company Common Stock are converted at the Effective Time, and dividends or distributions that a Holding Company shareholder shall be entitled to receive, to be issued and paid to such Holding Company shareholder upon proper surrender to the Exchange Agent of Holding Company Common Certificates and Holding Company Book-Entry Shares representing such shares of Holding Company Common Stock, together with the transmittal materials duly executed and completed in accordance with the instructions thereto. No interest will accrue or be paid on any such cash to be paid pursuant to Sections 2.4 or 2.6.

(d) Any Holding Company shareholder whose Holding Company Common Certificates or Holding Company Book-Entry Shares have been lost, destroyed, stolen or are otherwise missing shall be entitled to the Merger Consideration and dividends or distributions to which such shareholder shall be entitled upon compliance with reasonable conditions imposed by Towne pursuant to applicable law and as required in accordance with Towne's standard policy (including the requirement that the shareholder furnish customary indemnity).

(e) Any portion of the Exchange Fund that remains unclaimed by the shareholders of Holding Company for twelve (12) months after the Effective Time shall be returned to Towne (together with any earnings in respect thereof). Any shareholders of Holding Company who have not complied with this Article 2 shall thereafter be entitled to look only to Towne, and only as a general creditor thereof, for payment of the consideration deliverable in respect of each share of Holding Company Common Stock such shareholder held as of the close of business at the Effective Time as determined pursuant to this Agreement, without any interest thereon.

(f) None of the Exchange Agent, the parties hereto, the Towne Subsidiaries (as defined herein) nor the Holding Company Subsidiaries (as defined herein) shall be liable to any shareholder of Holding Company for any amount of property delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

2.3 Holding Company Equity-Based Awards.

At the Effective Time, each restricted stock award granted under an equity or equity-based compensation plan of Holding Company (a "Holding Company Stock Plan") that is unvested or contingent and outstanding immediately prior to the Effective Time (a "Holding Company Stock Award") shall be, if not already vested pursuant to its terms, vested fully and shall be converted into the right to receive, without interest, the Merger Consideration payable pursuant to this Agreement in respect of each share of Holding Company Common Stock underlying such Holding Company Stock Award, and the shares of Holding Company Common Stock subject to such Holding Company Stock Award will be treated in the same manner as all other shares of Holding Company Common Stock for such purposes.

2.4 No Fractional Shares.

Each holder of shares of Holding Company Common Stock exchanged pursuant to the Merger that would otherwise have been entitled to receive a fraction of a share of Towne Common Stock shall receive, in lieu thereof, cash (without interest and rounded to the nearest cent) in an amount equal to such fractional part of a share of Towne Common Stock multiplied by the average closing price per share of Towne Common Stock, as reported on the Nasdaq Global Select Market, for the ten (10) consecutive trading days ending on and including the fifth trading day prior to the Effective Time.

2.5 Anti-Dilution.

In the event Towne changes (or establishes a record date for changing) the number of shares of Towne Common Stock issued and outstanding before the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction, appropriate and proportional adjustments will be made to the Exchange Ratio.

2.6 Dividends.

No dividend or other distribution payable to the holders of record of Holding Company Common Stock at, or as of, any time after the Effective Time will be paid to the holder of any Holding Company Common Certificate or Holding Company Book-Entry Share until such holder properly surrenders such shares (or furnishes customary indemnity that the Holding Company Common Certificate or Holding Company Book-Entry Share is lost, destroyed, stolen or otherwise missing as provided in Section 2.2(d)) for exchange as provided in Section 2.2 of this Agreement, promptly after which time all such dividends or distributions will be paid (without interest).

2.7 Withholding Rights.

The Exchange Agent will be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any person such amounts, if any, it is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax (as defined herein) law. To the extent that amounts are so withheld and remitted to the appropriate Governmental Authority (as defined herein) by the Exchange Agent, such amounts withheld will be treated for all purposes of this Agreement as

having been paid to such person in respect of which such deduction and withholding was made by the Exchange Agent.

2.8 Appraisal Rights.

Any holder of shares of Holding Company Common Stock who perfects such holder's appraisal rights in accordance with Article 15 of the VSCA shall be entitled to receive from Towne, in lieu of the Merger Consideration, the appraised value of such shares as to which appraisal rights have been perfected in cash as determined pursuant to the VSCA; provided, that no such payment shall be made to any dissenting shareholder unless and until such dissenting shareholder has complied with all applicable provisions of the VSCA, and surrendered to Holding Company or Towne the certificate or certificates representing the shares for which payment is being made (the "Dissenting Shares"). In the event that after the Effective Time a dissenting shareholder of Holding Company fails to perfect, or effectively withdraws or loses, such holder's right to appraisal of and payment for such holder's shares, Towne shall direct the Exchange Agent to issue and deliver the consideration to which such holder of shares of Holding Company Common Stock is otherwise entitled under this Article 2 (without interest) upon surrender by such holder of the applicable Holding Company Common Certificates or Holding Company Book-Entry Shares.

ARTICLE 3
Representations and Warranties

3.1 Disclosure Letter.

On or before the date of this Agreement, Holding Company has delivered to Towne a letter and Towne has delivered to Holding Company a letter (each respectively, its "Disclosure Letter") setting forth, among other things, the disclosure of items that are necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 3.3 or 3.4 or to one or more covenants or agreements contained in Article 4 or 5; provided that, (i) no such item is required to be set forth in a Disclosure Letter as an exception to any representation or warranty if its absence would not result in the related representation or warranty being deemed untrue or incorrect under the standard established by Section 3.2, and (ii) the mere inclusion of an item in a Disclosure Letter as an exception to a representation or warranty shall not be deemed an admission by a party that such item represents a material exception or fact, event or circumstance or that, absent such inclusion in the Disclosure Letter, such item is reasonably likely to result in a Material Adverse Effect (as defined herein). Information disclosed under one section of a Disclosure Letter shall be deemed to qualify (i) any sections of the Agreement specifically referenced or cross-referenced therein and (ii) other sections of the Agreement to the extent it is reasonably apparent (notwithstanding the absence of a specific cross reference) from a reading of the disclosure that such disclosure applies to such other sections and contains sufficient detail to enable a reasonable person to recognize the relevance of such disclosure to such other sections.

3.2 Standard.

(a) No representation or warranty of Holding Company or Bank Subsidiary on the one hand or Towne on the other hand contained in Article 3 (other than the representations and warranties contained in (i) Section 3.3(c)(i) for Holding Company and Bank Subsidiary, and Section 3.4(c)(i) for Towne, which shall be true in all material respects to it, and (ii) Sections 3.3(c)(ii)(A), 3.3(d) (other than inaccuracies that are de minimis in amount and effect) and 3.3(g)(ii) for Holding Company and Bank Subsidiary, and Sections 3.4(c)(ii)(A), 3.4(d) (other than inaccuracies that are de minimis in amount and effect) and 3.4(g)(ii) for Towne, which shall be true and correct in all respects) will be deemed untrue or incorrect, and no party will be deemed to have breached a representation or warranty, as a consequence of the existence or absence of any fact, event or circumstance unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Section 3.3 or Section 3.4, has had or is reasonably likely to have a Material Adverse Effect on such party, disregarding for these purposes (i) any qualification or exception for, or reference to, materiality in any such representation or warranty and (ii) any use of the terms "material," "materially," "in all material respects," "Material Adverse Effect" or similar terms or phrases in any such representation or warranty.

(b) The term "Material Adverse Effect," as used with respect to a party, means an event, change, effect or occurrence which, individually or together with any other event, change, effect or occurrence, (i) is materially adverse to the business, properties, financial condition or results of operations of such party and its subsidiaries (meaning the Holding Company Subsidiaries as defined in Section 3.3(b) or the Towne Subsidiaries as defined in Section 3.4(b), as the case may be), taken as a whole, or (ii) materially impairs the ability of such party to perform its obligations under this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement on a timely basis; provided that a Material Adverse Effect shall not be deemed to include the impact of (A) changes after the date of this Agreement in laws, rules or regulations (including the Pandemic Measures (as defined herein)) generally affecting the banking and bank holding company businesses and the interpretation of such laws and regulations by courts or governmental authorities, (B) changes after the date of this Agreement in generally accepted accounting principles or regulatory accounting requirements generally affecting the banking and bank holding company businesses, (C) changes or events after the date of this Agreement generally affecting the banking and bank holding company businesses, including changes in prevailing interest rates, and not specifically relating to Towne, the Towne Subsidiaries, Holding Company or the Holding Company Subsidiaries (including any such changes arising out of the Pandemic (as defined herein) or the Pandemic Measures), (D) the effects of the actions expressly permitted or required by this Agreement or that are taken with the prior informed consent of the other party in contemplation of the transactions contemplated hereby, (E) the public disclosure of this Agreement and the transactions contemplated hereby, (F) changes in national or international political or social conditions, including any outbreak or escalation of major hostilities or acts of terrorism which involves the United States, declarations of any national or global epidemic, pandemic or disease outbreak (including the Pandemic), or the material worsening of such conditions threatened or existing as of the date of this Agreement (including any such changes arising out of the Pandemic or any Pandemic Measures), or (G) a decline, in and of itself, in the trading price of a party's common stock or the failure, in and of itself, to meet earnings projections or other internal financial forecasts, but not including the

underlying causes thereof to the extent such causes are not otherwise excluded by clauses (A) through (F); except, with respect to clauses (A), (B), (C) or (F), to the extent that the impact of such change is materially disproportionately adverse to the business, properties, assets, liabilities, financial condition or results of operations of such party hereto and its Subsidiaries, taken as a whole, as compared to other comparable companies in the commercial banking industry.

(c) As used in this Agreement, (i) the term "Pandemic" shall mean any outbreaks, epidemics or pandemics relating to COVID-19, or any variants or mutations thereof, or any other viruses, and the governmental and other responses thereto, (ii) the term "Pandemic Measures" shall mean any quarantine, "shelter in place," "stay at home," workforce reduction, social distancing, shutdown, closure, sequester or other laws, directives, policies, guidelines or recommendations promulgated by any Governmental Authority (as defined herein), in each case, in connection with or in response to the Pandemic, (iii) the term "ordinary course," with respect to either party, shall take into account the commercially reasonable actions taken by such party and its Subsidiaries in response to the Pandemic and the Pandemic Measures, and (iv) the term "Knowledge" when used with respect to a party means the actual knowledge and belief, after due inquiry, of such party's executive officers. For the purpose of the term Knowledge, "executive officer" shall mean (y) with respect to Towne, those individuals set forth on Section 3.2(c) of Towne's Disclosure Letter, and (z) with respect to Holding Company and Bank Subsidiary, those individuals set forth on Section 3.2(c) of Holding Company's Disclosure Letter.

3.3 Representations and Warranties of Holding Company and Bank Subsidiary.

Subject to and giving effect to Sections 3.1 and 3.2 and except as set forth in Holding Company's Disclosure Letter, Holding Company and Bank Subsidiary hereby jointly and severally represent and warrant to Towne as follows:

(a) *Organization, Standing and Power*.

(i) Holding Company is a Virginia corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. Holding Company has all requisite corporate power and authority to carry on its business as now conducted and to own and operate its assets, properties and business. Holding Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. True and complete copies of the articles of incorporation, articles of organization, bylaws or other similar governing instruments ("Organizational Documents") of Holding Company, in each case as amended to the date hereof and as in full force and effect as of the date hereof, are set forth in Section 3.3(a)(i) of Holding Company's Disclosure Letter.

(ii) Bank Subsidiary, a wholly owned subsidiary of Holding Company, is a Virginia state chartered bank duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, and has all requisite corporate power and authority to carry on a commercial banking business as now being conducted and to own and operate its assets, properties and business. Bank Subsidiary's deposits are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC") to the maximum extent permitted by law. True and complete copies of the Organizational

Documents of Bank Subsidiary, in each case as amended to the date hereof and as in full force and effect as of the date hereof, are set forth in Section 3.3(a)(ii) of Holding Company's Disclosure Letter.

(iii) The minute books of Holding Company and the Holding Company Subsidiaries (as defined herein) contain records of all meetings held by, and all other corporate or similar actions of, their respective shareholders and boards of directors (including committees of their respective boards of directors) or other governing bodies, which records are complete and accurate in all material respects. The stock ledgers and the stock transfer books of Holding Company and the Holding Company Subsidiaries contain complete and accurate records of the record ownership of the equity securities of Holding Company and the Holding Company Subsidiaries.

(b) *Subsidiaries*.

(i) Each Holding Company Subsidiary (i) is a duly organized bank, corporation, limited liability company or statutory trust, validly existing and in good standing under applicable laws, (ii) has full corporate or other applicable power and authority to carry on its business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on Holding Company on a consolidated basis. The outstanding shares of capital stock or equity interests of each Holding Company Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and, except as set forth in Section 3.3(b)(i) of Holding Company's Disclosure Letter, all such shares are directly or indirectly owned by Holding Company free and clear of all liens, claims and encumbrances or preemptive rights of any person. No rights are authorized, issued or outstanding with respect to the capital stock or equity interests of any Holding Company Subsidiary and there are no agreements, understandings or commitments relating to the right of Holding Company to vote or to dispose of the capital stock or equity interests of any Holding Company Subsidiary. A true and complete list of each direct and indirect Holding Company Subsidiary as of the date hereof is set forth in Section 3.3(b)(i) of Holding Company's Disclosure Letter that shows the jurisdiction of organization of each Holding Company Subsidiary, its form of organization (corporation, partnership, joint venture, etc.), and lists the owner(s), number of shares or other equity interests held and percentage ownership (direct or indirect) of each Holding Company Subsidiary. Section 3.3(b)(i) of Holding Company's Disclosure Letter also lists any corporation, bank or other business organization of which it owns, directly or indirectly, five percent (5%) or more of the outstanding capital stock or other equity interests, and shows the jurisdiction of organization, form of organization, and lists the owner(s), number of shares or other equity interests held and percentage ownership (direct or indirect) of each such entity. As used herein, the term "Holding Company Subsidiary" means any corporation, bank or other business organization, whether incorporated or unincorporated, as to which the Holding Company owns or controls, directly or indirectly, at least a majority of the securities or other interests that have by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation, bank or other business organization.

(ii) Except as set forth in Section 3.3(b)(ii) of Holding Company's Disclosure Letter, neither Holding Company nor any of the Holding Company Subsidiaries beneficially owns, directly or indirectly (other than in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted), any equity securities or similar interests of any corporation, bank or other organization actively engaged in business, or any interest in a partnership or joint venture of any kind.

(c) *Authority; No Breach of the Agreement*.

(i) Each of Holding Company and Bank Subsidiary has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Holding Company and Bank Subsidiary, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of Holding Company and Bank Subsidiary, respectively, subject only to the receipt of the approval of this Agreement and the Plan of Merger and the Holding Company Articles Amendment by the holders of a majority of the outstanding shares of Holding Company Common Stock (the "Holding Company Shareholder Approvals"). This Agreement is a valid and legally binding obligation of Holding Company and Bank Subsidiary, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).

(ii) Neither the execution and delivery of this Agreement by Holding Company and Bank Subsidiary, nor the consummation by Holding Company and Bank Subsidiary of the transactions contemplated hereby, nor compliance by Holding Company and Bank Subsidiary with any of the provisions hereof will: (A) conflict with or result in a breach of any provision of the Organizational Documents of Holding Company or Bank Subsidiary; (B) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon, any property or asset of Holding Company or any Holding Company Subsidiary pursuant to any (1) note, bond, mortgage, indenture, or (2) any material license, agreement or other instrument or obligation, to which Holding Company or any Holding Company Subsidiary is a party or by which Holding Company or any Holding Company Subsidiary or any of their properties or assets may be bound; or (C) subject to the receipt of all required shareholder approvals and the receipt, or the making, of the consents, approvals, waivers and filings referred to in subsection 3.3(c)(iii) and the expiration of related waiting periods, violate any order, writ, injunction, decree, statute, rule or regulation applicable to Holding Company or any Holding Company Subsidiary.

(iii) Except for (A) the filing of any required applications, filings or notices with the Governmental Authorities (as defined herein) and the receipt of any permits, consents, approvals and authorizations of the Governmental Authorities and all third parties necessary to consummate the transactions contemplated by this Agreement (the "Regulatory Approvals"), (B) the filing of Articles of Merger with the VA SCC to effect

the Merger, (C), the filing of Articles of Amendment with the VA SCC to effect the Holding Company Articles Amendment, (D) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of the various states in connection with the issuance of shares of Towne Common Stock pursuant to this Agreement, and (E) approval of listing the shares of Towne Common Stock to be issued pursuant to this Agreement on the Nasdaq Global Select Market, no consents or approvals of or notices to or filings with any Governmental Authority are necessary in connection with the execution and delivery of this Agreement and the consummation by Holding Company and Bank Subsidiary of the Merger and the other transactions contemplated by this Agreement. As of the date hereof, neither Holding Company nor Bank Subsidiary is aware of any facts or circumstances that would materially impede or delay receipt of any Regulatory Approvals or any reason why the necessary Regulatory Approvals and consents will not be received in order to permit consummation of the Merger. For the purposes of this Agreement, a "Governmental Authority" means any court, administrative agency or commission or other governmental authority, agency or instrumentality, domestic or foreign, or any industry self-regulatory authority, including but not limited to the FDIC, the VA SCC and the Bureau of Financial Institutions of the VA SCC.

(d) *Holding Company Capital Stock.*

(i) The authorized capital stock of Holding Company consists of 50,000,000 shares of Holding Company Common Stock, of which 3,141,999 shares are issued and outstanding as of the date of this Agreement, and 20,000 shares of preferred stock, par value $0.01 per share, none of which are issued and outstanding as of the date of this Agreement. All outstanding shares of Holding Company Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any person. All shares of Holding Company's capital stock issued and outstanding have been issued in compliance with and not in violation of any applicable federal or state securities laws. As of the date of this Agreement, 26,183 shares of Holding Company Common Stock are subject to unvested restricted stock awards granted under a Holding Company Stock Plan. As of the date of this Agreement, there are no shares of capital stock of Holding Company reserved for issuance, or any outstanding or authorized options, warrants, rights, agreements, convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to its capital stock pursuant to which Holding Company is or may become obligated to issue shares of capital stock or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of its capital stock (collectively, "Rights"), except as contemplated by a Holding Company Stock Plan and as set forth in Section 3.3(d)(i) of Holding Company's Disclosure Letter, which sets forth for each such Right, as applicable, the (i) name of the grantee, (ii) date of the grant, (iii) expiration date, (iv) vesting schedule, (v) number of shares of Holding Company Common Stock, or any other security of Holding Company, subject to such award, and (vi) number of shares subject to such award that are exercisable or have vested as of the date of this Agreement.

(ii) Section 3.3(d)(ii) of Holding Company's Disclosure Letter sets forth, as of August 18, 2022, the name and address, as reflected on the books and records of Holding

Company, of each holder of record, and the number of shares of Holding Company Common Stock held by each such holder.

(iii) No bonds, debentures, notes, or other indebtedness having the right to vote on any matters on which shareholders of Holding Company or Bank Subsidiary may vote are issued or outstanding. Section 3.3(d)(iii) of Holding Company's Disclosure Letter includes a true, correct, and complete list of senior and subordinated debt securities of Holding Company or any Holding Company Subsidiary that are issued and outstanding as of the date of this Agreement, including, with respect to each such security, the aggregate principal amount outstanding as of June 30, 2022, maturity date, call date (if not currently callable), current interest rate and date of the next adjustment of interest rate (if any). Holding Company or Bank Subsidiary has administered all such debt securities in accordance with the terms thereof. Holding Company has made available to Towne true and correct copies of the forms of note or other evidence of indebtedness related to such debt securities.

(e) *Financial Statements; Accounting Controls*.

(i) Holding Company has made available to Towne copies of Holding Company's (A) audited consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes to the financial statements and (B) unaudited consolidated balance sheets and the related statements of income as of and for the six (6) months ended June 30, 2022, and will make available to Towne, as soon as reasonably practicable following the preparation thereof, unaudited consolidated balance sheets and the related statements of income for each subsequent calendar quarter (collectively, the "Financial Statements"). The Financial Statements fairly present (or, in the case of financial statements for quarterly periods prepared and delivered to Towne after the date of this Agreement, will fairly present) the consolidated financial position of Holding Company and the Holding Company Subsidiaries, as at the respective dates and the consolidated results of Holding Company's operations and, to the extent included, cash flows for the periods indicated, in each case in accordance with generally accepted accounting principles in the United States of America ("GAAP") consistently applied during the period indicated, except in each case as may be noted therein, and subject, in the case of unaudited interim statements, to normal year-end audit adjustments.

(ii) Holding Company and Bank Subsidiary have devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, (B) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied with respect to it or other criteria applicable to such financial statements, and to maintain proper accountability for items therein, (C) access to its properties and assets is permitted only in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, and (D) the recorded accountability for items is compared with the actual levels at reasonable

intervals and appropriate actions taken with respect to any differences. Holding Company and Bank Subsidiary are not subject to the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), and nothing contained in this Section 3.3(e)(ii) shall be construed as a representation or warranty that the internal accounting controls of Holding Company or Bank Subsidiary are, or would be, in compliance in all respects with those required by the Sarbanes-Oxley Act.

(iii) Since January 1, 2020, neither Holding Company nor any of the Holding Company Subsidiaries nor, to Holding Company's Knowledge, any director, officer, employee, auditor, accountant or representative of Holding Company or any Holding Company Subsidiaries has received, or otherwise had or obtained Knowledge of, any material complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of Holding Company or any Holding Company Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that Holding Company or any of the Holding Company Subsidiaries has engaged in questionable accounting or auditing practices.

(f) *Bank Reports*. Holding Company and each of the Holding Company Subsidiaries has filed all reports, forms, correspondence, registrations and statements, together with any amendments required to be made with respect thereto (the "Bank Reports"), that they were required to file since December 31, 2018 with the Board of Governors of the Federal Reserve System, the FDIC, the Bureau of Financial Institutions of the VA SCC and any other federal, state or foreign governmental or regulatory agency or authority having jurisdiction over Holding Company and each of the Holding Company Subsidiaries (collectively, the "Holding Company Regulatory Agencies"), including any Bank Report required to be filed pursuant to the laws of the United States, any state or any Holding Company Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith, except where the failure to file such Bank Report or to pay such fees and assessments, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on it. Any such Bank Report regarding Holding Company or any of the Holding Company Subsidiaries filed with or otherwise submitted to any Holding Company Regulatory Agency complied in all material respects with relevant legal requirements, including as to content. Except for normal examinations conducted by a Holding Company Regulatory Agency in the ordinary course of Holding Company's and each of the Holding Company Subsidiaries' business, there is no pending proceeding before, or, to its Knowledge, examination or investigation by, any Holding Company Regulatory Agency into the business or operations of Holding Company or any of the Holding Company Subsidiaries. Except as disclosed in the Bank Reports, there is no unresolved violation, criticism or exception by any Holding Company Regulatory Agency with respect to any Bank Report or relating to any examination or inspection of Holding Company or any of the Holding Company Subsidiaries, and there has been no formal or informal inquiries by, or disagreements or disputes with, any Holding Company Regulatory Agency with respect to the business, operations, policies or procedures of Holding Company or any of the Holding Company Subsidiaries since December 31, 2018, in each case, which would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Holding Company.

(g) *Absence of Certain Changes or Events*. Since December 31, 2021, except as disclosed in its Financial Statements or Bank Reports dated or filed prior to the date of this Agreement, (i) Holding Company and the Holding Company Subsidiaries have conducted their respective businesses in all material respects in the ordinary course consistent with past practices, and (ii) there have been no events, changes, developments or occurrences which, individually or in the aggregate, have had or are reasonably likely to have a Material Adverse Effect on Holding Company.

(h) *Absence of Undisclosed Liabilities*. Except for (i) those liabilities that are fully reflected or reserved for in its financial statements contained in its Financial Statements or Bank Reports dated or filed prior to the date of this Agreement, (ii) liabilities incurred since December 31, 2021 in the ordinary course of business consistent with past practice, (iii) liabilities that arise out of executory obligations under contracts, (iv) liabilities which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (v) liabilities incurred in connection with the transactions contemplated by this Agreement and (vi) as disclosed in Section 3.3(h) of Holding Company's Disclosure Letter, neither Holding Company nor any Holding Company Subsidiary has, and since December 31, 2021 neither has incurred (except as permitted by Section 4.1), any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in its Financial Statements or Bank Reports).

(i) *Material Contracts; Defaults.*

(i) Set forth in Section 3.3(i)(i) of Holding Company's Disclosure Letter is a list that includes each of the following agreements, contracts, arrangements, commitments or understandings (whether written or oral) that Holding Company or any Holding Company Subsidiary is a party to, bound by or subject to (each, a "Holding Company Contract" and collectively, "Holding Company Contracts"): (A) with respect to the employment of any of its directors, officers, employees or consultants, (B) which would entitle any present or former director, officer, employee or agent of Holding Company or a Holding Company Subsidiary to indemnification from Holding Company or a Holding Company Subsidiary, (C) which would be required to be filed as an exhibit to a Form 10-K filed by Holding Company as of the date of this Agreement pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if Holding Company were subject to such reporting requirements, (D) which is an agreement (including data processing, software programming, consulting and licensing contracts) not terminable on sixty (60) days or less notice and involving the payment or value of more than $50,000 per year and/or has a termination fee, (E) which relates to the incurrence of indebtedness by Holding Company or Bank Subsidiary (other than deposit liabilities, advances and loans from the Federal Home Loan Bank of Atlanta, and sales of securities subject to repurchase, in each case, in the ordinary course of business), (F) which grants any person a right of first refusal, right of first offer or similar right with respect to any material properties, rights, assets or businesses of Holding Company or a Holding Company Subsidiary, (G) which involves the purchase or sale of assets with a purchase price of $50,000 or more in any single case or $100,000 in all such cases, other than purchases and sales of investment securities and loans in the ordinary course of business consistent with past practice, (H) which provides for the payment by

Holding Company or a Holding Company Subsidiary of payments upon a change in control thereof, (I) which is a lease for any real or material personal property owned or presently used by Holding Company or a Holding Company Subsidiary, (J) which materially restricts the conduct of any business by Holding Company or a Holding Company Subsidiary or limits the freedom of Holding Company or a Holding Company Subsidiary to engage in any line of business in any geographic area (or to Holding Company's Knowledge would so restrict Towne or any of its affiliates after consummation of the Merger) or which requires exclusive referrals of business or requires Holding Company or a Holding Company Subsidiary to offer specified products or services to their customers or depositors on a priority or exclusive basis, or (K) which is with respect to, or otherwise commits Holding Company or a Holding Company Subsidiary to do, any of the foregoing. Holding Company has previously made available to Towne true, complete and correct copies of each such Holding Company Contract, including any and all amendments and modifications thereto.

(ii) With respect to each Holding Company Contract: (A) the contract is in full force and effect, (B) neither Holding Company nor any Holding Company Subsidiary is in default thereunder, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default, (C) neither Holding Company nor any of the Holding Company Subsidiaries has repudiated or waived any material provision of any such contract from January 1, 2021 to the date hereof, (D) no other party to any such contract is, to Holding Company's Knowledge, in default in any material respect, (E) no other party to any such contract has exercised or threatened in writing to exercise any force majeure (or similar) provision to excuse non-performance or performance delays in any such contract as a result of the Pandemic or the Pandemic Measures, and (F) Section 3.3(i)(ii) of Holding Company's Disclosure Letter contains a true and complete list of the deadlines for extensions or terminations with respect to each such Holding Company Contract (including specifically real property leases and data processing agreements) that involves the payment or value of more than $100,000 per year and/or has a termination fee.

(iii) Holding Company and each Holding Company Subsidiary is not, and to the Knowledge of Holding Company and Bank Subsidiary, no other party thereto, is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business or operations may be bound or affected, or under which it or its respective assets, business or operations receives benefits which is reasonably likely to have a Material Adverse Effect, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by Holding Company or a Holding Company Subsidiary is currently outstanding.

(iv) Section 3.3(i)(iv) of Holding Company's Disclosure Letter sets forth a true and complete list of all Holding Company Contracts pursuant to which consents, waivers or notices are required to be given thereunder, in each case, prior to the performance by Holding Company of this Agreement and the consummation of the Merger and the other transactions contemplated hereby and thereby.

(j) *Legal Proceedings; Compliance with Laws.*

(i) There are no actions, lawsuits, arbitrations or administrative or judicial proceedings (or, to the Knowledge of Holding Company, any basis therefor) instituted or pending or, to its Knowledge, threatened against Holding Company or any of the Holding Company Subsidiaries or against any of Holding Company's or any of the Holding Company Subsidiaries' properties, assets, interests or rights, or to the Knowledge of Holding Company, against any of Holding Company's or the Holding Company Subsidiaries' officers, directors or employees in their capacities as such. Neither Holding Company nor any of the Holding Company Subsidiaries is a party to or subject to any cease-and-desist or other agreement, order, memorandum of understanding, enforcement action, supervisory or commitment letter or similar undertaking by or with any Governmental Authority that, in each of any such cases, restricts Holding Company's operations or the operations of any of the Holding Company Subsidiaries or that relates to Holding Company's capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, and neither Holding Company nor any of the Holding Company Subsidiaries has been advised by any Governmental Authority that any such Governmental Authority is contemplating issuing, ordering, or requesting the issuance of any such agreement, order, memorandum, action or letter in the future. Except for examinations of Holding Company and any of the Holding Company Subsidiaries conducted by a Governmental Authority in the ordinary course of business, no Governmental Authority has ordered Holding Company or any of the Holding Company Subsidiaries to pay any civil penalty or initiated or has pending any actions, lawsuits, arbitrations or administrative or judicial proceedings or, to the Knowledge of Holding Company, investigation into the business or operations of Holding Company or any of the Holding Company Subsidiaries since December 31, 2017. There is no claim, action, suit, proceeding, investigation or notice of violation (whether civil, criminal or administrative) pending or, to the Knowledge of Holding Company, threatened against any officer or director of Holding Company, or any of the Holding Company Subsidiaries, in connection with the performance of his or her duties as an officer or director of Holding Company or any of the Holding Company Subsidiaries. Holding Company and each of the Holding Company Subsidiaries have complied in all material respects with, and have not been in material default or violation under, all laws, statutes, ordinances, requirements, regulations, rules or orders of any Governmental Authority applicable to Holding Company and each of the Holding Company Subsidiaries, including (to the extent applicable to Holding Company or any of the Holding Company Subsidiaries), all laws related to data protection or privacy, the USA PATRIOT Act, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Community Reinvestment Act ("CRA"), the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Growth, Regulatory Relief and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, the Foreign Corrupt Practices Act, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, the Real Estate Settlement Procedures Act and Regulation X, the Truth-in-Lending Act and Regulation Z, the Home Mortgage Disclosure Act, and any other laws relating to bank secrecy, discriminatory or abusive or deceptive lending or any

other product or service, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Pandemic Measures, and all agency requirements relating to the origination, sale and servicing of mortgage and consumer loans. Neither Holding Company nor any of the Holding Company Subsidiaries have been given notice or been charged with any violation of, any law, ordinance, regulation, order, writ, rule, decree or condition or approval of any Governmental Authority which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Holding Company or each of the Holding Company Subsidiaries. Holding Company and each of the Holding Company Subsidiaries hold, and have at all times since December 31, 2017, held, all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets (and have paid all fees and assessments due and payable in connection therewith), except where neither the cost of failure to hold nor the cost of obtaining and holding such license, franchise, permit or authorization (nor the failure to pay any fees or assessments) would be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Holding Company, and to the Knowledge of Holding Company no suspension or cancellation of any such necessary license, franchise, permit or authorization is threatened.

(ii) Holding Company has no Knowledge of, nor has Holding Company or any of the Holding Company Subsidiaries been advised of, or has any reason to believe that any facts or circumstances exist, which would cause Holding Company or any of the Holding Company Subsidiaries: (A) to be deemed to be operating in violation of the federal Bank Secrecy Act, as amended, and its implementing regulations, the USA PATRIOT Act, and the regulations promulgated thereunder, the Anti-Money Laundering Act of 2020, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation; or (B) to be deemed not to be in satisfactory compliance with the applicable requirements contained in any federal and state privacy or data security laws and regulations.

(k) *Tax Matters*.

(i) Holding Company and each of the Holding Company Subsidiaries have timely filed all Tax Returns required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes owed by Holding Company or any of the Holding Company Subsidiaries have been timely paid. No Tax Return filed by Holding Company or any of the Holding Company Subsidiaries is the subject of any administrative or judicial proceeding, no unpaid Tax deficiency has been asserted against Holding Company or any of the Holding Company Subsidiaries by any Governmental Authority, and to the Knowledge of Holding Company and the Holding Company Subsidiaries, no Tax Return filed by Holding Company or any of the Holding Company Subsidiaries is under examination by any Governmental Authority.

(ii) Holding Company and each of the Holding Company Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with

amounts paid or owing to any employee, creditor, shareholder, independent contractor or other third party. Holding Company and each of the Holding Company Subsidiaries have complied in all material respects with all Tax information reporting and backup withholding provisions of applicable law.

(iii) There are no liens for Taxes (other than statutory liens for Taxes not yet due and payable) upon any of the assets of Holding Company or any of the Holding Company Subsidiaries. Neither Holding Company nor any of the Holding Company Subsidiaries (i) is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Holding Company and the Holding Company Subsidiaries) (ii) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group of which Holding Company was the common parent) or (iii) has any liability for the Taxes of any person (other than Holding Company and the Holding Company Subsidiaries) arising from the application of Treasury regulation Section 1.1502-6, or any similar provision of state, local or non-U.S. law, as a transferee or successor, by contract or otherwise. Neither Holding Company nor any of the Holding Company Subsidiaries has distributed stock to another person, or has had its stock distributed by another person during the two-year period ending on the date hereof that was intended to be governed in whole or in part by Section 355 of the Code.

(iv) Neither Holding Company nor any of the Holding Company Subsidiaries is or has been a party to any "reportable transaction," as defined in Section 1.6011-4(b) of the Treasury Regulations. Holding Company and each of the Holding Company Subsidiaries have disclosed on their federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. Holding Company is not and has not been a "United States real property holding company" within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(v) Neither Holding Company nor any of the Holding Company Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable year (or portion thereof) ending after the Closing Date as a result of any (i) installment sale or open transaction made on or prior to the Closing Date or (ii) prepaid amount received on or prior to the Closing Date.

(vi) Neither Holding Company nor any of the Holding Company Subsidiaries has any unrecognized deferred intercompany gain or excess loss account described in Treasury regulations promulgated under Section 1502 of the Code (or any corresponding or similar provision of state, local, or non- U.S. Tax law).

(vii) Neither Holding Company nor any of the Holding Company Subsidiaries has taken or agreed to take (or failed to take or agree to take) any action or knows of any facts or circumstances that would reasonably be expected to prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

(viii) For the purposes of this Agreement, "Tax" or "Taxes" mean any and all taxes, charges, fees, levies or other assessments in the nature of a tax imposed by a Governmental Authority, including, without limitation, all income, gross receipts, sales, use, ad valorem, goods and services, escheat, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Authority.

(ix) As used in this Agreement, the term "Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof, supplied or required to be supplied to a Governmental Authority.

(l) *Property*.

(i) Except as set forth in Section 3.3(l)(i) of Holding Company's Disclosure Letter or reserved against as disclosed in its Financial Statements or Bank Reports, Holding Company and each of the Holding Company Subsidiaries have good and marketable title in fee simple absolute free and clear of all material liens, encumbrances, charges, defaults or equitable interests, other than Permitted Liens (as defined herein), to all of the properties and assets, real and personal, reflected in the balance sheet included in its Financial Statements or Bank Reports as of December 31, 2021 or acquired after such date. All buildings, and all fixtures, equipment, and other property and assets that are material to Holding Company's or any of the Holding Company Subsidiaries' business, held under leases, subleases or licenses, are held under valid instruments, and to Holding Company's Knowledge, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws. Other than real estate that was acquired by foreclosure or voluntary deed in lieu of foreclosure, all buildings, structures, and appurtenances owned, leased, or occupied by Holding Company and each of the Holding Company Subsidiaries (the "Real Property") are in good operating condition and in a state of good maintenance and repair and comply with applicable zoning and other municipal laws and regulations, and there are no latent defects therein. With regard to the Real Property, there are no eminent domain or similar proceedings pending or, to the Knowledge of Holding Company or Bank Subsidiary, threatened affecting all or any material portion of such Real Property, and further, there is no writ, injunction, decree, order or judgement outstanding, nor any action, claim suit or proceeding pending or, to the Knowledge of Holding Company or Bank Subsidiary, threatened, relating to the ownership, lease, use, occupancy or operation of such Real Property.

(ii) Section 3.3(l)(ii) of Holding Company's Disclosure Letter identifies and sets forth the address of each parcel of real estate or interest therein, leased, licensed or subleased by Holding Company and each of the Holding Company Subsidiaries or in which Holding Company or any of the Holding Company Subsidiaries has any leasehold interest. Holding Company has made available to Towne true and complete copies of all lease, license and sublease agreements, including without limitation every amendment

thereto, for each parcel of real estate or interest therein to which Holding Company or any of the Holding Company Subsidiaries is a party.

For purposes of this Section 3.3(l), "Permitted Liens" shall mean: (a) liens arising by operation of law for taxes or other governmental charges not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings; (b) liens arising by operation of law, including liens arising by virtue of the rights of customers, suppliers and subcontractors in the ordinary course of business under general principles of commercial law, that do not, individually or in the aggregate, materially impair the value of the assets to which they relate and that are for current obligations; (c) imperfections of title that do not, individually or in the aggregate, materially impair the continued ownership, use and operation of the assets to which they relate in the business of Holding Company or the Holding Company Subsidiaries as currently conducted; and (d) in each case as set forth in Section 3.3(l)(i) of Holding Company's Disclosure Letter security interests granted in connection with either (i) the lease of equipment in the ordinary course of business, or (ii) an existing mortgage agreement encumbering Real Property.

(m) *Employee Benefit Plans.*

(i) Section 3.3(m)(i) of Holding Company's Disclosure Letter sets forth a complete and accurate list of all employee benefit plans and programs of Holding Company and the Holding Company Subsidiaries, including without limitation: (A) all retirement, savings, pension, stock bonus, profit sharing and other similar plans, programs or arrangements; (B) all health, life, severance, insurance, disability and other employee welfare or fringe benefit plans, programs, contracts or similar arrangements; (C) all employment agreements, change in control agreements, severance agreements or similar agreements; (D) all vacation, paid time off and other similar plans or policies; and (E) all bonus, stock option, stock purchase, restricted stock, restricted stock unit, equity or equity based compensation, incentive, deferred compensation, supplemental retirement, excess benefit, change in control and other employee and director benefit plans, programs or arrangements, and all other employment or compensation arrangements, in each case for the benefit of or relating to its current and former employees, directors and contractors, or any spouse, dependent or beneficiary thereof, whether or not written or unwritten for which (1) Holding Company, (2) any Holding Company Subsidiary or (3) any of their subsidiaries or former subsidiaries or any trade or business of Holding Company or any of its subsidiaries, whether or not incorporated, all of which together with it are or were deemed a "single employer" within the meaning of Section 4001(b) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 414 of the Code ("ERISA Affiliates"), sponsors, has (or had, during the last six (6) years) an obligation to contribute or has (or had, during the last six (6) years) any liability (individually, a "Holding Company Benefit Plan" and collectively, the "Holding Company Benefit Plans"). Neither Holding Company nor any Holding Company Subsidiary or ERISA Affiliate is subject to or obligated under any oral or unwritten Holding Company Benefit Plan.

(ii) Holding Company has, with respect to each Holding Company Benefit Plan, previously delivered or made available to Towne true and complete copies of: (A) all current Holding Company Benefit Plan agreements and documents and related trust agreements or annuity contracts and any amendments thereto; (B) all current summary plan descriptions and material communications to employees and Holding Company Benefit Plan participants and beneficiaries; (C) the Form 5500 filed in each of the most recent three (3) plan years (including all schedules thereto and the opinions of independent accountants); (D) the most recent actuarial valuation (if any); (E) the most recent annual and periodic accounting of plan assets; (F) all information regarding determination of full-time status of employees for purposes of the Patient Protection and Affordable Care Act of 2010, as amended (the "ACA"), including any look-back measurement periods thereunder; (G) if the Holding Company Benefit Plan is intended to qualify under Sections 401(a) or 403(a) of the Code, the most recent determination letter or opinion letter, as applicable, received from the Internal Revenue Service (the "IRS"); (H) copies of the most recent nondiscrimination tests for all Holding Company Benefit Plans, as applicable; and (I) copies of all material correspondence with any governmental agency within the last six (6) years, including but not limited to any investigation materials, any "Top Hat" filings, and any filings under amnesty, voluntary compliance, or similar programs.

(iii) Except as set forth in Section 3.3(m)(iii) of Holding Company's Disclosure Letter, neither it nor any Holding Company Subsidiary, nor any of its or their ERISA Affiliates have at any time been a party to or maintained, sponsored, contributed to, or been obligated to contribute to, or had any liability with respect to: (A) any plan subject to Title IV of ERISA, including a "multiemployer plan" (as defined in Section 3(37) of ERISA and 4001(a)(3) or Section 414(f) of the Code) or a plan subject to Section 412 of the Code; (B) a "multiple employer plan" (within the meaning of ERISA or Section 413(c) of the Code); (C) any voluntary employees' beneficiary association (within the meaning of Section 501(c)(9) of the Code); or (D) a "multiple employer welfare association" (as defined in Section 3(40) of ERISA).

(iv) All of the Holding Company Benefit Plans are in compliance in all material respects with applicable laws and regulations, and all Holding Company Benefit Plans have been maintained, operated and administered in accordance with applicable laws and regulations in all material respects.

(v) Each Holding Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified, as reflected in a current favorable determination letter (based on IRS permitted determination request procedures), or opinion letter, as applicable. Nothing has occurred since the date of any such determination that is reasonably likely to affect adversely such qualification or exemption, or result in the imposition of excise Taxes or income Taxes on unrelated business income under the Code or ERISA with respect to any Tax-qualified plan.

(vi) All required contributions (including all employer contributions and employee salary reduction contributions), premiums and other payments due for the

current plan year or any plan year ending on or before the Closing Date, under all Holding Company Benefit Plans have been made or properly accrued. All contributions to any Holding Company Benefit Plan have been contributed within the time specified in ERISA and the Code and the respective regulations thereunder.

(vii) To Holding Company's and Bank Subsidiary's Knowledge, neither Holding Company nor Bank Subsidiary has engaged in any prohibited transactions, as defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any Holding Company Benefit Plan. To Holding Company's and Bank Subsidiary's Knowledge, no "fiduciary," as defined in Section 3(21) of ERISA, of any Holding Company Benefit Plan has any liability (including threatened, anticipated or contingent) for breach of fiduciary duty under ERISA.

(viii) There are no actions, suits, investigations or claims (other than routine claims for benefits) pending, threatened or, to the Knowledge of Holding Company and Bank Subsidiary, anticipated with respect to any of the Holding Company Benefit Plans or any fiduciary thereof in its capacity with respect to the Holding Company Benefit Plan. None of the Holding Company Benefit Plans is the subject of a pending or, to the Knowledge of Holding Company and Bank Subsidiary, threatened investigation or audit by the IRS, the U.S. Department of Labor, or the Pension Benefit Guaranty Corporation.

(ix) Except as set forth in Section 3.3(m)(ix) of Holding Company's Disclosure Letter (A) no compensation or benefit that is or will be payable in connection with the transactions contemplated by this Agreement will be characterized as an "excess parachute payment" within the meaning of Section 280G of the Code, (B) no Holding Company Benefit Plan contains any provision that would give rise to any severance, termination or other payments or liabilities as a result of the transactions contemplated by this Agreement (either alone or in conjunction with any other event), and (C) no Holding Company Benefit Plan contains any provision that would materially increase any benefits otherwise payable under any Holding Company Benefit Plan or result in any acceleration of the time of payment, vesting, exercisability or delivery of, or increase the amount of any such payment, right or benefits as a result of the transactions contemplated by this Agreement (either alone or in conjunction with any other event). Except as set forth in Section 3.3(m)(ix) of Holding Company's Disclosure Letter, no Holding Company Benefit Plan maintained by it or any Holding Company Subsidiary provides for the gross-up, indemnification or reimbursement of Taxes under Section 4999 or 409A of the Code, or otherwise.

(x) Each Holding Company Benefit Plan that is a health or welfare plan has terms that are in compliance with and has been administered in accordance with the requirements of the ACA and all reporting required under Sections 6055 and 6056 of the Code has been completed. Holding Company and the Holding Company Subsidiaries have complied in all respects with the requirements of Section 4980H of the Code so as to avoid the imposition of any taxes or assessable payments thereunder. Holding Company has not established and does not maintain a welfare plan, as defined in Section 3(1) of ERISA, that provides benefits to an employee at its expense after a termination of

employment, except as required by the Consolidated Omnibus Budget Reconciliation Act of 1985.

(xi) Except as set forth in Section 3.3(m)(xi) of Holding Company's Disclosure Letter, Holding Company and the Holding Company Subsidiaries have made all bonus and commission payments to which they were required to make prior to the date hereof to any employee under any Holding Company Benefit Plan for calendar years 2020 and 2021.

(xii) All "group health plans," as defined in Section 5000(b)(1) of the Code, covering the employees of Holding Company or any Holding Company Subsidiary have been maintained in timely compliance with the notice and healthcare continuation coverage requirements of Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA.

(xiii) Except as set forth in Section 3.3(m)(xiii) of Holding Company's Disclosure Letter, each Holding Company Benefit Plan that is a "nonqualified deferred compensation plan," as defined in Section 409A(d)(1) of the Code, and any award thereunder, in each case that is subject to Section 409A of the Code, has (A) since January 1, 2005, been maintained and operated in good faith compliance with Section 409A of the Code, as determined under applicable guidance of the U.S. Department of the Treasury and the IRS, and (B) since January 1, 2009, been in documentary and operational compliance with Section 409A of the Code, such that no amounts paid pursuant to any such Holding Company Benefit Plan is or could be subject to a Tax under Section 409A of the Code. Each Holding Company Benefit Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA that is not qualified under Section 401(a) or 403(a) of the Code is exempt from Parts 2, 3, and 4 of Title I of ERISA as an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA and, except as otherwise set forth in Section 3.3(m)(xiii) of Holding Company's Disclosure Letter, it has filed a "Top Hat" registration letter with the Department of Labor for each such plan.

(xiv) Section 3.3(m)(xiv) of Holding Company's Disclosure Letter accurately reflects the timing and the maximum amounts for the payments that would be payable under the applicable Change in Control Agreements for the respective individuals set forth therein in the event the respective individuals were to have a separation from service immediately following a change in control occurring on the assumed date and under the circumstances specified in such Section of Holding Company's Disclosure Letter. Upon a separation from service following a change in control occurring on a date other than the date assumed in such Section of Holding Company's Disclosure Letter, the timing and maximum amounts of the payments under such Change in Control Agreements are determined in a manner consistent with such Section of Holding Company's Disclosure Letter.

(n) *Labor and Employment Matters*.

(i) Holding Company has provided Towne a true and complete list, in each case for 2021 and for 2022 through August 18, 2022, of (A) all employees of Holding Company and the Holding Company Subsidiaries, including for each such employee: name, unique employee identification number, hire date, work location, current annual salary and any incentive compensation and (B) all independent contractors or consultants used by Holding Company or the Holding Company Subsidiaries, including for each such person: name, contact information, description of the services performed, consulting fee and consulting term.

(ii) Neither Holding Company nor any of the Holding Company Subsidiaries is a party to or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is Holding Company or any of the Holding Company Subsidiaries the subject of a pending or, to the Knowledge of Holding Company, threatened action, lawsuit, arbitration or administrative or judicial proceeding asserting that Holding Company or any such Holding Company Subsidiary has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel Holding Company or any such Holding Company Subsidiary to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving Holding Company or any of the Holding Company Subsidiaries pending or, to the Knowledge of Holding Company, threatened, nor is Holding Company, to the Knowledge of Holding Company, subject to any activity involving Holding Company's or any of the Holding Company Subsidiaries' employees seeking to certify a collective bargaining unit or engaging in other organizational activity.

(iii) Holding Company and the Holding Company Subsidiaries have complied in all material respects with all applicable state and federal equal employment opportunity laws and regulations and other laws and regulations related to employment, including those related to wages, hours, working classification, collective bargaining and the Pandemic, and, except as otherwise set forth in Section 3.3(n)(iii) of Holding Company's Disclosure Letter, there are no actions, lawsuits, arbitrations or administrative or judicial proceedings of any nature pending or, to Holding Company's Knowledge, threatened against Holding Company or the Holding Company Subsidiaries brought by or on behalf of any applicant for employment, any current or former employee, any person alleging to be a current or former employee, any class of the foregoing, or any Governmental Authority, relating to any such law, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with employment with Holding Company or the Holding Company Subsidiaries. To the Knowledge of Holding Company, there are no unfair labor practice complaints pending against Holding Company or any of the Holding Company Subsidiaries before the National Labor Relations Board or any other labor relations tribunal or authority. Holding Company and the Holding Company Subsidiaries have properly classified individuals providing services to it or them as employees or independent contractors, as the case may be, and

have properly withheld and reported related income and employment taxes in accordance with such classification.

(iv) Except as set forth in Section 3.3(n)(iv) of Holding Company's Disclosure Letter, employment of each employee and the engagement of each independent contractor by Holding Company or any of the Holding Company Subsidiaries is terminable at will by Holding Company or the Holding Company Subsidiaries without (A) any penalty, liability or severance obligation and (B) prior consent by any Governmental Authority. Each of Holding Company and the Holding Company Subsidiaries has paid, or has properly accrued no later than the Closing Date, all accrued salaries, wages, bonuses, commissions, overtime and incentives due to be paid or properly accrued on or before the Closing Date.

(v) To the Knowledge of Holding Company and to the extent it is permitted by law to ascertain, all of its employees are legally entitled to work in the United States under the Immigration Reform and Control Act of 1986, as amended, other United States immigration laws and the laws related to the employment of non-United States citizens applicable in the state in which the employees are employed. Holding Company has completed a Form I-9 (Employment Eligibility Verification) for each employee for which one is required by applicable law and each such Form I-9 has since been updated as required by applicable law and is correct and complete in all material respects as of the date hereof.

(o) *Insurance*. Set forth in Section 3.3(o) of Holding Company's Disclosure Letter is a list of all insurance policies or bonds currently maintained by Holding Company or each Holding Company Subsidiary. Holding Company and the Holding Company Subsidiaries are insured with reputable insurers against such risks and in such amounts as management of Holding Company reasonably has determined to be prudent in accordance with industry practices. Since December 31, 2021, neither Holding Company nor any of the Holding Company Subsidiaries has received any notice of cancellation or a failure to renew with respect to any insurance policy or bond or, within the last three (3) calendar years, and since January 1, 2022, has been refused any insurance coverage sought or applied for, and Holding Company has no reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of Holding Company or the Holding Company Subsidiaries.

(p) *Loan Portfolio; Allowance for Loan Losses; Mortgage Loan Buy-Backs*. Except as set forth in Section 3.3(p) of Holding Company's Disclosure Letter:

(i) All evidences of indebtedness reflected as assets in the Financial Statements or Bank Reports as of December 31, 2021 were as of such date: (A) evidenced by notes, agreements or evidences of indebtedness which are true, genuine and what they purport to be; (B) to the extent secured, secured by valid liens and security interests which to its Knowledge have been perfected; (C) the legal, valid and binding obligation of the obligor and any guarantor, enforceable in accordance with its terms,

subject to bankruptcy, insolvency, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and to general equity principles, and no defense, offset or counterclaim has been asserted with respect to any such Loan (as defined herein) which if successful could have a Material Adverse Effect on Holding Company; and (D) in all material respects made in accordance with its standard loan policies except for workout credits and approved policy exceptions.

(ii) (A) There is no material modification or amendment, oral or written, of a Loan (including any material modification or amendment of a Loan made consistent with guidance issued by a Governmental Authority or Holding Company Regulatory Agency in connection with the Pandemic) that is not reflected on the records of Holding Company or the Holding Company Subsidiaries, (B) all currently outstanding Loans are owned by Holding Company or Bank Subsidiary free and clear of any liens, except for liens on Loans granted to a member of the Federal Home Loan Bank System or a Federal Reserve Bank, (C) no claims of defense as to the enforcement of any Loan with an outstanding balance of $100,000 or more have been asserted in writing against Holding Company or any of the Holding Company Subsidiaries for which there is a reasonable possibility of an adverse determination in any action, lawsuit, arbitration or administrative or judicial proceeding, and to the Knowledge of Holding Company there are no acts or omissions which could give rise to any claim or right of rescission, set-off, counterclaim or defense for which there is a possibility of an adverse determination in any action, lawsuit, arbitration or administrative or judicial proceeding, and (D) no Loans owned by Holding Company or the Holding Company Subsidiaries are presently serviced by third parties, and there is no obligation that could result in any such Loan becoming subject to any third party servicing.

(iii) The allowance for possible loan losses (the "Loan Loss Allowance") shown on its Financial Statements or Bank Reports as of June 30, 2022 was, and the Loan Loss Allowance to be shown on its Financial Statements or Bank Reports as of any date subsequent to the date of this Agreement will be, as of such dates, adequate to provide for all known or reasonably anticipated losses, net of recoveries relating to Loans previously charged off, in respect of Loans outstanding (not including letter of credit or commitments to make loans or extend credit which are included in "other liabilities").

(iv) Any reserve for losses with respect to other real estate owned ("OREO") and any reserve for repossession with respect to mortgage Loans to be shown on its Financial Statements or Bank Reports as of any date subsequent to the execution of this Agreement will be, as of such dates, adequate to provide for losses relating to the OREO or mortgage Loan portfolio, as the case may be, of Holding Company and Bank Subsidiary as of the dates thereof.

(v) The Loan Loss Allowance has been established in accordance with GAAP and applicable regulatory requirements and guidelines.

(vi) Section 3.3(p)(vi) of Holding Company's Disclosure Letter sets forth all residential or commercial mortgage Loans originated on or after January 1, 2018 by it or any of the Holding Company Subsidiaries (A) that were sold in the secondary mortgage

market and have been re-purchased by it or any of the Holding Company Subsidiaries, (B) that the institutions to whom such Loans were sold (or their successors or assigns) have asked it or any of the Holding Company Subsidiaries to purchase back (but have not been purchased back), or (C) that the institutions to whom such Loans were sold (or their successors or assigns) have submitted a claim for indemnification from Holding Company or any of the Holding Company Subsidiaries, or have notified Holding Company or any of the Holding Company Subsidiaries of an intent to request indemnification, in connection with such Loans.

(vii) As of June 30, 2022, neither Holding Company nor any of the Holding Company Subsidiaries was a party to any Loan (A) under the terms of which the obligor was sixty (60) days delinquent in payment of principal or interest or in default of any other provision as of the date hereof; (B) which had been classified by any source as "Other Loans Specially Mentioned," "Special Mention," "Substandard," "Doubtful," "Loss," "Classified," "Criticized," "Watch List," or any comparable classifications by such persons; or (C) in violation of any law, regulation or rule applicable to Holding Company or any of the Holding Company Subsidiaries including, but not limited to, those promulgated, interpreted or enforced by any Governmental Authority.

(viii) As of the date of this Agreement neither Holding Company nor any of the Holding Company Subsidiaries was a party to any Loan with any of Holding Company's directors or officers or the directors or officers of any of the Holding Company Subsidiaries that was not made in compliance with Regulation O, as amended, of the Board of Governors of the Federal Reserve System.

(ix) Each Loan outstanding as of the date of this Agreement has been solicited and originated, and is and has been administered and, where applicable, serviced (including by a third party servicer or sub-servicer, if applicable), and the relevant Loan files are being maintained, in accordance in all material respects with the relevant notes or other credit or security documents, Holding Company's or Bank Subsidiary's applicable written underwriting and servicing standards (and, in the case of Loans held for resale to investors, the underwriting standards, if any, of the applicable investors) and with all applicable federal, state and local laws, regulations and rules.

(x) To the extent that Holding Company or any Holding Company Subsidiary has originated any Loan under or otherwise participated in any program created or modified by the CARES Act, including but not limited to the Paycheck Protection Program (the "PPP"), it has done such in good faith and in material compliance with all laws, regulations and guidance governing such program, including but not limited to all regulations and guidance issued by the U.S. Department of the Treasury and/or the U.S. Small Business Administration applicable to Loans originated pursuant to or in association with the PPP.

(xi) As used herein, the term "Loan" means any loan, loan agreement, loan commitment, letter of credit, note, borrowing arrangement or other extension of credit.

(q) *Environmental Matters*.

(i) Except as described in Section 3.3(q) of Holding Company's Disclosure Letter, Holding Company and each of the Holding Company Subsidiaries are in compliance with all Environmental Laws (as defined herein). Neither Holding Company nor any of the Holding Company Subsidiaries has received any communication alleging that Holding Company or such Holding Company Subsidiary is not in such compliance, and, to its Knowledge, there are no present circumstances that would prevent or interfere with the continuation of such compliance.

(ii) Neither Holding Company nor any of the Holding Company Subsidiaries has received notice of pending, and to their Knowledge there are no threatened, legal, administrative, arbitral or other proceedings, asserting Environmental Claims (as defined herein) or other claims, causes of action or governmental investigations of any nature, seeking to impose, or that could result in the imposition of, any material liability arising under any Environmental Laws upon (A) Holding Company or such Holding Company Subsidiary, (B) any person or entity whose liability for any Environmental Claim Holding Company or any Holding Company Subsidiary has or may have retained either contractually or by operation of law, (C) any real or personal property owned or leased by Holding Company or any Holding Company Subsidiary, or any real or personal property which Holding Company or any Holding Company Subsidiary has been, or is, judged to have managed or to have supervised or to have participated in the management of, or (D) any real or personal property in which Holding Company or a Holding Company Subsidiary holds a security interest securing a loan recorded on the books of Holding Company or such Holding Company Subsidiary. Neither Holding Company nor any of the Holding Company Subsidiaries is subject to any agreement, order, judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability.

(iii) With respect to all real and personal property owned or leased by Holding Company or any of the Holding Company Subsidiaries, or all real and personal property which Holding Company or any of the Holding Company Subsidiaries has been, or is, judged to have managed or to have supervised or to have participated in the management of, Holding Company will promptly provide Towne with access to copies of any environmental audits, analyses and surveys that have been prepared relating to such properties (a list of which is included in Holding Company's Disclosure Letter). Holding Company and all of the Holding Company Subsidiaries are in compliance in all material respects with all recommendations contained in any such environmental audits, analyses and surveys.

(iv) To the Knowledge of Holding Company, there are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against Holding Company or any of the Holding Company Subsidiaries or against any person or entity whose liability for any Environmental Claim

Holding Company or any of the Holding Company Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(v) For purposes of this Agreement, the following terms shall have the following meanings:

(A) "Environmental Claim" means any written notice from any governmental authority or third party alleging potential liability (including, without limitation, potential liability for investigatory costs, clean-up, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based upon, or resulting from the presence, or release into the environment, of any Materials of Environmental Concern (as defined herein).

(B) "Environmental Laws" means all applicable federal, state and local laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, that relate to pollution or protection of human health or the environment.

(C) "Materials of Environmental Concern" means pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, underground storage tanks and any other materials regulated under Environmental Laws.

(r) *Books and Records*. The books and records of Holding Company and those of the Holding Company Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(s) *Intellectual Property*. Holding Company and the Holding Company Subsidiaries own, or are licensed or otherwise possess sufficient legally enforceable rights to use, all Intellectual Property and the Holding Company Technology Systems (as such terms are defined herein) that are used by Holding Company and the Holding Company Subsidiaries in their respective businesses as currently conducted. Holding Company and the Holding Company Subsidiaries, to their Knowledge, have not infringed or otherwise violated the Intellectual Property rights of any other person, and there is no claim asserted, or to the Knowledge of Holding Company or Bank Subsidiary threatened, against Holding Company or any of the Holding Company Subsidiaries concerning the ownership, validity, registerability, enforceability, infringement, use or licensed right to use any Intellectual Property. "Intellectual Property" means all trademarks, trade names, service marks, patents, domain names, database rights, copyrights, and any applications therefor, technology, know-how, trade secrets, processes, computer software programs or applications, and tangible or intangible proprietary information or material. The term "Holding Company Technology Systems" means the electronic data processing, information, record keeping, communications, telecommunications, hardware, third party software, networks, peripherals and computer systems, including any outsourced systems and processes, and Intellectual Property used by Holding Company and the Holding Company Subsidiaries or by a third party.

(t) *Derivative Instruments*. Except as set forth in Section 3.3(t) of Holding Company's Disclosure Letter, all derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for Holding Company's own account, or for the account of one or more of the Holding Company Subsidiaries or its or their customers (each a "Derivative Contract"), were entered into (i) only in the ordinary course of business, (ii) in accordance with prudent practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (iii) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of Holding Company or one of the Holding Company Subsidiaries, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws. Neither Holding Company nor any of the Holding Company Subsidiaries, nor, to the Knowledge of Holding Company or any of the Holding Company Subsidiaries, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement, except as set forth in Section 3.3(t) of Holding Company's Disclosure Letter.

(u) *Deposits*. Except as set forth in Section 3.3(u) of Holding Company's Disclosure Letter, as of December 31, 2021, none of Bank Subsidiary's deposits are "brokered" deposits or are subject to any legal restraint or other legal process (other than garnishments, pledges, liens, levies, subpoenas, set off rights, escrow limitations and similar actions taken in the ordinary course of business), and no portion of such deposits represents a deposit of Holding Company or any of the Holding Company Subsidiaries.

(v) *Investment Securities*.

(i) Holding Company and each of the Holding Company Subsidiaries has good and marketable title to all securities held by it (except securities sold under repurchase agreements or held in any fiduciary or agency capacity) free and clear of any lien, encumbrance or security interest, except to the extent that such securities are pledged in the ordinary course of business consistent with prudent business practices to secure obligations of Holding Company or the Holding Company Subsidiaries and except for such defects in title or liens, encumbrances or security interests that would not be material to it. Such securities are valued on the books of Holding Company and each of the Holding Company Subsidiaries in accordance with GAAP.

(ii) Holding Company and each of the Holding Company Subsidiaries employs investment, securities risk management and other policies, practices and procedures that Holding Company and each of the Holding Company Subsidiaries believes are prudent and reasonable in the context of such businesses.

(w) *Takeover Laws and Provisions*. Each of Holding Company and the Holding Company Subsidiaries has taken all necessary action, if any, to exempt the transactions contemplated by this Agreement from, or if necessary to challenge the validity or applicability of, any applicable "moratorium," "fair price," "business combination," "control share," or other anti-takeover laws, including without limitation Article 14 of the VSCA (because a majority of its disinterested directors approved such transactions for such purposes before any "determination date" with respect to it) and Article 14.1 of the VSCA.

(x) *Transactions With Affiliates*. All "covered transactions" between Holding Company and an "affiliate," within the meaning of Sections 23A and 23B of the Federal Reserve Act and regulations promulgated thereunder, have been in compliance with such provisions. As of the date hereof, except as set forth in Section 3.3(x) of Holding Company's Disclosure Letter, there are no outstanding amounts payable to or receivable from, or advances by Holding Company or any of the Holding Company Subsidiaries to, and neither Holding Company nor any of the Holding Company Subsidiaries is otherwise a creditor or debtor to (i) any director, executive officer, five percent (5%) or greater shareholder of Holding Company or any of the Holding Company Subsidiaries or, to the Knowledge of Holding Company, to any of their respective affiliates or associates, other than as part of the normal and customary terms of such person's employment or service as a director of Holding Company or any of the Holding Company Subsidiaries and other than deposits held by Bank Subsidiary in the ordinary course of business, or (ii) any other affiliate of Holding Company or any of the Holding Company Subsidiaries. As of the date hereof, except as set forth in Section 3.3(x) of Holding Company's Disclosure Letter, neither Holding Company nor any of the Holding Company Subsidiaries is a party to any transaction or agreement with any of its respective directors, executive officers or other affiliates, other than such person's employment or service as a director with Holding Company or any of the Holding Company Subsidiaries and excluding any deposit relationship.

(y) *Community Reinvestment Act*. Bank Subsidiary had a rating of "satisfactory" or better as of its most recent CRA examination, and neither Holding Company nor any of the Holding Company Subsidiaries has been advised of, or has reason to believe that, any facts or circumstances exist that would reasonably be expected to cause Bank Subsidiary to be deemed not to be in satisfactory compliance in any respect with the CRA or to be assigned a rating for CRA purposes by any Holding Company Regulatory Agency of lower than "satisfactory."

(z) *Fiduciary Accounts*. Each of Holding Company and the Holding Company Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including, but not limited to, accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents of such account and applicable laws and regulations. Neither Holding Company nor any of the Holding Company Subsidiaries, nor, to the Knowledge of Holding Company, any director, officer or employee of Holding Company or any of the Holding Company Subsidiaries, has committed any breach of trust with respect to any fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

(aa) *Information Systems and Security*.

(i) Holding Company, each of the Holding Company Subsidiaries, and, to the Knowledge of Holding Company, each third-party vendor to Holding Company or a Holding Company Subsidiary, has established and is in compliance in all material respects with (A) commercially reasonable security programs designed to protect (1) the integrity, security and confidentiality of information processed and transactions executed through any servers, computer hardware, networks, software (whether embodied in software, firmware or otherwise), databases, telecommunications systems, data centers, storage devices, voice and data network services interfaces and related systems

("Computer Systems") maintained by or on behalf of Holding Company or the Holding Company Subsidiaries, and (2) the integrity, security and confidentiality of all confidential or proprietary data or personal financial information in its possession, and (B) commercially reasonable security policies and privacy policies that comply with all applicable legal and regulatory requirements. Except as set forth in Section 3.3(aa)(i) of Holding Company's Disclosure Letter, to the Knowledge of Holding Company, neither Holding Company nor any of the Holding Company Subsidiaries has suffered a security incident or breach with respect to its data or Computer Systems any part of which occurred within the past three (3) years.

(ii) To the Knowledge of Holding Company, all of Holding Company's and the Holding Company Subsidiaries' Computer Systems have been properly maintained by technically competent personnel, in accordance with standards set by the manufacturers or otherwise in accordance with industry practice. Neither Holding Company nor any of the Holding Company Subsidiaries has experienced within the past three (3) years any material disruption to, or material interruption in, conduct of its business attributable to a defect, breakdown, bug or other deficiency of its Computer Systems. Holding Company and the Holding Company Subsidiaries have taken reasonable measures to provide for the back-up and recovery of the data and information necessary to the conduct of its business without material disruption to, or material interruption in, the conduct of its business.

(bb) *Required Vote*. The affirmative vote of the holders of a majority of the outstanding shares of Holding Company Common Stock is necessary to approve this Agreement and the Merger and the Holding Company Articles Amendment on behalf of Holding Company. The affirmative vote of the holders of more than two-thirds of the outstanding shares of common stock of Bank Subsidiary is necessary to approve this Agreement and the Merger on behalf of Bank Subsidiary. No other vote of the shareholders of Holding Company or Bank Subsidiary is required by the VSCA, Holding Company's Organizational Documents, Bank Subsidiary's Organizational Documents or otherwise to approve this Agreement and the Merger.

(cc) *Financial Advisors*. None of Holding Company, any of the Holding Company Subsidiaries or any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with transactions contemplated herein, except that, in connection with this Agreement, Holding Company has retained Piper Sandler & Co. as its financial advisor (pursuant to an engagement letter, a true and complete copy of which is included in Section 3.3(cc) of Holding Company's Disclosure Letter and under which such firm will be entitled to certain fees in connection with this Agreement).

(dd) *Fairness Opinion*. Prior to the execution of this Agreement, the Board of Directors of Holding Company has received the opinion (which, if initially rendered verbally, has been or will be confirmed by a written opinion, dated the same date) of Piper Sandler & Co. to the effect that, as of the date thereof and based upon and subject to the matters set forth therein, the Exchange Ratio is fair, from a financial point of view, to the shareholders of Holding Company. Such opinion has not been amended or rescinded as of the date of this Agreement.

(ee) *Insurance Agency*.

(i) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Holding Company, (i) since December 31, 2018, at the time each agent, representative, producer, wholesaler, third-party administrator, distributor, broker, employee or other person authorized to sell, produce, manage or administer products ("Insurance Agent") on behalf of any Holding Company Subsidiary wrote, sold, produced, managed, administered or procured business for a Holding Company Subsidiary, such Insurance Agent was, at the time the Insurance Agent wrote or sold business, duly licensed for the type of activity and business written, sold, produced, managed, administered or produced to the extent required by applicable law, (ii) no Insurance Agent has been since December 31, 2018, or is currently, in violation (or with or without notice or lapse of time or both, would be in violation) of any law, rule or regulation applicable to such Insurance Agent's writing, sale, management, administration or production of insurance business for any Holding Company Insurance Subsidiary (as defined herein), and (iii) each Insurance Agent was appointed by Holding Company or a Holding Company Insurance Subsidiary in compliance with applicable insurance laws, rules and regulations and all processes and procedures undertaken with respect to such Insurance Agent were undertaken in compliance with applicable insurance laws, rules and regulations. As used in this Agreement, "Holding Company Insurance Subsidiary" means each Holding Company Subsidiary through which insurance operations are conducted, including Manry Rawls, LLC.

(ii) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Holding Company, (A) since December 31, 2018, Holding Company and each Holding Company Insurance Subsidiary has made all required notices, submissions, reports or other filings under applicable insurance laws, rules and regulations and (B) each Holding Company Insurance Subsidiary has operated and otherwise been in compliance with all applicable insurance laws, rules and regulations.

(ff) *No Further Representations*. Except for the representations and warranties specifically set forth in this Section 3.3, neither Holding Company nor any of the Holding Company Subsidiaries makes or shall be deemed to make any representation or warranty to Towne or any of the Towne Subsidiaries, express or implied, at law or in equity, with respect to the transactions contemplated by this Agreement and each of Holding Company and the Holding Company Subsidiaries hereby disclaims any such representation or warranty whether by it or any of its officers, directors, employees, agents, representatives or any other person.

3.4 Representations and Warranties of Towne.

Subject to and giving effect to Sections 3.1 and 3.2, Towne hereby represents and warrants to Holding Company and Bank Subsidiary as follows:

(a) *Organization, Standing and Power*. Towne is a Virginia state chartered bank duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. Towne has all requisite corporate power and authority to carry on a commercial

banking business as now being conducted and to own and operate its assets, properties and business. Towne's deposits are insured by the Deposit Insurance Fund of the FDIC to the maximum extent permitted by law.

(b) *Subsidiaries*. Each subsidiary of Towne is identified, collectively, in Exhibit 21 to Towne's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the FDIC, or in Section 3.4(b) of Towne's Disclosure Letter (each individually a "Towne Subsidiary" and collectively the "Towne Subsidiaries"). Each Towne Subsidiary (i) is a duly organized corporation, limited liability company or statutory trust validly existing and in good standing under applicable laws, (ii) has full corporate or other applicable power and authority to carry on its business as now conducted and (iii) is duly qualified to do business in the states where its ownership or leasing of property or the conduct of its business requires such qualification and where the failure to so qualify would have a Material Adverse Effect on Towne on a consolidated basis. The outstanding shares of capital stock or equity interests of each Towne Subsidiary have been duly authorized and are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by Towne free and clear of all liens, claims and encumbrances or preemptive rights of any person.

(c) *Authority; No Breach of the Agreement*.

(i) Towne has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Towne, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of Towne. This Agreement is a valid and legally binding obligation of Towne, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting the enforcement of rights of creditors or by general principles of equity).

(ii) Neither the execution and delivery of this Agreement by Towne, nor the consummation by Towne of the transactions contemplated hereby, nor compliance by Towne with any of the provisions hereof will: (A) conflict with or result in a breach of any provision of the Organizational Documents of Towne; (B) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon, any property or asset of Towne or any Towne Subsidiary pursuant to any (1) note, bond, mortgage or indenture, or (2) material license, agreement or other instrument or obligation, to which Towne or any Towne Subsidiary is a party or by which Towne or any Towne Subsidiary or any of their properties or assets may be bound; or (C) subject to the receipt of all required regulatory and shareholder approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to Towne or any Towne Subsidiary.

(iii) Except for (A) the necessary Regulatory Approvals, (B) the filing of Articles of Merger with the VA SCC to effect the Merger, (C) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of the

various states in connection with the issuance of shares of Towne Common Stock pursuant to this Agreement, and (D) approval of listing the shares of Towne Common Stock to be issued pursuant to this Agreement on the Nasdaq Global Select Market, no consents or approvals of or notices to or filings with any Governmental Authority are necessary in connection with the execution and delivery of this Agreement and the consummation by Towne of the Merger and the other transactions contemplated by this Agreement. As of the date hereof, Towne is not aware of any facts or circumstances that would materially impede or delay receipt of any Regulatory Approvals or any reason why the necessary Regulatory Approvals and consents will not be received in order to permit consummation of the Merger.

(d) *Towne Capital Stock*. The authorized capital stock of Towne consists of 150,000,000 shares of Towne Common Stock, of which 72,748,041 shares are issued and outstanding as of the date of this Agreement, and 2,000,000 shares of preferred stock, par value $5.00 per share, of which none are issued and outstanding as of the date hereof. All outstanding shares of Towne Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and have not been issued in violation of the preemptive rights of any person. All shares of Towne's capital stock issued and outstanding have been issued in compliance with and not in violation of any applicable federal or state securities laws. As of the date of this Agreement, there are no shares of capital stock reserved for issuance, or any outstanding Rights with respect to any capital stock of Towne, except as contemplated by a Towne stock option or other equity-based compensation plan, by Towne's Member Stock Purchase and Dividend Reinvestment Plan or by Towne's Securities Documents (as defined herein).

(e) *Securities Filings; Financial Statements; Accounting Controls*.

(i) Towne has filed all reports, registration statements, proxy statements, offering circulars, schedules and other documents required to be filed by it (collectively, the "Securities Documents") with the FDIC since December 31, 2018 under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act and, to the extent such Securities Documents are not available through the web site maintained by the FDIC, has made copies of such Securities Documents available to Holding Company and Bank Subsidiary. Towne's Securities Documents, including the financial statements, exhibits and schedules contained therein, (A) at the time filed, complied (and any Securities Documents filed after the date of this Agreement will comply) in all material respects with the applicable requirements of the Securities Act and the Exchange Act, and (B) at the time filed (or if amended or superseded by one or more Securities Documents filed prior to the date of this Agreement, then on the date of such filing), did not (and any Securities Documents filed after the date of this Agreement will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated in such Securities Documents or necessary in order to make the statements made in such Securities Documents, in light of the circumstances under which they were made, not misleading.

(ii) Each of the financial statements of Towne contained in or incorporated by reference into any Securities Documents (including any Securities Documents filed after the date of this Agreement) complied (or, in the case of Securities Documents filed after

the date of this Agreement, will comply) in all material respects with the applicable requirements of the Securities Act and the Exchange Act with respect thereto, fairly presented (or, in the case of Securities Documents filed after the date of this Agreement, will fairly present) the consolidated financial position of Towne and the Towne Subsidiaries as at the respective dates and the consolidated results of Towne's operations and cash flows for the periods indicated, in each case in accordance with GAAP consistently applied during the periods indicated, except in each case as may be noted therein, and subject to normal year-end audit adjustments and as permitted by Form 10-Q in the case of unaudited financial statements.

(iii) Towne has devised and maintains a system of "internal controls over financial reporting" (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied with respect to institutions such as Towne or other criteria applicable to such financial statements, and to maintain proper accountability for items therein, (iii) access to its properties and assets is permitted only in accordance with general or specific authorization of its Board of Directors and duly authorized executive officers, and (iv) the recorded accountability for items is compared with the actual levels at reasonable intervals and appropriate actions taken with respect to any differences.

(iv) Towne's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are designed to ensure that all information required to be disclosed by it in its Securities Documents is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms as adopted by the FDIC, and that all such information is accumulated and communicated to its management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of its chief executive officer and chief financial officer required under the Exchange Act with respect to such reports. Towne has disclosed, to its auditors and the audit committee of its Board of Directors and on Section 3.4(e)(iv) of Towne's Disclosure Letter (i) based on the evaluation of such controls in conjunction with its Annual Report on Form 10-K filed with the FDIC for the period ended December 31, 2021, any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that could adversely affect in any material respect its ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in its internal controls over financial reporting.

(v) Each of Towne's principal executive officer and principal financial officer (or each former principal executive officer and each former principal financial officer, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act with respect to its Securities Documents, and the statements contained in such certifications are true and accurate in all material respects. Towne is in compliance with all applicable provisions of

the Sarbanes-Oxley Act, except for any non-compliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Towne.

(vi) Since January 1, 2020, neither Towne nor any of the Towne Subsidiaries nor, to Towne's Knowledge, any director, officer, employee, auditor, accountant or representative of Towne or any Towne Subsidiaries has received, or otherwise had or obtained Knowledge of, any material complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of Towne or any Towne Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that Towne or any of the Towne Subsidiaries has engaged in questionable accounting or auditing practices.

(f) *Bank Reports*. Towne and each of the Towne Subsidiaries has filed all Bank Reports that they were required to file since December 31, 2018 with the Bureau of Financial Institutions of the VA SCC and the FDIC (the "Towne Regulatory Agencies"), including any Bank Report required to be filed pursuant to the laws of the United States, any state or any Towne Regulatory Agency. Any such Bank Report regarding Towne and each of the Towne Subsidiaries filed with or otherwise submitted to any Towne Regulatory Agency complied in all material respects with relevant legal requirements, including as to content. Except for normal examinations conducted by a Towne Regulatory Agency in the ordinary course of Towne's and each of the Towne Subsidiaries' business, there is no pending proceeding before, or, to its Knowledge, examination or investigation by, any Towne Regulatory Agency into the business or operations of Towne or any of the Towne Subsidiaries and no enforcement action, to its Knowledge, threatened by any Towne Regulatory Agency.

(g) *Absence of Certain Changes or Events*. Since December 31, 2021, except as disclosed in its Securities Documents or Bank Reports filed prior to the date of this Agreement, (i) Towne and the Towne Subsidiaries have conducted their respective businesses and incurred liabilities only in the ordinary course consistent with past practices, and (ii) there have been no events, changes, developments or occurrences which, individually or in the aggregate, have had or are reasonably likely to have a Material Adverse Effect on Towne.

(h) *Absence of Undisclosed Liabilities*. Except for (i) those liabilities that are fully reflected or reserved for in its financial statements contained in its Securities Documents or Bank Reports filed prior to the date of this Agreement, (ii) liabilities incurred since December 31, 2021 in the ordinary course of business consistent with past practice, (iii) liabilities that arise out of executory obligations under contracts, (iv) liabilities which would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect, and (v) liabilities incurred in connection with the transactions contemplated by this Agreement, neither Towne nor any Towne Subsidiary has, and since December 31, 2021 has not incurred (except as permitted by Section 4.2), any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in its financial statements contained in its Securities Documents or Bank Reports).

(i) *Material Contracts*.

(i) Neither Towne nor any of the Towne Subsidiaries is a party to or bound by any contract, arrangement, commitment or understanding (whether written or oral) that is a "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC) to be performed after the date of this Agreement that has not been filed or incorporated by reference in Towne's Securities Documents filed prior to the date hereof. Each contract, arrangement, commitment or understanding of the type described in this Section 3.4(i)(i) is referred to herein as a "Towne Contract."

(ii) With respect to each Towne Contract: (A) the contract is in full force and effect, (B) neither Towne nor any Towne Subsidiary is in default thereunder, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default, (C) neither Towne nor any of the Towne Subsidiaries has repudiated or waived any material provision of any such contract from January 1, 2021 to the date hereof, (D) no other party to any such contract is, to Towne's Knowledge, in default in any material respect, and (E) no other party to any such contract has exercised or threatened in writing to exercise any force majeure (or similar) provision to excuse non-performance or performance delays in any such contract as a result of the Pandemic or the Pandemic Measures.

(iii) Towne and each Towne Subsidiary is not, and to the Knowledge of Towne, no other party thereto, is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business or operations may be bound or affected, or under which it or its respective assets, business or operations receives benefits which is reasonably likely to have a Material Adverse Effect, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. Except as provided in this Agreement, no power of attorney or similar authorization given directly or indirectly by Towne or a Towne Subsidiary is currently outstanding.

(j) *Legal Proceedings; Compliance with Laws.*

(i) There are no actions, lawsuits, arbitrations or administrative or judicial proceedings (or, to the Knowledge of Towne, any basis therefor) instituted or pending or, to its Knowledge, threatened in writing against Towne or any of the Towne Subsidiaries or against any of Towne's or any of the Towne Subsidiaries' properties, assets, interests or rights, or to the Knowledge of Towne, against any of Towne's or the Towne Subsidiaries' officers, directors or employees in their capacities as such. Neither Towne nor any of the Towne Subsidiaries is a party to or subject to any cease-and-desist or other agreement, order, memorandum of understanding, enforcement action, supervisory or commitment letter or similar undertaking by or with any Governmental Authority that, in each of any such cases, restricts Towne's operations or the operations of any of the Towne Subsidiaries or that relates to Towne's capital adequacy, its ability to pay dividends, its credit or risk management policies, its management or its business, and neither Towne nor any of the Towne Subsidiaries has been advised by any Governmental Authority that any such Governmental Authority is contemplating issuing, ordering, or requesting the issuance of any such agreement, order, memorandum, action or letter in the future. Except for examinations of Towne and any of the Towne Subsidiaries

conducted by a Governmental Authority in the ordinary course of business, no Governmental Authority has ordered Towne or any of the Towne Subsidiaries to pay any civil penalty or initiated or has pending any actions, lawsuits, arbitrations or administrative or judicial proceedings or, to the Knowledge of Towne, investigation into the business or operations of Towne or any of the Towne Subsidiaries since December 31, 2017. There is no claim, action, suit, proceeding, investigation or notice of violation (whether civil, criminal or administrative) pending or, to the Knowledge of Towne, threatened against any officer or director of Towne, or any of the Towne Subsidiaries, in connection with the performance of his or her duties as an officer or director of Towne or any of the Towne Subsidiaries. Towne and each of the Towne Subsidiaries have complied in all material respects with, and have not been in material default or violation under, all laws, statutes, ordinances, requirements, regulations, rules or orders of any Governmental Authority applicable to Towne and each of the Towne Subsidiaries, including (to the extent applicable to Towne or any of the Towne Subsidiaries), all laws related to data protection or privacy, the USA PATRIOT Act, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the CRA, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Growth, Regulatory Relief and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, the Foreign Corrupt Practices Act, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, the Real Estate Settlement Procedures Act and Regulation X, and any other laws relating to bank secrecy, discriminatory or abusive or deceptive lending or any other product or service, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Sarbanes-Oxley Act of 2002, the CARES Act, the Pandemic Measures, and all agency requirements relating to the origination, sale and servicing of mortgage and consumer loans. Neither Towne nor any of the Towne Subsidiaries have been given notice or been charged with any violation of, any law, ordinance, regulation, order, writ, rule, decree or condition or approval of any Governmental Authority which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Towne or each of the Towne Subsidiaries. Towne and each of the Towne Subsidiaries hold, and have at all times since December 31, 2017, held, all licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets (and have paid all fees and assessments due and payable in connection therewith), except where neither the cost of failure to hold nor the cost of obtaining and holding such license, franchise, permit or authorization (nor the failure to pay any fees or assessments) would be reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect on Towne, and to the Knowledge of Towne no suspension or cancellation of any such necessary license, franchise, permit or authorization is threatened.

(ii) Towne has no Knowledge of, nor has Towne or any of the Towne Subsidiaries been advised of, or has any reason to believe that any facts or circumstances exist, which would cause Towne or any of the Towne Subsidiaries: (A) to be deemed to be operating in violation of the federal Bank Secrecy Act, as amended, and its implementing regulations, the USA PATRIOT Act, and the regulations promulgated

thereunder, the Anti-Money Laundering Act of 2020, any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control, or any other applicable anti-money laundering statute, rule or regulation; or (B) to be deemed not to be in satisfactory compliance with the applicable requirements contained in any federal and state privacy or data security laws and regulations.

(k) *Tax Matters*.

(i) Towne and each of the Towne Subsidiaries have timely filed all Tax Returns required to be filed, and all such Tax Returns were correct and complete in all material respects. All Taxes owed by Towne or any of the Towne Subsidiaries have been timely paid. No Tax Return filed by Towne or any of the Towne Subsidiaries is the subject of any administrative or judicial proceeding, no unpaid Tax deficiency has been asserted against Towne or any of the Towne Subsidiaries by any Governmental Authority, and no Tax Return filed by Towne or any of the Towne Subsidiaries is under examination by any Governmental Authority.

(ii) Towne and each of the Towne Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, shareholder, independent contractor or other third party. Towne and each of the Towne Subsidiaries have complied in all material respects with all Tax information reporting and backup withholding provisions of applicable law.

(iii) There are no liens for Taxes (other than statutory liens for Taxes not yet due and payable) upon any of the assets of Towne or any of the Towne Subsidiaries. Neither Towne nor any of the Towne Subsidiaries (i) is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Towne and the Towne Subsidiaries) (ii) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group of which Towne was the common parent) or (iii) has any liability for the Taxes of any person (other than Towne and the Towne Subsidiaries) arising from the application of Treasury regulation Section 1.1502-6, or any similar provision of state, local or non-U.S. law, as a transferee or successor, by contract or otherwise.

(iv) Neither Towne nor any of the Towne Subsidiaries is or has been a party to any "reportable transaction," as defined in Section 1.6011-4(b) of the Treasury Regulations. Towne and each of the Towne Subsidiaries have disclosed on their federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. Towne is not and has not been a "United States real property holding company" within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(v) Neither Towne nor any of the Towne Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable year (or portion thereof) ending after the Closing Date as a result of any (i)

intercompany transaction or excess loss account described in Treasury regulations promulgated under Section 1502 of the Code (or any corresponding or similar provision of state, local, or non- U.S. Tax law), (ii) installment sale or open transaction made on or prior to the Closing Date or (iii) prepaid amount received on or prior to the Closing Date.

(vi) Neither Towne nor any of the Towne Subsidiaries has taken or agreed to take (or failed to take or agree to take) any action or knows of any facts or circumstances that would reasonably be expected to prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

(l) *Employee Benefit Plans*.

(i) All of the Towne Benefit Plans (as defined herein) are in compliance in all material respects with applicable laws and regulations, and Towne has administered such benefit plans in accordance with applicable laws and regulations in all material respects. For the purposes of this Agreement, a "Towne Benefit Plan" means an employee benefit plan and program of Towne and the Towne Subsidiaries, including without limitation: (A) all retirement, savings pension, stock bonus, profit sharing and other similar plans, programs or arrangements; (B) all health, life, severance, insurance, disability and other employee welfare or fringe benefit plans, programs, contracts or similar arrangements; and (C) all employment agreements, change in control agreements, severance agreements or similar agreements; and (D) all bonus, stock option, stock purchase, restricted stock, restricted stock unit, equity or equity based compensation, incentive, deferred compensation, supplemental retirement, excess benefit, change in control and other employee and director benefit plans, programs or arrangements, and all other employment or compensation arrangements, in each case for the benefit of or relating to its current and former employees, directors and contractors, or any spouse, dependent or beneficiary thereof, whether or not written or unwritten for which it or any of its subsidiaries or former subsidiaries or any trade or business of it or any of such subsidiaries, whether or not incorporated, all of which together with it are or were deemed a "single employer" within the meaning of Section 414 of the Code or Section 4001(b) of ERISA sponsors, has (or had, during the last six (6) years) an obligation to contribute or has (or had, during the last six (6) years) any liability (collectively, the "Towne Benefit Plans").

(ii) Each Towne Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified, as reflected in a current favorable determination letter (based on IRS permitted determination request procedures) or opinion letter, as applicable. Nothing has occurred since the date of any such determination that is reasonably likely to affect adversely such qualification or exemption, or result in the imposition of excise Taxes or income Taxes on unrelated business income under the Code or ERISA with respect to any Tax-qualified plan.

(m) *Insurance*. Towne and the Towne Subsidiaries are insured with reputable insurers against such risks and in such amounts as management of Towne reasonably has determined to be prudent in accordance with industry practices. Since December 31, 2021, neither Towne nor

any of the Towne Subsidiaries has received any notice of cancellation or a failure to renew with respect to any insurance policy or bond or, within the last three (3) calendar years, and since January 1, 2022, has been refused any insurance coverage sought or applied for, and Towne has no reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of Towne or the Towne Subsidiaries.

(n) *Allowance for Loan Losses.*

(i) All evidences of indebtedness reflected as assets by each of Towne or any of the Towne Subsidiaries in its Securities Documents or Bank Reports as of December 31, 2021 were as of such date: (A) evidenced by notes, agreements or evidences of indebtedness which are true, genuine and what they purport to be; (B) to the extent secured, secured by valid liens and security interests which have been perfected; and (C) the legal, valid and binding obligation of the obligor and any guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and to general equity principles, and no defense, offset or counterclaim has been asserted with respect to any such loan which if successful could have a Material Adverse Effect.

(ii) The Loan Loss Allowance shown by Towne in its Securities Documents or Bank Reports as of December 31, 2021 was, and the Loan Loss Allowance to be shown in its Securities Documents or Bank Reports as of any date subsequent to the date of this Agreement will be, as of such dates, adequate to provide for all known or reasonably anticipated losses, net of recoveries relating to loans previously charged off, in respect of loans outstanding (including letter of credit or commitments to make loans or extend credit). The Loan Loss Allowance has been established in accordance with GAAP, and applicable regulatory requirements and guidelines.

(o) *Environmental Matters*. Towne and each of the Towne Subsidiaries are in compliance with all Environmental Laws. Neither Towne nor any of the Towne Subsidiaries has received any communication alleging that Towne or such Towne Subsidiary is not in such compliance, and, to its Knowledge, there are no present circumstances that would prevent or interfere with the continuation of such compliance. To the Knowledge of Towne, there are no past or present actions, activities, circumstances, events, or incidents that could reasonably form the bases of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against Towne or any of the Towne Subsidiaries or against any person or entity whose liability for any Environmental Claim Towne or an Towne Subsidiary has or may have retained contractually or by operation of law. Notwithstanding any other provision contained herein, the representations and warranties contained in this Section 3.4(o) constitute the sole representations and warranties of Towne regarding the existence of Environmental Claims, compliance with or liability under Environmental Laws, or the presence of Materials of Environmental Concern.

(p) *Books and Records*. The books and records of Towne and those of the Towne Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(q) *Community Reinvestment Act*. Towne had a rating of "satisfactory" or better as of its most recent CRA examination, and neither Towne nor any of the Towne Subsidiaries has been advised of, or has reason to believe that, any facts or circumstances exist that would reasonably be expected to cause Towne to be deemed not to be in satisfactory compliance in any respect with the CRA or to be assigned a rating for CRA purposes by any Towne Regulatory Agency of lower than "satisfactory."

(r) *Required Vote*. No vote of the shareholders of Towne is required by the VSCA, Towne's Articles of Incorporation, Towne's Bylaws or otherwise to approve this Agreement and the Merger.

(s) *Financial Advisors*. None of Towne, any of the Towne Subsidiaries or any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability for any fees or commissions in connection with transactions contemplated herein, except that, in connection with this Agreement, Towne has retained Raymond James & Associates, Inc. as its financial advisor (pursuant to an engagement letter under which Raymond James & Associates, Inc. will be entitled to certain fees).

(t) *No Further Representations*. Except for the representations and warranties specifically set forth in this Section 3.4, neither Towne nor any of the Towne Subsidiaries makes or shall be deemed to make any representation or warranty to Holding Company or any of the Holding Company Subsidiaries, express or implied, at law or in equity, with respect to the transactions contemplated by this Agreement and each of Towne and the Towne Subsidiaries hereby disclaims any such representation or warranty whether by it or any of its officers, directors, employees, agents, representatives or any other person.

ARTICLE 4
Covenants Relating to Conduct of Business

4.1 Conduct of Business of Holding Company and Bank Subsidiary Pending the Merger.

From the date hereof until the Effective Time, except as expressly contemplated or permitted by this Agreement, as required by applicable law or regulation (including the Pandemic Measures), or as set forth in Holding Company's Disclosure Letter, without the prior written consent of Towne (not to be unreasonably withheld or delayed), Holding Company agrees that it will not, and will cause each of the Holding Company Subsidiaries not to:

(a) Conduct its business and the business of the Holding Company Subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use its commercially reasonable efforts to maintain and preserve intact their (i) business organizations, material assets and employees and (ii) relationships with material customers, suppliers, employees and business associates.

(b) Take any action that would prevent or materially adversely affect or delay the ability of Towne, Holding Company or Bank Subsidiary (i) to obtain any necessary approvals, consents or waivers of any Governmental Authority or third party required for the transactions contemplated hereby, (ii) to perform its covenants and agreements under this Agreement, or (iii) to consummate the transactions contemplated hereby on a timely basis.

(c) Amend, repeal or modify its Organizational Documents.

(d) Other than pursuant to Rights outstanding as of the date hereof as disclosed in Section 3.3(d) of Holding Company's Disclosure Letter, (i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of capital stock, or any Rights with respect thereto, (ii) enter into any agreement with respect to the foregoing, or (iii) permit any additional shares of capital stock to become subject to new grants of employee and director stock options, restricted stock, stock appreciation rights or similar or other stock-based rights.

(e) Enter into or amend or renew any employment, consulting, severance, change in control, bonus, salary continuation or similar agreements or arrangements with any director, officer or employee of Holding Company or a Holding Company Subsidiary, or grant any salary or wage increase or increase any employee benefit (including by making incentive or bonus payments), except as set forth in Section 4.1(e) of Holding Company's Disclosure Letter.

(f) Enter into, establish, adopt, amend, terminate or make any contributions to (except (i) as may be required by applicable law, (ii) to satisfy contractual obligations existing as of the date hereof and set forth in Section 4.1(f) of Holding Company's Disclosure Letter or (iii) to comply with the requirements of this Agreement), any pension, retirement, stock option, restricted stock, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive, welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any directors, officers or employees, including without limitation taking any action that accelerates, or the lapsing of restrictions with respect to, the vesting or exercise of any benefits payable thereunder.

(g) Hire any person as an employee of Holding Company or a Holding Company Subsidiary or promote any employee, except (i) to satisfy contractual obligations existing as of the date hereof and set forth in Section 4.1(g) of Holding Company's Disclosure Letter and (ii) persons whose employment is terminable at the will of Holding Company and who are not contractually entitled to severance or similar benefits or payments that would become payable as a result of the Merger or the consummation thereof (other than severance or similar benefits provided pursuant to Section 5.10(c) of this Agreement).

(h) Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its stock, or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock, provided, however, that (i) Holding Company may declare and pay its regular quarterly cash dividends in an amount not to exceed $0.15 per issued and outstanding share of Holding Company Common Stock per quarter, (ii) Bank Subsidiary may declare and pay dividends and distributions to Holding Company in the ordinary course of business consistent with past practice

and (iii) Holding Company Insurance Subsidiary may declare and pay dividends and distributions to Bank Subsidiary in the ordinary course of business consistent with past practice.

(i) Make any capital expenditures, other than capital expenditures in the ordinary course of business consistent with past practice, in amounts not exceeding $25,000 individually or $100,000 in the aggregate.

(j) Implement, or adopt, any change in its Tax or financial accounting principles, practices or methods, including reserving methodologies, other than as may be required by GAAP, regulatory accounting guidelines or applicable law.

(k) Notwithstanding anything herein to the contrary, (i) knowingly take, or knowingly omit to take, any action that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (ii) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 6 not being satisfied on a timely basis, except as may be required by applicable law.

(l) Sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any portion of its assets, deposits, business or properties except for (i) OREO properties sold in the ordinary course of business consistent with past practice, (ii) investment securities in the ordinary course of business consistent with past practice, and (iii) other transactions in the ordinary course of business consistent with past practice in amounts that do not exceed $25,000 individually or $50,000 in the aggregate.

(m) Acquire all or any portion of the assets, business, securities (excluding investment securities in the ordinary course of business consistent with past practice), deposits or properties of any other person, including without limitation, by merger or consolidation or by investment in a partnership or joint venture except for (i) such acquisitions by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith and in the ordinary course of business consistent with past practice; and (ii) such other acquisitions in the ordinary course of business consistent with past practice in amounts that do not exceed $25,000 individually or $50,000 in the aggregate.

(n) Except as otherwise permitted under this Section 4.1, (i) enter into, extend or materially amend or modify any material agreement, lease or license relating to real property, personal property, data security or cybersecurity, data processing, electronic banking mobile banking or bankcard functions; and (ii) enter into, amend, modify, cancel, fail to renew or terminate any Holding Company Contract or any agreement, contract, lease, license, arrangement, commitment or understanding (not covered by (i) and whether written or oral) that would constitute a Holding Company Contract if entered into prior to the date hereof, other than in the ordinary course of business consistent with past practice or for the non-renewal or termination of a Holding Company Contract upon expiration of its term.

(o) Enter into any settlements or similar agreements with respect to any actions, suits, proceedings, orders or investigations to which Holding Company or a Holding Company Subsidiary is or becomes a party after the date of this Agreement, which settlements, agreements

or actions involve payment by Holding Company and the Holding Company Subsidiaries collectively of an amount that exceeds $25,000 individually or $100,000 in the aggregate and/or would impose any material restriction on the business of Holding Company or Bank Subsidiary.

(p) Enter into any new material line of business; introduce any material new products or services; make any material change to deposit products or deposit gathering or retention policies or strategies; change its material lending, investment, underwriting, pricing, servicing, risk and asset liability management and other material banking, operating or board policies or otherwise fail to materially follow such policies, except as required by applicable law, regulation or policies imposed by any Governmental Authority, or change the manner in which its investment securities or loan portfolio is classified or reported; or invest in any mortgage-backed or mortgage-related security that would be considered "high risk" under applicable regulatory guidance; or file any application or enter into any contract with respect to the opening, relocation or closing of, or open, relocate or close, any branch, office, service center or other facility.

(q) Introduce any material marketing campaigns or any material new sales compensation or incentive programs or arrangements (except those the material terms of which have been fully disclosed in writing to, and approved by, Towne prior to the date hereof).

(r) (i) Make, renew, restructure or otherwise modify any Loan other than Loans that are made in the ordinary course of business consistent with past practice (excluding participations) or Loans that were previously acquired in the ordinary course of business consistent with past practice, in each case originated in compliance with Holding Company's and Bank Subsidiary's internal loan policies and that have (x) in the case of unsecured Loans, total exposure to the borrower and its affiliates not in excess of $500,000, (y) in the case of new secured Loans, total exposure to the borrower and its affiliates not in excess of $2,500,000 and (z) in the case of renewal of existing Loans, total exposure to the borrower and its affiliates not in excess of $2,500,000; (ii) except in the ordinary course of business, take any action that would result in any discretionary release of collateral or guarantees or otherwise restructure the respective amounts set forth in clause (i) above; or (iii) enter into any Loan securitization or create any special purpose funding entity. In the event that Towne's prior written consent is required pursuant to clause (i) above, Towne shall use its commercially reasonable efforts to provide such consent within two (2) business days of any request by Holding Company.

(s) Incur any indebtedness for borrowed money, or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than with respect to (i) borrowings from the Federal Home Loan Bank of Atlanta; and (ii) the collection of checks and other negotiable instruments in the ordinary course of business consistent with past practice.

(t) Enter into or settle any Derivative Contract other than contracts used to hedge mortgage rate risk in the ordinary course of business as currently conducted.

(u) Make any investment or commitment to invest in real estate or in any real estate development project (other than as a Loan or by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case in the ordinary course of business consistent with past practice).

(v) Make or change any material Tax election, settle or compromise any material Tax liability of Holding Company, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of a material amount of Taxes of Holding Company, enter into any closing agreement with respect to any material amount of Taxes or surrender any right to claim a material Tax refund, adopt or change any method of accounting with respect to Taxes, or file any amended Tax Return.

(w) Foreclose on or take a deed or title to any real estate, other than single-family residential properties, without first conducting an ASTM International E1527-13 Phase I Environmental Site Assessment (or any applicable successor standard) of the property that satisfies the requirements of 40 C.F.R. Part 312, or foreclose on or take a deed or title to any real estate other than single-family residential properties if such environmental assessment indicates the presence or likely presence of any Hazardous 40 Substances under conditions that indicate an existing release, a past release, or a material threat of a release of any Hazardous Substances into structures on the property or into the ground, ground water, or surface water of the property.

(x) Take any other action that would make any representation or warranty in Section 3.3 hereof untrue, taking into account the standard set forth in Section 3.2.

(y) Agree to take any of the actions prohibited by this Section 4.1.

4.2 Conduct of Business of Towne Pending the Merger.

From the date hereof until the Effective Time, except as expressly contemplated or permitted by this Agreement, as required by applicable law or regulation (including the Pandemic Measures), without the prior written consent of Holding Company, Towne agrees that it will not, and will cause each of the Towne Subsidiaries not to:

(a) Conduct its business and the business of the Towne Subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use its commercially reasonable efforts to maintain and preserve intact their (i) business organizations, assets and employees and (ii) relationships with customers, suppliers, employees and business associates.

(b) Take any action that would prevent or materially adversely affect or delay the ability of Towne or Holding Company (i) to obtain any necessary approvals, consents or waivers of any Governmental Authority or third party required for the transactions contemplated hereby, (ii) to perform its covenants and agreements under this Agreement, or (iii) to consummate the transactions contemplated hereby on a timely basis.

(c) Notwithstanding anything herein to the contrary, (i) knowingly take, or knowingly omit to take, any action that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (ii) knowingly take, or knowingly omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article 6 not being satisfied on a timely basis, except as may be required by applicable law.

(d) Amend, repeal or modify any provision of its Organizational Documents in a manner which would have a material adverse effect on Holding Company, the shareholders of Holding Company or the transactions contemplated by this Agreement.

(e) Take any other action that would make any representation or warranty in Section 3.4 hereof untrue, taking into account the standard set forth in Section 3.2.

(f) Agree to take any of the actions prohibited by this Section 4.2.

4.3 Transition.

To facilitate the integration of the operations of Towne and Holding Company and to permit the coordination of their related operations on a timely basis, and in an effort to accelerate to the earliest time possible following the Effective Time the realization of synergies, operating efficiencies and other benefits expected to be realized by the parties as a result of the Merger, each of Towne and Holding Company shall, and shall cause its subsidiaries to, consult with the other on all strategic and operational matters to the extent such consultation is not in violation of applicable laws, including laws regarding the exchange of information and other laws regarding competition.

4.4 No Control of the Other Party's Business.

Prior to the Effective Time, nothing contained in this Agreement (including, without limitation, Section 4.1 and Section 4.3) shall give Towne directly or indirectly, the right to control or direct the operations of Holding Company or Bank Subsidiary or to exercise, directly or indirectly, a controlling influence over the management or policies of Holding Company or Bank Subsidiary, and nothing contained in this Agreement (including, without limitation, Section 4.2 and Section 4.3) shall give Holding Company or Bank Subsidiary, directly or indirectly, the right to control or direct the operations of Towne or to exercise, directly or indirectly, a controlling influence over the management or policies of Towne. Prior to the Effective Time, each party shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over it and its subsidiaries' respective operations.

ARTICLE 5
Additional Agreements

5.1 Reasonable Best Efforts.

Subject to the terms and conditions of this Agreement, the parties hereto will use their reasonable best efforts to take, or cause to be taken, in good faith all actions, and to do, or cause to be done, all things necessary or desirable, or advisable under applicable laws, so as to permit consummation of the Merger as promptly as practicable and shall cooperate fully with the other parties hereto to that end.

5.2 Access to Information; Confidentiality.

(a) Upon reasonable notice and subject to applicable laws regarding the disclosure or exchange of information, Holding Company and Bank Subsidiary shall permit Towne to make or

cause to be made such investigation of Holding Company's and Bank Subsidiary's operational, financial and legal condition as Towne reasonably requests; provided, that such investigation shall be reasonably related to the Merger, shall not interfere unreasonably with normal operations and shall be subject to the Pandemic Measures. No investigation, in and of itself, by Towne shall affect the representations and warranties of Holding Company or Bank Subsidiary. Holding Company shall provide to Towne all written agendas and meeting or written consent materials provided to the directors of Holding Company and Bank Subsidiary in connection with board and committee meetings, subject to applicable laws relating to the exchange of information. Notwithstanding the above provisions in this Section 5.2(a), Towne and its representatives shall not be entitled to receive information directly relating to the negotiation and prosecution of this Agreement or, except as otherwise provided herein, relating to an Acquisition Proposal, a Superior Proposal (as such terms are defined herein) or any matters relating thereto. Neither Holding Company nor any of the Holding Company Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would jeopardize the attorney-client privilege of Holding Company or any of the Holding Company Subsidiaries.

(b) During the period from the date of this Agreement to the Effective Time, Holding Company shall, upon the request of Towne, cause one or more of its designated executive officers to confer on a monthly or more frequent basis with Towne regarding Holding Company's financial condition, operations and business and matters relating to the completion of the Merger. As soon as reasonably available, but in no event later than the earlier of (i) the thirtieth (30^{th}) day after the end of each calendar quarter ending after the date of this Agreement, and (ii) the date of public dissemination of earnings information pertaining to such calendar quarter (or year with respect to a quarter ending on December 31), Holding Company will deliver to Towne its unaudited balance sheet and the related statements of income, without related notes, for such quarter (or year with respect to a quarter ending on December 31) prepared in accordance with GAAP. Within fifteen (15) days after the end of each month, Holding Company will deliver to Towne (i) such loan reports as Towne may reasonably request, and (ii) such other financial data as Towne may reasonably request. The financial statements required to be delivered by this Section 5.2(b) may be consolidated.

(c) Each party hereto will give prompt notice to the other party (and subsequently keep the other party informed on a current basis) upon its becoming aware of the occurrence or existence of any fact, event or circumstance known that (i) is reasonably likely to result in any Material Adverse Effect with respect to it, or (ii) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein.

(d) Each party hereto shall, and shall use its reasonable best efforts to cause each of its directors, officers, attorneys and advisors, to maintain the confidentiality of, and not use to the detriment of the other party, all information of the other party obtained prior to the date of this Agreement or pursuant to this Section 5.2 that is not otherwise publicly disclosed by the other party, unless such information is required to be included in any filing required by law or in an application for any Regulatory Approval required for the consummation of the transactions contemplated hereby, such undertaking with respect to confidentiality to survive any termination of this Agreement. In the case of information that a party believes is necessary in making any such filing or obtaining any such Regulatory Approval, that party will provide the other party a reasonable opportunity to review any such filing or any application for such Regulatory

Approval before it is filed sufficient for it to comment on and object to the content of such filing or application. If this Agreement is terminated, each party shall promptly return to the furnishing party or, at the request of the furnishing party, promptly destroy in a manner that renders the information impracticable to read or reconstruct and certify the destruction of all confidential information received from the other party.

5.3 Holding Company Shareholder Approvals.

Unless this Agreement has been terminated in accordance with its terms, Holding Company shall call a meeting of its shareholders for the purpose of obtaining the Holding Company Shareholder Approvals and shall use its commercially reasonable efforts to cause such meeting to occur as soon as reasonably practicable (such meeting and any adjournment or postponement thereof, the "Holding Company Shareholders Meeting"). In connection with that meeting, but subject to a Change of Recommendation (as defined herein) pursuant to Section 5.5(e), the Board of Directors of Holding Company (i) shall support and recommend approval of this Agreement and the Plan of Merger, the Holding Company Articles Amendment and any other matters required to be approved by Holding Company's shareholders for consummation of the Merger (the "Holding Company Recommendation"), and (ii) shall use its reasonable best efforts to obtain the Holding Company Shareholder Approvals.

5.4 Proxy Statement.

(a) Each party will cooperate with the other party, and their representatives, in the preparation of a proxy statement and prospectus and other proxy solicitation materials constituting a part thereof (the "Proxy Statement") in connection with (i) the solicitation of proxies from the shareholders of Holding Company for the Holding Company Shareholders Meeting, and (ii) the offering and issuance of Towne Common Stock in the Merger. Each party agrees to cooperate with the other party, its legal, financial and accounting advisors, in the preparation of the Proxy Statement. Each party shall prepare and furnish to other parties such information relating to it and its directors, officers and shareholders and such party's business and operations as may be reasonably required to comply with applicable law, which information may be based on such party's knowledge of and access to the information required for said document and advice of counsel with respect to disclosure obligations. Each party shall provide the other parties and its legal, financial and accounting advisors the opportunity to review and provide comments: (i) upon such Proxy Statement a reasonable time prior to its finalization and (ii) on all amendments and supplements to the Proxy Statement and all responses to requests for additional information. Each party shall consider in good faith all comments from the other parties and their respective legal, financial and accounting advisors to the Proxy Statement, all amendments and supplements thereto and all responses to requests for additional information, and shall not include any information in the foregoing about a party or its officers, directors, business, arrangements, operations or stock or the Merger that has not been approved by the other parties, which approval shall not be unreasonably withheld, delayed or conditioned. Each party agrees to cooperate with the other parties and each other party's counsel and accountants in requesting and obtaining appropriate opinions, consents, analyses and letters from its financial advisor and independent auditor in connection with the Proxy Statement. Towne also agrees to use its commercially reasonable efforts to obtain all necessary state securities law or "Blue Sky" permits and approvals required to carry out the transactions contemplated by this Agreement.

(b) Each party agrees, as to itself and its subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in the Proxy Statement and any amendment or supplement thereto shall, at the date(s) of mailing to shareholders and the time of the Holding Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Each party further agrees that if it becomes aware that any information furnished by it that would cause any of the statements in the Proxy Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take appropriate steps to correct the Proxy Statement.

5.5 No Other Acquisition Proposals.

(a) Holding Company agrees that it will not, and will cause the Holding Company Subsidiaries and Holding Company's and the Holding Company Subsidiaries' officers, directors, employees, agents and representatives (including any financial advisor, attorney or accountant retained by Holding Company or any of the Holding Company Subsidiaries) not to, directly or indirectly, (i) initiate, solicit or encourage inquiries or proposals with respect to, (ii) furnish any confidential or nonpublic information relating to, or (iii) engage or participate in any negotiations or discussions concerning, an Acquisition Proposal (as defined herein). Notwithstanding the foregoing, Holding Company, the Holding Company Subsidiaries and their respective officers, directors, employees, agents and representatives (including any financial advisor, attorney or accountant retained by Holding Company or any of the Holding Company Subsidiaries) may contact any person or persons to clarify the terms and conditions of an unsolicited Acquisition Proposal and to inform such person of the terms of this Section 5.5.

(b) Notwithstanding the foregoing, nothing contained in this Section 5.5 shall prohibit Holding Company, prior to the receipt of the Holding Company Shareholder Approvals and subject to compliance with the other terms of this Section 5.5, from furnishing nonpublic information to, or entering into discussions or negotiations with, any person or entity that makes an unsolicited, bona fide written Acquisition Proposal with respect to Holding Company (that did not result from a breach of this Section 5.5) if, and only to the extent that (i) the Holding Company Board of Directors concludes in good faith, after consultation with and based upon the advice of outside legal counsel, that the failure to take such actions would be more likely than not to result in a violation of its fiduciary duties to shareholders under applicable law, (ii) before taking such actions, Holding Company receives from such person or entity an executed confidentiality agreement providing for reasonable protection of confidential information, which confidentiality agreement shall not provide such person or entity with any exclusive right to negotiate with Holding Company, provided that any nonpublic information furnished or to be furnished to such person or entity shall have previously been provided to Towne or will simultaneously be provided to Towne, and (iii) the Holding Company Board of Directors concludes in good faith, after consultation with its outside legal counsel and financial advisors, that the Acquisition Proposal constitutes or is reasonably likely to result in a Superior Proposal (as defined herein). Holding Company shall promptly (within twenty-four (24) hours) notify Towne orally and in writing of Holding Company's receipt of any such Acquisition Proposal, or any other proposal or inquiry that could reasonably be expected to result in an Acquisition Proposal, the material terms and conditions thereof, the identity of the person making such

proposal or inquiry, and will keep Towne apprised of any material related developments, discussions and negotiations on a current basis, including by providing a copy of all material documentation or correspondence relating thereto.

(c) For purposes of this Agreement, an "Acquisition Proposal" means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in, any of the following transactions involving Holding Company or Bank Subsidiary: (i) a merger, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction; (ii) any acquisition or purchase, direct or indirect, of ten percent (10%) or more of the consolidated assets of Holding Company or ten percent (10%) or more of any class of equity or voting securities of Holding Company or the Holding Company Subsidiaries whose assets, individually or in the aggregate, constitute more than ten percent (10%) of the consolidated assets of Holding Company; or (iii) any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such third party beneficially owning ten percent (10%) or more of any class of equity or voting securities of Holding Company or the Holding Company Subsidiaries whose assets, individually or in the aggregate, constitute more than ten percent (10%) of the consolidated assets of Holding Company.

(d) For purposes of this Agreement, a "Superior Proposal" means an unsolicited, bona fide written Acquisition Proposal made by a person or entity (or group of persons or entities acting in concert within the meaning of Rule 13d-5 under the Exchange Act) that the Board of Directors of Holding Company concludes in good faith, after consultation with its financial and outside legal advisors, taking into account all legal, financial, regulatory and other aspects of the Acquisition Proposal (including the financing thereof and any conditions thereto and taking into account the terms and conditions of this Agreement) (i) is more favorable to the shareholders of Holding Company from a financial point of view, than the transactions contemplated by this Agreement and (ii) is reasonably capable of being completed on the terms proposed in a timely manner; provided that, for purposes of this definition of "Superior Proposal," the Acquisition Proposal shall have the meaning assigned to such term in Section 5.5(c), except the reference to "ten percent (10%) or more" in such definition shall be deemed to be a reference to "fifty percent (50%) or more" and "Acquisition Proposal" shall only be deemed to refer to a transaction involving Holding Company or Bank Subsidiary.

(e) Notwithstanding anything to the contrary contained in this Agreement, prior to the receipt of the Holding Company Shareholder Approvals, the Board of Directors of Holding Company may (i) withhold, withdraw, modify or amend the Holding Company Recommendation or (ii) authorize, adopt, approve, recommend or otherwise declare advisable a Superior Proposal if the Holding Company first takes the actions set forth in Section 7.1(i)(A) through (D) (any action in clause (i) or (ii), a "Change of Recommendation"), in each case if the Board of Directors of Holding Company determines in good faith (after consultation with its outside legal counsel) that failure to do so would be more likely than not to result in a violation of its fiduciary obligations under applicable law, and may also terminate this Agreement if permitted by Section 7.1.

(f) Except as otherwise provided in this Agreement (including Section 7.1), nothing in this Section 5.5 shall permit Holding Company to terminate this Agreement or affect any other obligation of Holding Company under this Agreement.

(g) Holding Company agrees that any violation of the restrictions set forth in this Section 5.5 by any authorized representative of Holding Company shall be deemed a breach of this Section 5.5 by Holding Company.

5.6 Applications and Consents.

(a) The parties hereto shall cooperate and use their reasonable best efforts to prepare as promptly as practicable all documentation, to effect all filings and to obtain all Regulatory Approvals and any other third party approvals, and will make all necessary filings in respect of the Regulatory Approvals, as promptly as practicable.

(b) Each party hereto will furnish to the other parties copies of proposed applications in draft form and provide a reasonable opportunity for comment prior to the filing of any such application with any Governmental Authority. Each party hereto will promptly furnish to the other party copies of applications filed with all Governmental Authorities and copies of written communications received by such party from any Governmental Authority with respect to the transactions contemplated hereby. Each party will consult with the other party with respect to the obtaining of all Regulatory Approvals and other material consents from third parties advisable to consummate the transactions contemplated by this Agreement, and each party will keep the other party apprised of the status of material matters relating to completion of the transactions contemplated hereby. All documents that the parties or their respective subsidiaries are responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby (including to obtain Regulatory Approvals) will comply as to form in all material respects with the provisions of applicable law.

5.7 Public Announcements.

Prior to the Effective Time, Towne and Holding Company will consult with each other as to the form and substance of any press release or other public statement materially related to this Agreement prior to issuing such press release or public statement or making any other public disclosure related thereto (including any broad based employee communication that is reasonably likely to become the subject of public disclosure).

5.8 Affiliate Agreements.

Holding Company has identified to Towne all persons who are, as of the date hereof, directors or executive officers or, to its Knowledge, five percent (5%) or greater shareholders of Holding Company. Holding Company shall have delivered to Towne on or prior to the date hereof executed copies of a written affiliate agreement in the form of Exhibit 5.8 hereto from each such Holding Company director and executive officer and from the shareholders set forth in Section 5.8 of Holding Company's Disclosure Letter (the "Affiliate Agreements").

5.9 Director Noncompetition Agreements.

Holding Company and Bank Subsidiary shall have delivered to Towne on or prior to the Effective Time an executed copy of a written noncompetition agreement in the form of Exhibit 5.9 hereto from each director of Holding Company and Bank Subsidiary who, effective at the Effective Time, will be appointed to the advisory Suffolk regional board of directors of Towne (the "Noncompetition Agreements").

5.10 Employee Benefit Plans.

(a) After the Effective Time, Towne at its election shall either: (i) provide generally to officers and employees of Holding Company and the Holding Company Subsidiaries, who at or after the Effective Time become employees of Towne or the Towne Subsidiaries ("Holding Company Continuing Employees"), employee benefits under the Towne Benefit Plans (with no break in coverage), on terms and conditions which are the same as for similarly situated officers and employees of Towne and the Towne Subsidiaries; or (ii) maintain for the benefit of the Holding Company Continuing Employees, the Holding Company Benefit Plans maintained by Holding Company immediately prior to the Effective Time; provided that Towne may reasonably request that Holding Company take action to amend any Holding Company Benefit Plan prior to the Effective Time to comply with any law or, so long as the benefits provided under those Holding Company Benefit Plans following such amendment are no less favorable to the Holding Company Continuing Employees than benefits provided by Towne to its officers and employees under any comparable Towne Benefit Plans, as necessary and appropriate for other business reasons.

(b) For purposes of participation, vesting and benefit accrual (except not for purposes of benefit accrual with respect to any plan in which such credit would result in a duplication of benefits) under the Towne Benefit Plans, service with or credited by Holding Company or any of the Holding Company Subsidiaries shall be treated as service with Towne. To the extent permitted under applicable law, for any plan year during which Holding Company Continuing Employees transition to the welfare Towne Benefit Plans, Towne shall use its best efforts to cause welfare Towne Benefit Plans maintained by Towne that cover the Holding Company Continuing Employees after the Effective Time to (i) waive any waiting period and restrictions and limitations for preexisting conditions or insurability (except for pre-existing conditions that were excluded, or restrictions or limitations that were applicable, under the Holding Company Benefit Plans), and (ii) cause any deductible, co-insurance, or maximum out-of-pocket payments made by the Holding Company Continuing Employees under welfare Holding Company Benefit Plans to be credited to such Holding Company Continuing Employees under welfare Towne Benefit Plans, so as to reduce the amount of any deductible, co-insurance or maximum out-of-pocket payments payable by such Holding Company Continuing Employees under welfare Towne Benefit Plans for such plan year (if any).

(c) Each employee of Holding Company or any Holding Company Subsidiary at the Effective Time whose employment is involuntarily terminated other than for cause by Towne after the Effective Time, but on or before the date that is nine (9) months from the Effective Time, excluding any employee who has a contract providing for severance pay, shall be entitled

to receive severance in accordance with Schedule 5.10(c) of Holding Company's Disclosure Schedule.

(d) With respect to Holding Company's 401(k) plan, Holding Company shall cause such plan to be terminated effective immediately prior to the Effective Time, in accordance with applicable law and subject to the receipt of all applicable regulatory or governmental approvals. Each Holding Company Continuing Employee who was a participant in the Holding Company 401(k) plan and who continues at the Effective Time in the employment of Towne or any Towne Subsidiary shall be eligible to participate in Towne's 401(k) plan on or as soon as administratively practicable after the Effective Time, and account balances under the terminated Holding Company 401(k) plan will be eligible for distribution or rollover, including direct rollover, to Towne's 401(k) plan for Holding Company Continuing Employees, subject to the terms of Towne's 401(k) plan. Towne shall use commercially reasonable efforts to allow any such rollover to include any outstanding loan notes under the Holding Company 401(k) plan. Any other former employee of Holding Company or the Holding Company Subsidiaries who is employed by Towne or the Towne Subsidiaries after the Effective Time shall be eligible to be a participant in the Towne 401(k) plan upon complying with eligibility requirements. All rights to participate in Towne's 401(k) plan are subject to Towne's right to amend or terminate the Towne 401(k) plan. For purposes of administering Towne's 401(k) plan, service with Holding Company and the Holding Company Subsidiaries shall be deemed to be service with Towne for participation and vesting purposes, but not for purposes of benefit accrual.

(e) Nothing in this Section 5.10 shall be interpreted as preventing Towne, from and after the Effective Time, from amending, modifying or terminating any Towne Benefit Plans or Holding Company Benefit Plans or any other contracts, arrangements, commitments or plans of either party in accordance with their terms and applicable law. The provisions of this Agreement, including this Section 5.10, are for the benefit of the parties to this Agreement only and shall not be construed to grant any rights, as a third party beneficiary or otherwise, to any person who is not a party to this Agreement, nor shall any provision of this Agreement be deemed to be the adoption of, or an amendment to, any employee benefit plan, as that term is defined in Section 3(3) of ERISA.

5.11 Reservation of Shares; Nasdaq Listing.

(a) Towne shall take all corporate action as may be necessary to authorize and reserve for issuance such number of shares of Towne Common Stock to be issued pursuant to this Agreement, and to cause all such shares, when issued pursuant to this Agreement, to be duly authorized, validly issued, fully paid and nonassessable.

(b) Towne shall use commercially reasonable efforts to cause the shares of Towne Common Stock to be issued in the Merger to be approved for listing on the Nasdaq Global Select Market, subject to official notice of issuance, as promptly as practicable, and in any event before the Effective Time.

5.12 Indemnification; Insurance.

(a) Following the Effective Time, Towne shall indemnify, defend and hold harmless any person who has rights to indemnification from Holding Company, to the same extent and on the same conditions as such person was entitled to indemnification pursuant to applicable law and Holding Company's Organizational Documents, as in effect on the date of this Agreement. Without limiting the foregoing, in any case in which corporate approval may be required to effectuate any indemnification, Towne shall direct, if the party to be indemnified elects, that the determination of permissibility of indemnification shall be made by independent counsel mutually agreed upon between Towne and the indemnified party.

(b) Towne shall, at or prior to the Effective Time, purchase a six (6) year "tail" prepaid policy on the same terms and conditions as the existing directors' and officers' liability (and fiduciary) insurance maintained by Holding Company from insurance carriers with comparable credit ratings, covering, without limitation, the Merger; provided, however, that the cost of such "tail" policy shall in no event exceed three hundred percent (300%) of the amount of the last annual premium paid by Holding Company for such existing directors' and officers' liability (and fiduciary) insurance. If, but for the proviso to the immediately preceding sentence, Towne would be required to expend more than three hundred percent (300%) of the amount of the last annual premium paid by Holding Company, Towne will obtain the maximum amount of that insurance obtainable by payment of such amount.

(c) The provisions of this Section 5.12 are intended to be for the benefit of and shall be enforceable by each indemnified party and his or her heirs and representatives.

5.13 Employment and Other Arrangements.

(a) Towne will, as of and after the Effective Time, assume and honor all employment, severance, change in control, supplemental executive retirement and deferred compensation agreements or arrangements that Holding Company and the Holding Company Subsidiaries have with their current and former officers and directors and which are set forth in Section 5.13(a) of Holding Company's Disclosure Letter, except to the extent (i) any such agreements or arrangements shall be superseded on or after the Effective Time or (ii) any such agreements or arrangements shall have been amended, terminated or superseded without Towne's consent after the date hereof but prior to the Effective Time.

(b) As of the date hereof, Towne has entered into employment arrangements with the individuals named in Section 5.13(b) of Towne's Disclosure Letter as described in such section.

(c) Holding Company shall be authorized to make retention bonus awards from a retention bonus pool of up to an amount set forth in Section 5.13(c) of Holding Company's Disclosure Letter. The retention bonus pool shall be dedicated to certain of Holding Company's employees for purposes of retaining such employees prior to and after the Effective Time, with the participating employees and specific terms of such retention bonuses to be determined by mutual agreement of Towne and Holding Company.

5.14 Dividends.

After the date of this Agreement, each of Towne and Holding Company shall coordinate with the other regarding the declaration of any dividends in respect of Towne Common Stock and Holding Company Common Stock and the record dates and payment dates relating thereto, it being the intention of the parties that holders of Holding Company Common Stock shall not receive two dividends, or fail to receive one dividend, declared in respect of any quarter with respect to their shares of Holding Company Common Stock and any shares of Towne Common Stock any such holder receives in exchange therefor in the Merger.

5.15 Takeover Laws.

If any federal or state anti-takeover laws or regulations may become, or may purport to be, applicable to the transactions contemplated hereby, each party hereto and the members of their respective Boards of Directors will grant such approvals and take such actions as are necessary and legally permissible so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of any such laws or regulations on any of the transactions contemplated by this Agreement.

5.16 Change of Method.

Towne and Holding Company shall be empowered, upon their mutual agreement and at any time prior to the Effective Time (and whether before or after the Holding Company Shareholders Meeting), to change the method or structure of effecting the combination of Towne and Holding Company (including the provisions of Article 1), if and to the extent they both deem such change to be necessary, appropriate or desirable; provided that no such change shall (i) alter or change the Exchange Ratio or amount of cash to be received by Holding Company shareholders in exchange for each share of Holding Company Common Stock, (ii) adversely affect the tax treatment of the Merger as set forth in Section 1.6 of this Agreement or (iii) materially impede or delay the consummation of the transactions contemplated by this Agreement in a timely manner. The parties hereto agree to reflect any such change in an appropriate amendment to this Agreement executed by both parties in accordance with Section 8.3.

5.17 Certain Policies.

Prior to the Effective Time, each of Holding Company and Bank Subsidiary shall, consistent with GAAP and applicable banking laws and regulations, modify or change its respective Loan, OREO, accrual, reserve, Tax, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) so as to be applied on a basis that is consistent with that of Towne; provided, however, that no such modifications or changes need be made prior to the satisfaction of the conditions set forth in Section 6.1(b).

5.18 Assumption of Debt Obligations.

At the Effective Time, Towne shall assume the due and punctual payment of the principal of and any premium and interest on the Holding Company Notes (as defined herein) in

accordance with their terms, and the due and punctual performance of all covenants and conditions thereof on the part of Holding Company to be performed or observed. As used herein, the term "Holding Company Notes" shall mean (i) the Holding Company 3.00% Notes due August 14, 2025 and (ii) the Holding Company 3.25% Notes due August 14, 2027. Holding Company agrees to cooperate as reasonably requested by Towne in connection with such assumption.

5.19 Litigation and Claims.

Each party shall promptly notify the other parties in writing of any actions, lawsuits, arbitrations or administrative or judicial proceedings pending or, to the Knowledge of either such party, threatened against the Towne, Holding Company or any of the Towne Subsidiaries or Holding Company Subsidiaries, respectively, in each case that (i) questions or would reasonably be expected to question the validity of this Agreement, the Merger or the other transactions contemplated hereby or any actions taken or to be taken by Towne, Holding Company or their respective Subsidiaries with respect to this Agreement, the Mergers or the other transactions contemplated hereby or (ii) seeks to enjoin, restrain or prohibit the transactions contemplated hereby. Holding Company and/or the Holding Company Subsidiaries shall not settle any such litigation without the prior written consent of Towne (such consent not to be unreasonably withheld, conditioned or delayed).

5.20 Significant Credit Loan Committee Meetings.

Following the date hereof until the Effective Time or termination of this Agreement, Holding Company and Bank Subsidiary shall permit representatives of Towne to attend as observers any meeting of the management loan committee of Bank Subsidiary at which any new Loan or renewal of any existing Loan where the total exposure to the borrower if such new Loan or renewal is approved is in excess of $1,250,000.

ARTICLE 6
Conditions to the Merger

6.1 General Conditions.

The respective obligations of each party to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by each party pursuant to Section 8.3.

(a) *Corporate Action*. All corporate action necessary to authorize the execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby shall have been duly and validly taken, including without limitation the Holding Company Shareholder Approvals.

(b) *Regulatory Approvals*. Towne, Holding Company and Bank Subsidiary shall have received all Regulatory Approvals required in connection with the transactions contemplated by this Agreement, all notice periods and waiting periods required after the

granting of any such approvals shall have passed, and all such approvals shall be in effect; provided, that no such approvals shall contain (i) any conditions, restrictions or requirements that would, after the Effective Time, have or be reasonably likely to have a Material Adverse Effect on Towne (after giving effect to the Merger) in the reasonable opinion of Towne, or (ii) any conditions, restrictions or requirements that would, after the Effective Time, be unduly burdensome in the reasonable opinion of Towne.

(c) *Proxy Statement*. The Proxy Statement shall have been produced for use in definitive form, and it shall not be subject any stop order or any threatened stop order (or an order, demand, request or other action with similar effect) of any regulatory agency.

(d) *Nasdaq Listing*. The shares of the Towne Common Stock to be issued to the holders of Holding Company Common Stock upon consummation of the Merger shall have been authorized for listing on the Nasdaq Global Select Market, subject to official notice of issuance.

(e) *Legal Proceedings*. Neither party shall be subject to any order, decree or injunction of (i) a court or agency of competent jurisdiction or (ii) a Governmental Authority that enjoins or prohibits the consummation of the Merger.

6.2 Conditions to Obligations of Towne.

The obligations of Towne to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by Towne pursuant to the provisions of this Section 6.2 and Section 8.3.

(a) *Representations and Warranties*. The representations and warranties of Holding Company and Bank Subsidiary set forth in Section 3.3, after giving effect to Sections 3.1 and 3.2, shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier or specific date) as of all times up to and including the Closing Date as though made on and as of the Closing Date, and Towne shall have received certificates, dated as of the Closing Date, signed on behalf of Holding Company and Bank Subsidiary by the Chief Executive Officer and Chief Financial Officer of Holding Company and Bank Subsidiary, respectively, to such effect.

(b) *Performance of Obligations*. Holding Company and each of the Holding Company Subsidiaries shall have performed in all material respects all obligations required to be performed by it under this Agreement on or before the Closing Date, and Towne shall have received certificates, dated as of the Closing Date, signed on behalf of Holding Company and Bank Subsidiary by the Chief Executive Officer and Chief Financial Officer of Holding Company and Bank Subsidiary, respectively, to such effect.

(c) *Federal Tax Opinion*. Towne shall have received a written opinion, dated the Closing Date, from its counsel, Troutman Pepper Hamilton Sanders LLP, in form and substance reasonably satisfactory to Towne, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger of Holding Company with and into Towne (as part of the Merger) will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and shall be entitled to

rely upon representations of officers of Towne, Holding Company and Bank Subsidiary reasonably satisfactory in form and substance to such counsel.

(d) *Agreements with Certain Key Employees of Holding Company and Bank Subsidiary*. The agreements with certain key employees of Holding Company and Bank Subsidiary concerning their employment with Towne and related matters after the Effective Time as set forth in Section 5.13(b) of Towne's Disclosure Letter have been memorialized in binding, written agreements entered into by the key employees and none of the key employees has taken any action on or before the Effective Time to materially breach or to cancel or terminate any such agreements, or to terminate his or her employment with Holding Company or Bank Subsidiary.

(e) *Dissenting Shares*. Not more than ten percent (10%) of the outstanding shares of Holding Company Common Stock shall constitute Dissenting Shares.

6.3 Conditions to Obligations of Holding Company and Bank Subsidiary.

The obligations of Holding Company and Bank Subsidiary to perform this Agreement and consummate the Merger are subject to the satisfaction of the following conditions, unless waived by Holding Company and Bank Subsidiary pursuant to Section 8.3.

(a) *Representations and Warranties*. The representations and warranties of Towne set forth in Section 3.4, after giving effect to Sections 3.1 and 3.2, shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier or specific date) as of all times up to and including the Closing Date, as though made on and as of the Closing Date and Holding Company shall have received a certificate, dated as of the Closing Date, signed on behalf of Towne by the Chief Executive Officer and Chief Financial Officer of Towne to such effect.

(b) *Performance of Obligations*. Towne and each of the Towne Subsidiaries shall have performed in all material respects all obligations required to be performed by it under this Agreement on or before the Closing Date, and Holding Company shall have received a certificate, dated as of the Closing Date, signed on behalf of Towne by the Chief Executive Officer and Chief Financial Officer of Towne to such effect.

(c) *Federal Tax Opinion*. Holding Company shall have received a written opinion, dated the Closing Date, from its counsel, Williams Mullen, in form and substance reasonably satisfactory to Holding Company, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger of Holding Company with and into Towne (as part of the Merger) will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, such counsel may require and shall be entitled to rely upon representations of officers of Towne, Holding Company and Bank Subsidiary reasonably satisfactory in form and substance to such counsel.

ARTICLE 7
Termination

7.1 Termination.

This Agreement may be terminated and the Merger abandoned at any time before the Effective Time, whether before or after receipt of the Holding Company Shareholder Approvals, as provided below:

(a) *Mutual Consent*. By the mutual consent in writing of Towne, Holding Company and Bank Subsidiary;

(b) *Closing Delay*. By Towne or Holding Company and Bank Subsidiary, evidenced by written notice, if the Merger has not been consummated by the one (1) year anniversary of the date of this Agreement, or such later date as shall have been agreed to in writing by the parties, provided that the right to terminate under this Section 7.1(b) shall not be available to any party whose breach or failure to perform an obligation hereunder has caused the failure of the Merger to occur on or before such date;

(c) *Breach of Representation or Warranty*.

(i) By Towne (provided that Towne is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a breach or inaccuracy of any representation or warranty of Holding Company or Bank Subsidiary contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Holding Company of such breach or inaccuracy and which breach or inaccuracy (subject to the applicable standard set forth in Section 3.2) would provide Towne the ability to refuse to consummate the Merger under Section 6.2(a); or

(ii) By Holding Company and Bank Subsidiary (provided that Holding Company or Bank Subsidiary is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a breach or inaccuracy of any representation or warranty of Towne contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Towne of such breach or inaccuracy and which breach or inaccuracy (subject to the applicable standard set forth in Section 3.2) would provide Holding Company and Bank Subsidiary the ability to refuse to consummate the Merger under Section 6.3(a);

(d) *Breach of Covenant or Agreement*.

(i) By Towne (provided that Towne is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a material breach by Holding Company or Bank Subsidiary of

any covenant or agreement contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Holding Company of such breach;

(ii) By Holding Company and Bank Subsidiary (provided that Holding Company or Bank Subsidiary is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event of a material breach by Towne of any covenant or agreement contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to Towne of such breach;

(e) *Conditions to Performance Not Met*. By either Towne on the one hand or Holding Company and Bank Subsidiary on the other hand (provided that the terminating party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 3.2 or in material breach of any covenant or agreement contained in this Agreement) in the event that any of the conditions precedent to the obligations of such party to consummate the Merger set forth in Section 6.2 or Section 6.3, as applicable, cannot be satisfied or fulfilled by the date specified in Section 7.1(b), as the date after which such party may terminate this Agreement;

(f) *Holding Company Solicitation and Recommendation Matters; Holding Company Shareholders Meeting Failure*. At any time prior to the Holding Company Shareholders Meeting, by Towne if (i) Holding Company shall have materially breached Section 5.5, (ii) the Holding Company Board of Directors shall have failed to make the Holding Company Recommendation, (iii) the Holding Company Board of Directors shall have effected a Change of Recommendation or (iv) Holding Company shall have materially breached its obligations under Section 5.3 by failing to call, give notice of, convene and hold the Holding Company Shareholders Meeting in accordance with (and subject to the exceptions set forth in) Section 5.3;

(g) *No Holding Company Shareholder Approval*. By Towne or Holding Company and Bank Subsidiary, if the Holding Company Shareholder Approvals shall not have been attained by reason of the failure to obtain the required vote at the Holding Company Shareholders Meeting or any adjournment thereof;

(h) *Termination Event*. By Towne upon the occurrence of any of the following events after the date hereof:

(i) (A) Holding Company or Bank Subsidiary, without having received Towne's prior written consent, shall have entered into an agreement with any person to (1) acquire, merge or consolidate, or enter into any similar transaction, with Holding Company or Bank Subsidiary, or (2) purchase, lease or otherwise acquire all or substantially all of the assets of Holding Company or Bank Subsidiary; or (B) Holding Company or Bank Subsidiary, without having received Towne's prior written consent, shall have entered into an agreement with any person to purchase or otherwise acquire directly from Holding Company securities representing fifteen percent (15%) or more of the voting power of Holding Company; or

(ii) a tender offer or exchange offer for fifteen percent (15%) or more of the outstanding shares of Holding Company Common Stock is commenced (other than by Towne or a Towne Subsidiary), and the Holding Company Board recommends that the shareholders of Holding Company tender their shares in such tender or exchange offer or otherwise fails to recommend that such shareholders reject such tender offer or exchange offer within the ten (10) business day period specified in Rule 14e-2(a) under the Exchange Act; or

(i) *Other Agreement*. At any time prior to the receipt of the Holding Company Shareholder Approvals, by Holding Company and Bank Subsidiary in order to enter into an acquisition agreement or similar agreement with respect to a Superior Proposal which has been received and considered by Holding Company and the Holding Company Board of Directors in compliance with Section 5.5 hereof; provided that this Agreement may be terminated by Holding Company and Bank Subsidiary pursuant to this Section 7.1(i) only after taking the following actions: (A) Holding Company shall notify Towne in writing, at least five (5) business days in advance, that it intends to accept a Superior Proposal; (B) upon Towne's request, Holding Company shall discuss with Towne the facts and circumstances giving rise to such decision and negotiate in good faith with Towne to facilitate Towne's evaluation of whether to improve the terms and conditions of this Agreement as would permit the Board of Directors of Holding Company not to accept the Superior Proposal; (C) if Towne shall have delivered to Holding Company a written offer capable of being accepted by Holding Company to alter the terms of this Agreement during such five (5) business day notice period, the Board of Directors of Holding Company shall have determined in good faith (after consultation with its outside legal counsel and financial advisor), after considering the terms of such offer by Towne, that such Superior Proposal would continue to constitute a Superior Proposal; and (D) in the event of any material change to the material terms of such Superior Proposal, Holding Company shall, in each case, provide Towne with an additional notice and, unless Holding Company provides such additional notice to Towne within three (3) business days of providing Towne with the original notice contemplated by clause (A), the notice period shall recommence, except that the notice period shall be three (3) business days rather than the five (5) business day notice period otherwise contemplated by clause (A).

7.2 Effect of Termination.

In the event of termination of this Agreement as provided in Section 7.1, none of Towne, Holding Company, any of their respective subsidiaries or any of the officers or directors of any of them shall have any liability hereunder or in connection with the transactions contemplated hereby, except that (i) Section 5.2(c) (Confidentiality), Section 5.7 (Public Announcements), this Article 7 (Termination) and Article 8 (General Provisions) shall survive any termination of this Agreement and (ii) notwithstanding anything to the contrary in this Agreement, termination will not relieve a breaching party from any liabilities or damages arising out of its willful and material breach of any provision of this Agreement.

7.3 Non-Survival of Representations, Warranties and Covenants.

None of the representations and warranties set forth in this Agreement or in any instrument delivered pursuant to this Agreement (other than the Confidentiality Agreement,

dated July 6, 2022, between Towne and Holding Company, the Affiliate Agreements and the Noncompetition Agreements, which shall survive in accordance with their terms) shall survive the Effective Time, except for Section 5.12 and for any other covenant and agreement contained in this Agreement that by its terms applies or is to be performed in whole or in part after the Effective Time.

7.4 Fees and Expenses.

(a) Except as otherwise provided in this Agreement, each of the parties shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated herein, including fees and expenses of its own financial consultants, accountants and legal advisors, except that the costs and expenses of all filing and other fees paid to the Governmental Authorities and regulatory agencies in connection with the Merger shall be borne equally by Towne and Holding Company.

(b) In recognition of the effort made, the expenses incurred and the other opportunities for acquisition forgone by Towne while structuring the Merger, Holding Company shall pay Towne the sum of $2,945,400 (the "Termination Fee") if this Agreement is terminated as follows:

(i) if this Agreement is terminated by Towne pursuant to Section 7.1(f) or Section 7.1(h), or by Holding Company and Bank Subsidiary pursuant to Section 7.1(i), payment shall be made to Towne concurrently with the termination of this Agreement; or

(ii) if this Agreement is terminated (A) by Towne pursuant to Section 7.1(c)(i), Section 7.1(d)(i) or Section 7.1(e) (and the Holding Company Shareholder Approvals have not been obtained), (B) by either Towne or Holding Company and Bank Subsidiary pursuant to Section 7.1(b) (and the Holding Company Shareholder Approvals have not been obtained), or (C) by either Towne or Holding Company and Bank Subsidiary pursuant to Section 7.1(g), and in the case of any termination pursuant to clause (A), (B) or (C) an Acquisition Proposal shall have been publicly announced or otherwise communicated or made known to the shareholders, senior management or the Board of Directors of Holding Company (or any person or entity shall have publicly announced, communicated or made known an intention, whether or not conditional, to make an Acquisition Proposal) at any time after the date of this Agreement and prior to the taking of the vote of the shareholders of Holding Company contemplated by this Agreement at the Holding Company Shareholders Meeting, in the case of clause (C), or prior to the date of termination, in the case of clause (A) or (B), then (1) if within twelve (12) months after such termination Holding Company enters into an agreement or consummates a transaction with respect to an Acquisition Proposal (whether or not the same Acquisition Proposal as that referred to above), then Holding Company shall pay to Towne the Termination Fee on the date of execution of such agreement (regardless of whether such transaction is consummated before or after the termination of this Agreement) or the consummation of such transaction, or (2) if a transaction with respect to an Acquisition Proposal (whether or not the same Acquisition Proposal as that referred to above) is consummated otherwise than pursuant to an agreement with Holding Company within twelve (12) months after the termination of this Agreement, then

Holding Company shall pay to Towne the Termination Fee on the date when such transaction is consummated.

(c) The agreements contained in paragraph (b) of this Section 7.4 shall be deemed an integral part of the transactions contemplated by this Agreement, that without such agreements the parties would not have entered into this Agreement and that no such amount constitutes a penalty or liquidated damages in the event of a breach of this Agreement by Holding Company or Bank Subsidiary. The amount(s) payable by Holding Company pursuant to paragraph (b) of Section 7.4 shall be the sole and exclusive remedy of Towne in the event such amount(s) are payable as specified in such paragraph. If Holding Company fails to pay or cause payment to Towne the amount(s) due under paragraph (b) above at the time specified therein, Holding Company shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by Towne in connection with any action in which Towne prevails, including the filing of any lawsuit, taken to collect payment of such amount(s), together with interest on the amount of any such unpaid amount(s) at the prime lending rate prevailing during such period as published in *The Wall Street Journal*, calculated on a daily basis from the date such amount(s) were required to be paid until the date of actual payment.

(d) Any payment required to be made pursuant to Section 7.4 shall be made by wire transfer of immediately available funds to an account designated by the party entitled to receive payment in the notice of demand for payment delivered pursuant to this Section 7.4. For the avoidance of doubt, in no event shall Holding Company be required to pay the Termination Fee on more than one occasion, whether or not the Termination Fee may be payable under multiple provisions of this Agreement at the same time or at different times or upon the occurrence of different events.

ARTICLE 8
General Provisions

8.1 Entire Agreement.

This Agreement, including the Disclosure Letters and the exhibits hereto, contains the entire agreement among Towne, Holding Company and Bank Subsidiary with respect to the Merger and the related transactions and supersedes all prior arrangements or understandings with respect thereto.

8.2 Binding Effect; No Third Party Rights.

This Agreement shall bind Towne, Holding Company and Bank Subsidiary and their respective successors and assigns. Other than Sections 5.10, 5.12 and 5.13, nothing in this Agreement is intended to confer upon any person, other than the parties hereto or their respective successors, any rights or remedies under or by reason of this Agreement.

8.3 Waiver and Amendment.

Any term or provision of this Agreement may be waived in writing at any time by the party that is, or whose shareholders are, entitled to the benefits thereof, and this Agreement may be amended or supplemented by a written instrument duly executed by the parties hereto at any

time, whether before or after the date of the Holding Company Shareholders Meeting, except statutory requirements and requisite approvals of shareholders and Governmental Authorities.

8.4 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to the conflict of law principles thereof.

8.5 Notices.

All notices, requests and other communications given or made under this Agreement must be in writing and will be deemed given (i) on the date given if delivered prior to 5:00 p.m. Eastern Time on a business day, personally or by confirmed telecopier, in each case with a hard copy sent by registered or certified first class mail, personally or by commercial overnight delivery service; (ii) on the date received if sent by commercial overnight delivery service; or (iii) on the third business day after being mailed by registered or certified mail (return receipt requested) to the persons and addresses set forth below or such other place as such party may specify by notice.

If to Towne, to each of:

G. Robert Aston, Jr.
Executive Chairman
TowneBank
6001 Harbour View Boulevard
Suffolk, Virginia 23425

George P. Whitley, Esq.
Senior Executive Vice President and Chief Legal Officer
TowneBank
800 East Canal Street, Suite 700
Richmond, Virginia 23219
Email: george.whitley@townebank.net

with a copy to (which shall not constitute notice to Towne):

John M. Ramirez, Esq.
Gregory F. Parisi, Esq.
Troutman Pepper Hamilton Sanders LLP
222 Central Park Avenue
Virginia Beach, Virginia 23462
Email: john.ramirez@troutman.com
gregory.parisi@troutman.com

If to Holding Company or Bank Subsidiary:

Vernon M. Towler
President & Chief Executive Officer
Farmers Bankshares, Inc.
50 East Windsor Boulevard
Windsor, Virginia 23487
Email: vernon.towler@farmersbankva.com

with a copy to (which shall not constitute notice to Holding Company or Bank Subsidiary):

Lee G. Lester, Esq.
Scott H. Richter, Esq.
Williams Mullen
200 South 10th Street, Suite 1600
Richmond, Virginia 23219
Email: llester@williamsmullen.com
srichter@williamsmullen.com

8.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same agreement.

8.7 Waiver of Jury Trial.

Each party hereto acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation, directly or indirectly, arising out of or relating to this Agreement or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (i) it understands and has considered the implications of this waiver and (ii) it makes this waiver voluntarily.

8.8 Severability.

In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

8.9 Interpretation; Global Terms.

Any reference contained in this Agreement to specific statutory or regulatory provisions or to specific governmental agencies or entities includes any successor statute or regulation, or agency or entity, as the case may be. Unless otherwise specified, the references to "Section" and "Article" in this Agreement are to the Sections and Articles of this Agreement. When used in this Agreement, words such as "herein", "hereinafter", "hereof", "hereto", and "hereunder" refer to this Agreement as a whole, unless the context clearly requires otherwise. The use of the words "include" or "including" in this Agreement is by way of example rather than by limitation. Unless the context clearly indicates otherwise, the masculine, feminine, and neuter genders will be deemed to be interchangeable.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers and their corporate seals to be affixed hereto, all as of the date first written above.

TOWNEBANK

By:_____
G. Robert Aston, Jr.
Executive Chairman

FARMERS BANKSHARES, INC.

By:_____
Vernon M. Towler
President and Chief Executive Officer

FARMERS BANK, WINDSOR, VIRGINIA

By:_____
Vernon M. Towler
President and Chief Executive Officer

EXHIBIT 1.1
To the Agreement and
Plan of Reorganization

PLAN OF MERGER
AMONG
TOWNEBANK,
FARMERS BANKSHARES, INC.
AND
FARMERS BANK, WINDSOR, VIRGINIA

Pursuant to this Plan of Merger ("Plan of Merger"), Farmers Bankshares, Inc., a Virginia banking corporation ("Holding Company"), and Farmers Bank, Windsor, Virginia, a Virginia banking corporation ("Bank Subsidiary"), shall merge with and into TowneBank, a Virginia banking corporation ("Towne").

ARTICLE 1
Terms of the Merger

Subject to the terms and conditions of the Agreement and Plan of Reorganization, dated as of August 18, 2022, by and among Towne, Holding Company and Bank Subsidiary (the "Agreement"), at the Effective Time (as defined herein), Holding Company and Bank Subsidiary shall be merged with and into Towne (the "Merger") in accordance with the provisions of Virginia law, and with the effect set forth in Section 13.1-721 of the Virginia Stock Corporation Act (the "VSCA"). The separate corporate existence of each of Holding Company and Bank Subsidiary thereupon shall cease, and Towne shall be the surviving corporation in the Merger. The Merger shall become effective on such date and time as may be determined in accordance with Section 1.2 of the Agreement (the "Effective Time").

ARTICLE 2
Merger Consideration; Exchange Procedures

2.1 Conversion of Shares; Exchange of Shares.

At the Effective Time, by virtue of the Merger and without any action on the part of Towne, Holding Company or Bank Subsidiary or their respective shareholders:

(a) Each share of common stock, par value $1.667 per share, of Towne ("Towne Common Stock") that is issued and outstanding immediately before the Effective Time shall remain issued and outstanding and shall remain unchanged by the Merger.

(b) Each share of common stock, par value $0.1250 per share, of Holding Company ("Holding Company Common Stock") that is issued and outstanding immediately before the Effective Time shall be converted into and exchanged for the right to receive 0.6050 shares (the "Exchange Ratio") of Towne Common Stock, plus cash in lieu of any fractional shares pursuant to Section 2.4, except as described in Section 2.1(f) and Section 2.8 (collectively, the "Merger Consideration").

(c) All shares of Holding Company Common Stock converted pursuant to this Section 2.1 shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Time.

(d) Each share of common stock, par value $0.625 per share, of Bank Subsidiary that is issued and outstanding immediately before the Effective Time shall automatically be cancelled and retired and shall cease to exist as of the Effective Time.

(e) Each certificate previously representing shares of Holding Company Common Stock (a "Holding Company Common Certificate") and the non-certificated shares of Holding Company Common stock (the "Holding Company Book-Entry Shares") shall cease to represent any rights except the right to receive with respect to each underlying share of Holding Company Common Stock (i) the Merger Consideration upon the surrender of such Holding Company Common Certificate or Holding Company Book-Entry Shares in accordance with Section 2.2, and (ii) any dividends or distributions which the holder thereof has the right to receive pursuant to Section 2.6.

(f) Each share of Holding Company Common Stock held by any party hereto and each share of Towne Common Stock held by Holding Company or any of the Holding Company Subsidiaries (as defined in the Agreement) prior to the Effective Time (in each case other than in a fiduciary or agency capacity or on behalf of third parties as a result of debts previously contracted) shall be cancelled and retired and shall cease to exist at the Effective Time and no consideration shall be issued in exchange therefor; provided, that such shares of Towne Common Stock shall resume the status of authorized and unissued shares of Towne Common Stock.

2.2 Exchange Procedures.

(a) On or before the Closing Date, Towne shall deposit, or shall cause to be deposited, with its transfer agent or such other transfer agent or depository or trust institution of recognized standing approved by Towne (in such capacity, the "Exchange Agent"), for the benefit of the holders of the Holding Company Common Certificates and the holders of Holding Company Book-Entry Shares, at the election of Towne, either certificates representing the shares of Towne Common Stock or noncertificated shares of Towne Common Stock (or a combination) issuable pursuant to this Article 2, together with any dividends or distributions with respect thereto and any cash to be paid in lieu of fractional shares without any interest thereon (the "Exchange Fund"), in exchange for certificates representing outstanding shares of Holding Company Common Stock.

(b) As promptly as practicable after the Effective Time, Towne shall cause the Exchange Agent to send to each former shareholder of record of Holding Company immediately before the Effective Time transmittal materials for use in exchanging such shareholder's Holding Company Common Certificates for the Merger Consideration, as provided for herein.

(c) Towne shall cause the Merger Consideration into which shares of Holding Company Common Stock are converted at the Effective Time, and dividends or distributions which a Holding Company shareholder shall be entitled to receive, to be issued and paid to such Holding Company shareholder upon delivery to the Exchange Agent of Holding Company

Common Certificates and Holding Company Book-Entry Shares representing such shares of Holding Company Common Stock, together with the transmittal materials duly executed and completed in accordance with the instructions thereto. No interest will accrue or be paid on any such cash to be paid pursuant to Sections 2.4 or 2.6.

(d) Any Holding Company shareholder whose Holding Company Common Certificates or Holding Company Book-Entry Shares have been lost, destroyed, stolen or are otherwise missing shall be entitled to the Merger Consideration and dividends or distributions to which such shareholder shall be entitled upon compliance with reasonable conditions imposed by Towne pursuant to applicable law and as required in accordance with Towne's standard policy (including the requirement that the shareholder furnish a surety bond or other customary indemnity).

(e) Any portion of the Exchange Fund that remains unclaimed by the shareholders of Holding Company for twelve (12) months after the Effective Time shall be returned to Towne (together with any earnings in respect thereof). Any shareholders of Holding Company who have not complied with this Article 2 shall thereafter be entitled to look only to Towne, and only as a general creditor thereof, for payment of the consideration deliverable in respect of each share of Holding Company Common Stock such shareholder held as of the close of business at the Effective Time as determined pursuant to this Plan of Merger, without any interest thereon.

(f) None of the Exchange Agent, the parties hereto, the Towne Subsidiaries (as defined in the Agreement) nor the Holding Company Subsidiaries (as defined in the Agreement) shall be liable to any shareholder of Holding Company for any amount of property delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

2.3 Holding Company Equity-Based Awards.

At the Effective Time, each restricted stock award granted under a Holding Company Stock Plan (as defined in the Agreement) that is unvested or contingent and outstanding immediately prior to the Effective Time (a "Holding Company Stock Award") shall be, if not already vested pursuant to its terms, vested fully and shall be converted into the right to receive, without interest, the Merger Consideration payable pursuant this Plan of Merger in respect of each share of Holding Company Common Stock underlying such Holding Company Stock Award, and the shares of Holding Company Common Stock subject to such Holding Company Stock Award will be treated in the same manner as all other shares of Holding Company Common Stock for such purposes.

2.4 No Fractional Shares.

Each holder of shares of Holding Company Common Stock exchanged pursuant to the Merger which would otherwise have been entitled to receive a fraction of a share of Towne Common Stock shall receive, in lieu thereof, cash (without interest and rounded to the nearest cent) in an amount equal to such fractional part of a share of Towne Common Stock multiplied by the average closing price per share of Towne Common Stock, as reported on the Nasdaq Global Select Market, for then ten (10) consecutive trading days ending on and including the fifth trading day prior to the Effective Time.

2.5 Anti-Dilution.

In the event Towne changes (or establishes a record date for changing) the number of shares of Towne Common Stock issued and outstanding before the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction, appropriate and proportional adjustments will be made to the Exchange Ratio.

2.6 Dividends.

No dividend or other distribution payable to the holders of record of Holding Company Common Stock at, or as of, any time after the Effective Time will be paid to the holder of any Holding Company Common Certificate or Holding Company Book-Entry Share until such holder properly surrenders such shares (or furnishes a customary indemnity that the Holding Company Common Certificate or Holding Company Book-Entry Share is lost, destroyed, stolen or otherwise missing as provided in Section 2.2(d)) for exchange as provided in Section 2.2 of this Plan of Merger, promptly after which time all such dividends or distributions will be paid (without interest).

2.7 Withholding Rights.

The Exchange Agent will be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Plan of Merger to any person such amounts, if any, it is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax (as defined in the Agreement) law. To the extent that amounts are so withheld and remitted to the appropriate Governmental Authority (as defined in the Agreement) by the Exchange Agent, such amounts withheld will be treated for all purposes of this Plan of Merger as having been paid to such person in respect of which such deduction and withholding was made by the Exchange Agent.

2.8 Appraisal Rights.

Any holder of shares of Holding Company Common Stock who perfects such holder's appraisal rights in accordance with Article 15 of the VSCA shall be entitled to receive from Towne, in lieu of the Merger Consideration, the appraised value of such shares as to which appraisal rights have been perfected in cash as determined pursuant to the VSCA; provided, that no such payment shall be made to any dissenting shareholder unless and until such dissenting shareholder has complied with all applicable provisions of the VSCA, and surrendered to Holding Company or Towne the certificate or certificates representing the shares for which payment is being made. In the event that after the Effective Time a dissenting shareholder of Holding Company fails to perfect, or effectively withdraws or loses, such holder's right to appraisal of and payment for such holder's shares, Towne shall direct the Exchange Agent to issue and deliver the consideration to which such holder of shares of Holding Company Common Stock is otherwise entitled under this Article 2 (without interest) upon surrender by such holder of the applicable Holding Company Common Certificates or Holding Company Book-Entry Shares.

ARTICLE 3
Articles of Incorporation and Bylaws of Towne

The Articles of Incorporation of Towne as in effect immediately prior to the Effective Time will be the Articles of Incorporation of Towne at and after the Effective Time until thereafter amended in accordance with applicable law. The Bylaws of Towne in effect immediately prior to the Effective Time will be the Bylaws of Towne at and after the Effective Time until thereafter amended in accordance with applicable law.

ARTICLE 4
Conditions Precedent

The obligations of Towne, Holding Company and Bank Subsidiary to effect the Merger as herein provided shall be subject to satisfaction, unless duly waived, of the conditions set forth in the Agreement.

EXHIBIT 5.8
To the Agreement and
Plan of Reorganization

FORM OF AFFILIATE AGREEMENT

THIS AFFILIATE AGREEMENT (the "Agreement"), dated as of August 18, 2022, is by and among TOWNEBANK, a Virginia banking corporation ("Towne"), FARMERS BANKSHARES, INC., a Virginia corporation ("Holding Company"), and the undersigned shareholder of Holding Company ("Shareholder"). All capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Merger Agreement (defined below).

WHEREAS, the Boards of Directors of Towne and Holding Company have approved a business combination of their companies through the merger (the "Merger") of Holding Company and Bank Subsidiary with and into Towne pursuant to the terms and conditions of an Agreement and Plan of Reorganization, dated as of August 18, 2022, by and among Towne, Holding Company and Bank Subsidiary, and a related Plan of Merger (together, the "Merger Agreement");

WHEREAS, Shareholder is the beneficial and/or registered owner of, and has the right and power to vote or direct the disposition of the number of shares of common stock, par value $0.1250 per share, of Holding Company ("Holding Company Common Stock") set forth below Shareholder's name on the signature page hereto (such shares, together with all shares of Holding Company Common Stock subsequently acquired by Shareholder during the term of this Agreement, but excluding the shares of common stock described in the last sentence of Section 5(a) hereof, are referred to herein as the "Shares"); and

WHEREAS, as a condition and inducement to Towne, Holding Company and Bank Subsidiary entering into the Merger Agreement, Shareholder has agreed to enter into and perform this Agreement.

NOW, THEREFORE, in consideration of the covenants, representations, warranties and agreements set forth herein and in the Merger Agreement, and other good and valuable consideration (including the merger consideration set forth in Article 2 of the Merger Agreement), the receipt and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Agreement to Vote.

During the term of this Agreement and at such time as Holding Company conducts the Holding Company Shareholders Meeting, except as provided in Section 5(b) hereof, Shareholder agrees to vote or cause to be voted all of the Shares, and to cause any holder of record of the Shares to vote all such Shares, in person or by proxy: (i) in favor of the Merger Agreement and the Holding Company Articles Amendment at the Holding Company Shareholders Meeting; and (ii) against (A) any Acquisition Proposal, (B) any action, proposal, transaction or agreement which could reasonably be expected to result in a breach of any covenant, representation or

warranty or any other obligation or agreement of Holding Company or Bank Subsidiary under the Merger Agreement or of Shareholder under this Agreement and (C) any action, proposal, transaction or agreement that could reasonably be expected to impede, interfere with, delay, discourage, adversely affect or inhibit the timely consummation of the Merger or the fulfillment of conditions of Towne, Holding Company or Bank Subsidiary under the Merger Agreement.

2. Covenants of Shareholder.

The Shareholder covenants and agrees as follows:

(a) *Ownership*. The Shareholder is the beneficial and/or registered owner of the Shares as set forth below Shareholder's name on the signature page hereto. Except for Shareholder's Shares, Shareholder is not the beneficial or registered owner of any other shares of Holding Company Common Stock or rights to acquire shares of Holding Company Common Stock and for which Shareholder has the right and power to vote and/or dispose. For purposes of this Agreement, the term "beneficial ownership" shall be interpreted in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(b) *Restrictions on Transfer*. During the term of this Agreement, Shareholder will not sell, pledge, hypothecate, grant a security interest in, transfer or otherwise dispose of or encumber any of the Shares and will not enter into any agreement, arrangement or understanding (other than a proxy for the purpose of voting Shareholder's Shares in accordance with Section 1 hereof) which would during that term (i) restrict, (ii) establish a right of first refusal to, or (iii) otherwise relate to, the transfer or voting of the Shares.

(c) *Authority*. The Shareholder has full power, authority and legal capacity to enter into, execute and deliver this Agreement and to perform fully Shareholder's obligations hereunder. This Agreement has been duly and validly executed and delivered by Shareholder and constitutes the legal, valid and binding obligation of Shareholder, enforceable against Shareholder in accordance with its terms.

(d) *No Breach*. None of the execution and delivery of this Agreement nor the consummation by Shareholder of the transactions contemplated hereby will result in a violation of, or a default under, or conflict with, any contract, loan and credit arrangements, Liens (as defined in Section 2(e) below), trust, commitment, agreement, understanding, arrangement or restriction of any kind to which Shareholder is a party or bound or to which the Shares are subject.

(e) *No Liens*. The Shares and the certificates representing the Shares are now, and at all times during the term of this Agreement, will be, held by Shareholder, or by a nominee or custodian for the benefit of Shareholder, free and clear of all pledges, liens, security interests, claims, proxies, voting trusts or agreements, understandings or arrangements or any other encumbrances whatsoever (each, a "Lien"), except for (i) any Liens arising hereunder and (ii) Liens, if any, which have been disclosed to Towne in writing.

(f) *Consents and Approvals*. The execution and delivery of this Agreement by Shareholder does not, and the performance by Shareholder of his or her obligations under this Agreement and the consummation by him or her of the transactions contemplated hereby will

not, require Shareholder to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Authority.

(g) *Absence of Litigation*. There is no suit, action, investigation or proceeding pending or, to the knowledge of Shareholder, threatened against or affecting Shareholder or any of his or her affiliates before or by any Governmental Authority that could reasonably be expected to materially impair the ability of Shareholder to perform his or her obligations hereunder or to consummate the transactions contemplated hereby.

(h) *No Solicitation*. During the term of this Agreement, Shareholder shall not, nor shall he or she permit any investment banker, attorney or other adviser or representative of Shareholder to, directly or indirectly, (i) solicit, initiate or encourage the submission of any Acquisition Proposal, or (ii) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal.

(i) *Statements*. The Shareholder shall not make any statement, written or oral, to the effect that he or she does not support the Merger or that other shareholders of Holding Company should not support the Merger.

3. No Prior Proxies.

The Shareholder represents, warrants and covenants that any proxies or voting rights previously given in respect of the Shares are revocable, and that any such proxies or voting rights are hereby irrevocably revoked.

4. Certain Events.

The Shareholder agrees that this Agreement and the obligations hereunder shall attach to the Shares and shall be binding upon any person or entity to which legal or beneficial ownership of the Shares shall pass, whether by operation of law or otherwise, including Shareholder's successors or assigns. In the event of any stock split, stock dividend, merger, exchange, reorganization, recapitalization or other change in the capital structure of Holding Company affecting the Shares, the number of Shares subject to the terms of this Agreement shall be appropriately adjusted, and this Agreement and the obligations hereunder shall attach to any additional securities of Holding Company issued to or acquired by Shareholder.

5. Capacity; Obligation to Vote.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that the Board of Directors of Holding Company is permitted to engage in negotiations or discussions with any person who made an unsolicited *bona fide* written Acquisition Proposal in accordance with Section 5.5 of the Merger Agreement, Shareholder shall be permitted, at the request of the Board of Directors of Holding Company, to respond to inquiries from, and discuss such Acquisition Proposal with, the Board of Directors of Holding Company. With respect to the terms of this Agreement relating to the Shares, this Agreement relates solely to the capacity of Shareholder as a shareholder or other beneficial owner of the Shares and is not in any way

intended to affect or prevent the exercise by Shareholder, if applicable, of his or her responsibilities as a director or officer of Holding Company, including actions permitted to be taken in compliance with Section 5.5 of the Merger Agreement. The term "Shares" shall not include any securities beneficially owned by Shareholder as a trustee or fiduciary, and this Agreement is not in any way intended to affect the exercise by Shareholder of his or her fiduciary responsibility in respect of any such securities.

(b) The parties hereto agree that, notwithstanding the provisions contained in Section 1 hereof, Shareholder shall not be obligated to vote as required in Section 1 of this Agreement in the event that (i) Towne is in material default with respect to any covenant, representation, warranty or agreement with respect to it contained in the Merger Agreement, or (ii) Holding Company and Bank Subsidiary are otherwise entitled to terminate the Merger Agreement.

6. Term; Termination.

The term of this Agreement shall commence on the date hereof. This Agreement shall terminate upon the earlier of (i) the Effective Time of the Merger, or (ii) termination of the Merger Agreement in accordance with Article 7 of the Merger Agreement. Other than as provided for herein, following the termination of this Agreement, there shall be no further liabilities or obligations hereunder on the part of Shareholder, Holding Company or Towne, or their respective officers or directors, except that nothing in this Section 6 shall relieve any party hereto from any liability for breach of this Agreement before such termination.

7. Stop Transfer Order.

In furtherance of this Agreement, as soon as practicable after the date hereof, Shareholder shall hereby authorize and instruct Holding Company to instruct its transfer agent to enter a stop transfer order with respect to all of Shares for the period from the date hereof through the date this Agreement is terminated in accordance with Section 6 hereof.

8. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by the applicable party hereto in accordance with their specific terms or were otherwise breached. Each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the other and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which it is entitled at law or in equity. Each party hereto waives the posting of any bond or security in connection with any proceeding related thereto.

9. Banking Relationships.

Notwithstanding any other terms and provisions of this Agreement, including Section 6, the Shareholder further covenants and agrees that (i) from the date hereof and through the Effective Time, he or she will use best efforts to maintain and continue with Bank Subsidiary such banking relationships (e.g., lending, deposit or other accounts) that the Shareholder (or affiliates thereof) currently maintains with Holding Company and Bank Subsidiary, in form and

substance substantially the same as currently maintained; and (ii) after the Merger and until the one (1) year anniversary of the Merger, he or she will use best efforts to maintain and continue with Towne such banking relationships that the Shareholder (or affiliates thereof) maintained with Holding Company and Bank Subsidiary prior to the Merger.

10. Amendments.

This Agreement may not be modified, amended, altered or supplemented except by execution and delivery of a written agreement by the parties hereto.

11. Governing Law.

This Agreement shall in all respects be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to the conflict of law principles thereof.

12. Notices.

All notices, requests, claims, demands or other communications hereunder shall be in writing and shall be deemed given when delivered personally, upon receipt of a transmission confirmation if sent by telecopy or like transmission and on the next business day when sent by a reputable overnight courier service as follows: (i) with respect to Holding Company or Towne, the applicable address set forth in Section 8.5 of the Merger Agreement, and (ii) with respect to Shareholder, at the address for Shareholder shown on the records of Holding Company.

13. Benefit of Agreement; Assignment.

(a) This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by, the parties hereto and their respective personal representatives, successors and assigns, except that the parties hereto may not transfer or assign any of their respective rights or obligations hereunder without the prior written consent of the other parties.

(b) The parties hereto agree and designate Bank Subsidiary as a third-party beneficiary of this Agreement, with Bank Subsidiary having the right to enforce the terms hereof.

14. Counterparts.

This Agreement may be executed in one or more counterparts, and by the different parties in separate counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. A facsimile copy or electronic transmission of the signature page hereto shall be deemed to be an original signature page.

15. Severability.

In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any

provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

[Signatures on following page]

IN WITNESS WHEREOF, Towne, Holding Company and Shareholder have caused this Agreement to be duly executed as of the date and year first above written.

TOWNEBANK

By:_____
G. Robert Aston, Jr.
Executive Chairman

FARMERS BANKSHARES, INC.

By:_____
Vernon M. Towler
President and Chief Executive Officer

SHAREHOLDER

_____

[Insert Name]

Number of Shares
(including restricted stock): _____

Number of Shares Pledged: _____

EXHIBIT 5.9
To the Agreement and
Plan of Reorganization

FORM OF DIRECTORS NONCOMPETITION AGREEMENT

_____, 2022

TowneBank
6001 Harbour View Boulevard
Suffolk, Virginia 23435

Ladies and Gentlemen:

The undersigned is a director of Farmers Bankshares, Inc., a Virginia corporation ("Holding Company"), and/or Farmers Bank, Windsor, Virginia, a wholly-owned subsidiary of Holding Company ("Bank Subsidiary"). TowneBank, a Virginia banking corporation ("Towne"), has agreed to acquire Holding Company and Bank Subsidiary (the "Merger"), pursuant to an Agreement and Plan of Reorganization, dated as of August 18, 2022, by and among Towne, Holding Company and Bank Subsidiary, and a related Plan of Merger (collectively, the "Agreement"). The undersigned has been offered the opportunity to become a member of Towne's advisory Suffolk regional board of directors following the Effective Time (as defined in the Agreement) of the Merger.

As a condition of acceptance of such offer, and subject to the exceptions below, the undersigned hereby agrees that, for a period of 12 months following the Effective Time of the Merger (or longer period that the undersigned shall be a member of any Towne advisory board of directors identified in the preceding paragraph), the undersigned will not, directly or indirectly: (i) become a member of the board of directors or an advisory board of, or be an organizer of, or be a 1% or more shareholder of, any entity engaged in or formed for the purpose of engaging in a Competitive Business anywhere in the Market Area (as such terms are defined below); or (ii) in any individual or representative capacity whatsoever, induce any individual to terminate his or her employment with Towne or its Affiliates (as such term is defined below).

As used in this Agreement, the term "Competitive Business" means the financial services business, which includes one or more of the following businesses: consumer and commercial banking, insurance brokerage, asset management, residential and commercial mortgage lending, and any other business in which Towne or any of its Affiliates are engaged; the term "Market Area" means (i) the cities of Chesapeake, Newport News, Norfolk, Suffolk and Virginia Beach in Virginia, and any cities, towns and counties adjacent to such localities, and (ii) any other city, town, county or municipality in which Towne has established and is continuing to operate a banking office or a loan production office (excluding, for purposes of this letter agreement, an office providing solely residential mortgage loans, unless such office is in the areas identified in clause (i) above); the term "Affiliate" means a Person that directly or indirectly through one or

more intermediaries, controls, or is controlled by, or is under common control with, Towne; and the term "Person" means any person, partnership, corporation, company, group or other entity.

Notwithstanding the foregoing, in no event shall the undersigned be prevented from continuing to engage in, or being or continuing to engage in any activities as an officer, employee, owner, shareholder, partner or member in or of, or a member of the board of directors or a member of an advisory board of, any entity engaged in, a Competitive Business if the undersigned holds such position (or a corresponding position with the predecessor to such entity) or otherwise engages in that Competitive Business on the date hereof.

This letter agreement is the complete agreement between Towne and the undersigned concerning the subject matter hereof and shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of laws provisions.

This letter agreement is executed as of the _____ th day of _____, 2022.

Very truly yours

_____

[Insert Name]

FORM OF AFFILIATE AGREEMENT

THIS AFFILIATE AGREEMENT (the "Agreement"), dated as of August 18, 2022, is by and among TOWNEBANK, a Virginia banking corporation ("Towne"), FARMERS BANKSHARES, INC., a Virginia corporation ("Holding Company"), and the undersigned shareholder of Holding Company ("Shareholder"). All capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Merger Agreement (defined below).

WHEREAS, the Boards of Directors of Towne and Holding Company have approved a business combination of their companies through the merger (the "Merger") of Holding Company and Bank Subsidiary with and into Towne pursuant to the terms and conditions of an Agreement and Plan of Reorganization, dated as of August 18, 2022, by and among Towne, Holding Company and Bank Subsidiary, and a related Plan of Merger (together, the "Merger Agreement");

WHEREAS, Shareholder is the beneficial and/or registered owner of, and has the right and power to vote or direct the disposition of the number of shares of common stock, par value $0.1250 per share, of Holding Company ("Holding Company Common Stock") set forth below Shareholder's name on the signature page hereto (such shares, together with all shares of Holding Company Common Stock subsequently acquired by Shareholder during the term of this Agreement, but excluding the shares of common stock described in the last sentence of Section 5(a) hereof, are referred to herein as the "Shares"); and

WHEREAS, as a condition and inducement to Towne, Holding Company and Bank Subsidiary entering into the Merger Agreement, Shareholder has agreed to enter into and perform this Agreement.

NOW, THEREFORE, in consideration of the covenants, representations, warranties and agreements set forth herein and in the Merger Agreement, and other good and valuable consideration (including the merger consideration set forth in Article 2 of the Merger Agreement), the receipt and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Agreement to Vote.

During the term of this Agreement and at such time as Holding Company conducts the Holding Company Shareholders Meeting, except as provided in Section 5(b) hereof, Shareholder agrees to vote or cause to be voted all of the Shares, and to cause any holder of record of the Shares to vote all such Shares, in person or by proxy: (i) in favor of the Merger Agreement and the Holding Company Articles Amendment at the Holding Company Shareholders Meeting; and (ii) against (A) any Acquisition Proposal, (B) any action, proposal, transaction or agreement which could reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of Holding Company or Bank Subsidiary under the Merger Agreement or of Shareholder under this Agreement and (C) any action, proposal, transaction or agreement that could reasonably be expected to impede, interfere with, delay,

discourage, adversely affect or inhibit the timely consummation of the Merger or the fulfillment of conditions of Towne, Holding Company or Bank Subsidiary under the Merger Agreement.

2. Covenants of Shareholder.

The Shareholder covenants and agrees as follows:

(a) *Ownership*. The Shareholder is the beneficial and/or registered owner of the Shares as set forth below Shareholder's name on the signature page hereto. Except for Shareholder's Shares, Shareholder is not the beneficial or registered owner of any other shares of Holding Company Common Stock or rights to acquire shares of Holding Company Common Stock and for which Shareholder has the right and power to vote and/or dispose. For purposes of this Agreement, the term "beneficial ownership" shall be interpreted in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(b) *Restrictions on Transfer*. During the term of this Agreement, Shareholder will not sell, pledge, hypothecate, grant a security interest in, transfer or otherwise dispose of or encumber any of the Shares and will not enter into any agreement, arrangement or understanding (other than a proxy for the purpose of voting Shareholder's Shares in accordance with Section 1 hereof) which would during that term (i) restrict, (ii) establish a right of first refusal to, or (iii) otherwise relate to, the transfer or voting of the Shares.

(c) *Authority*. The Shareholder has full power, authority and legal capacity to enter into, execute and deliver this Agreement and to perform fully Shareholder's obligations hereunder. This Agreement has been duly and validly executed and delivered by Shareholder and constitutes the legal, valid and binding obligation of Shareholder, enforceable against Shareholder in accordance with its terms.

(d) *No Breach*. None of the execution and delivery of this Agreement nor the consummation by Shareholder of the transactions contemplated hereby will result in a violation of, or a default under, or conflict with, any contract, loan and credit arrangements, Liens (as defined in Section 2(e) below), trust, commitment, agreement, understanding, arrangement or restriction of any kind to which Shareholder is a party or bound or to which the Shares are subject.

(e) *No Liens*. The Shares and the certificates representing the Shares are now, and at all times during the term of this Agreement, will be, held by Shareholder, or by a nominee or custodian for the benefit of Shareholder, free and clear of all pledges, liens, security interests, claims, proxies, voting trusts or agreements, understandings or arrangements or any other encumbrances whatsoever (each, a "Lien"), except for (i) any Liens arising hereunder and (ii) Liens, if any, which have been disclosed to Towne in writing.

(f) *Consents and Approvals*. The execution and delivery of this Agreement by Shareholder does not, and the performance by Shareholder of his or her obligations under this Agreement and the consummation by him or her of the transactions contemplated hereby will not, require Shareholder to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Authority.

(g) *Absence of Litigation*. There is no suit, action, investigation or proceeding pending or, to the knowledge of Shareholder, threatened against or affecting Shareholder or any of his or her affiliates before or by any Governmental Authority that could reasonably be expected to materially impair the ability of Shareholder to perform his or her obligations hereunder or to consummate the transactions contemplated hereby.

(h) *No Solicitation*. During the term of this Agreement, Shareholder shall not, nor shall he or she permit any investment banker, attorney or other adviser or representative of Shareholder to, directly or indirectly, (i) solicit, initiate or encourage the submission of any Acquisition Proposal, or (ii) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal.

(i) *Statements*. The Shareholder shall not make any statement, written or oral, to the effect that he or she does not support the Merger or that other shareholders of Holding Company should not support the Merger.

3. No Prior Proxies.

The Shareholder represents, warrants and covenants that any proxies or voting rights previously given in respect of the Shares are revocable, and that any such proxies or voting rights are hereby irrevocably revoked.

4. Certain Events.

The Shareholder agrees that this Agreement and the obligations hereunder shall attach to the Shares and shall be binding upon any person or entity to which legal or beneficial ownership of the Shares shall pass, whether by operation of law or otherwise, including Shareholder's successors or assigns. In the event of any stock split, stock dividend, merger, exchange, reorganization, recapitalization or other change in the capital structure of Holding Company affecting the Shares, the number of Shares subject to the terms of this Agreement shall be appropriately adjusted, and this Agreement and the obligations hereunder shall attach to any additional securities of Holding Company issued to or acquired by Shareholder.

5. Capacity; Obligation to Vote.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that the Board of Directors of Holding Company is permitted to engage in negotiations or discussions with any person who made an unsolicited *bona fide* written Acquisition Proposal in accordance with Section 5.5 of the Merger Agreement, Shareholder shall be permitted, at the request of the Board of Directors of Holding Company, to respond to inquiries from, and discuss such Acquisition Proposal with, the Board of Directors of Holding Company. With respect to the terms of this Agreement relating to the Shares, this Agreement relates solely to the capacity of Shareholder as a shareholder or other beneficial owner of the Shares and is not in any way intended to affect or prevent the exercise by Shareholder, if applicable, of his or her responsibilities as a director or officer of Holding Company, including actions permitted to be taken in compliance with Section 5.5 of the Merger Agreement. The term "Shares" shall not

include any securities beneficially owned by Shareholder as a trustee or fiduciary, and this Agreement is not in any way intended to affect the exercise by Shareholder of his or her fiduciary responsibility in respect of any such securities.

(b) The parties hereto agree that, notwithstanding the provisions contained in Section 1 hereof, Shareholder shall not be obligated to vote as required in Section 1 of this Agreement in the event that (i) Towne is in material default with respect to any covenant, representation, warranty or agreement with respect to it contained in the Merger Agreement, or (ii) Holding Company and Bank Subsidiary are otherwise entitled to terminate the Merger Agreement.

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7. Stop Transfer Order.

In furtherance of this Agreement, as soon as practicable after the date hereof, Shareholder shall hereby authorize and instruct Holding Company to instruct its transfer agent to enter a stop transfer order with respect to all of Shares for the period from the date hereof through the date this Agreement is terminated in accordance with Section 6 hereof.

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Notwithstanding any other terms and provisions of this Agreement, including Section 6, the Shareholder further covenants and agrees that (i) from the date hereof and through the Effective Time, he or she will use best efforts to maintain and continue with Bank Subsidiary such banking relationships (e.g., lending, deposit or other accounts) that the Shareholder (or affiliates thereof) currently maintains with Holding Company and Bank Subsidiary, in form and substance substantially the same as currently maintained; and (ii) after the Merger and until the one (1) year anniversary of the Merger, he or she will use best efforts to maintain and continue

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(b) The parties hereto agree and designate Bank Subsidiary as a third-party beneficiary of this Agreement, with Bank Subsidiary having the right to enforce the terms hereof.

14. Counterparts.

This Agreement may be executed in one or more counterparts, and by the different parties in separate counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. A facsimile copy or electronic transmission of the signature page hereto shall be deemed to be an original signature page.

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In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable. Further, the parties agree that a court of competent jurisdiction may reform any provision of this Agreement held invalid or unenforceable so as to reflect the intended agreement of the parties hereto.

[Signatures on following page]

IN WITNESS WHEREOF, Towne, Holding Company and Shareholder have caused this Agreement to be duly executed as of the date and year first above written.

TOWNEBANK

By:_____
G. Robert Aston, Jr.
Executive Chairman

FARMERS BANKSHARES, INC.

By:_____
Vernon M. Towler
President and Chief Executive Officer

SHAREHOLDER

_____

[Insert Name]

Number of Shares
(including restricted stock): _____

Number of Shares Pledged: _____