



**DIVIDEND REINVESTMENT  
AND  
DIRECT STOCK PURCHASE PLAN  
For  
BAY BANKS OF VIRGINIA, INC.**

Offered By:  
**CONTINENTAL STOCK TRANSFER & TRUST COMPANY**

This direct stock purchase and dividend reinvestment plan that provides a convenient and economical method for new investors to make an initial investment in the Company's common stock and for existing investors to increase their holdings of the Company's common stock.

As a participant in the Plan you can:

- Purchase common stock utilizing a convenient, low cost method.
- Build your investment over time, starting with as little as \$250.00, with a maximum of \$5,000.00.
- Purchase shares by check or automatic monthly bank withdrawals.
- Earn dividends on all full and fractional shares credited to your account.

Participation in the Plan is voluntary. To enroll in the Plan, complete and mail the Authorization Form in the enclosed postage paid envelope.

Please read this prospectus carefully and keep it for future reference. If you have any questions after reviewing this information, please contact:

**Continental Stock Transfer & Trust Company  
1 State Street- 30<sup>th</sup> Floor  
New York, NY 10004  
(800) 509-5586**

**[drp@continentalstock.com](mailto:drp@continentalstock.com)**

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## ABOUT THE PLAN

### 1. What is the purpose of a Dividend Reinvestment & Direct Stock Purchase Plan?

The purpose of the Dividend Reinvestment and Direct Stock Purchase Plan (“Plan”) is to enable new investors to make an initial investment in the common stock of Bay Banks of Virginia, Inc.(the “Company”) and existing investors to increase their holdings. Participants can purchase shares of common stock with optional cash investments and cash dividends.

### 2. What features does the plan offer?

- Initial investment. If you are not a current stockholder, you can make an initial investment starting with as little as \$250.00 and up to as much as \$5,000.00 per month.
- Optional cash investments. You can increase your holdings through optional cash investments of as little as \$50.00 and no more than \$5,000.00 monthly. You can make optional cash investments by check or by authorizing automatic monthly deductions from your bank checking or savings account.
- Automatic dividend reinvestment. You can also increase your holdings through automatic reinvestment of your cash dividends.
- Share safekeeping. You can deposit your stock certificates for safekeeping by the plan administrator.

### 3. How do I enroll in the Plan?

If you are currently a stockholder of record, that is, your shares are registered in your name (not your broker’s or bank’s name), you can enroll by completing and returning an authorization form.

### 4. How do I enroll if my shares are held other than in my name?

If your shares are registered in the name of a bank, broker or other nominee (street shares) simply arrange for the bank, broker or other nominee to register in your name the number of shares that you want to participate in the Plan. You can then enroll as a stockholder of record, as described in Question 3 above. Alternatively, if you do not want to re-register your shares you can enroll in the Plan in the same way as someone who is not currently a stockholder, as described in Question 5 below.

5. How do I enroll if I am not currently a stockholder?

If you do not currently have any shares registered in your name, you can enroll by completing and returning an authorization form. When you enroll, you will be required to pay a one-time account set-up fee of \$25.00, and either make an initial investment of at least \$250.00 (but not more than \$5,000.00). If you authorize automatic monthly bank withdrawals, you must make your first investment by check. Your check for your initial investment and account set-up fee should be made payable to Continental Stock Transfer & Trust Company in United States funds drawn on a United States bank.

6. What are the fees associated with participation?

One-Time Account Set Up (no fee for stockholders of record)	\$25.00
<u>Optional Cash Investments</u>	
▪ Transaction fee	
* By check	\$ 2.00
* By automatic monthly withdrawal	\$ 2.00
▪ Brokerage commission	Prorated based On total shares purchased
<u>Dividend Reinvestment</u>	
• Dividend Reinvestment	5% with a maximum of \$1.00
▪ Brokerage commission	Prorated based On total shares purchased
<u>Sales</u>	
▪ Transaction fee	\$15.00 per sale
▪ Brokerage commission	Prorated based On total shares sold
<u>Returned Checks and Rejected Automatic Bank Withdrawals</u>	\$35.00 per item

We can change the fee structure of the Plan at any time. We will give you notice of any fee changes prior to the changes becoming effective.

For cash investment and dividend reinvestment transactions, transaction fees and brokerage commissions are deducted from the amount invested. For sale transaction fees and brokerage commissions are deducted from the sale proceeds.

7. What are my options for additional cash investments?

You can make optional cash investments at any time by check or by automatic bank withdrawals from a designated United States bank account. Each investment can be for as little as \$50.00. Your total investment for any month is limited to \$5,000.00.

Check. To make an investment by check, complete and return a Transaction Request form together with your payment. Your check must be made payable to Continental Stock Transfer & Trust Company, as Agent for Bay Banks of Virginia, Inc in United States funds drawn on a United States bank. The plan administrator must receive your payment at least five business days prior to an investment date; otherwise, your payment will be invested on the next investment date. No interest is paid on your payment pending its investment in the Company's common stock. **Third party checks, cash, money orders, travelers checks and checks not drawn on a U.S. bank or not in U.S. currency will not be accepted and will be returned to the sender.**

Automatic Monthly Withdrawals. You can also make investments by automatic monthly withdrawals from a designated United States checking or savings account at a qualified financial institution. Your account will be debited at least five business days prior to the investment date. To authorize automatic monthly withdrawals complete the authorization form and return it to the plan administrator with a voided blank check for checking account debits or a deposit slip for a savings account debits. Your automatic monthly withdrawals will begin as soon as practicable after the plan administrator receives your completed form. You can change the amount of your monthly withdrawal or stop your monthly withdrawal altogether by notifying in writing the plan administrator. Your change or termination request must be received by the plan administrator at least 10 business days prior to an investment date for the change to be effective for that investment date. A participant may obtain the return of any cash investment upon request received by the plan administrator on or before the second business day prior to the date on which it is to be invested.

8. What are my dividend reinvestment options?

- Full Dividend Reinvestment. The plan administrator will reinvest in additional shares of common stock the full amount of cash dividends paid on all your shares.
- Partial Dividend Reinvestment. The plan administrator will reinvest a percentage of shares held by you (at least 10%) and send you the dividend on the remaining shares.
- No Dividend Reinvestment. The plan administrator will pay to you in cash, or by direct deposit, cash dividends paid on all your shares. To authorize direct deposit, complete the authorization form and return to the plan administrator with a voided blank check or deposit slip.

You may change your reinvestment option at any time by sending written notice to the plan administrator by mail or by fax or scanned email ([drp@continentalstock.com](mailto:drp@continentalstock.com)). Notices received on or before a dividend record date will be effective for that cash dividend. Notices received after a dividend record date will not be effective until after that cash dividend has been paid.

9. When are dividends paid?

The dividend payment date and dividend record date is determined by the Company. To have your cash dividend reinvested, the plan administrator must receive your Account Authorization form authorizing dividend reinvestment on or before the dividend record date.

10. When does the plan administrator purchase shares?

- Optional Cash Investments. Optional cash investments are made on the last business day of each month, unless such day falls on a day the stock market is closed. In such case the investment date is the next trading date.
- Dividend Reinvestment. Cash dividends are reinvested on the applicable dividend payment date.

Shares are purchased and sold for the Plan on specified dates or during specified periods. As a result, you do not have any control over the price at which shares are purchased or sold for your account, and you may pay a higher purchase price or receive a lower sales price than if you had purchased or sold the shares outside of the Plan. You bear the risk of fluctuations in the price of the Company's common stock. No interest is paid on funds held by the plan administrator pending their investment. All optional cash investments, including the initial cash investment, are subject to collection by the plan administrator of the full value in United States funds.

11. How does the plan administrator buy the shares?

The plan administrator will purchase the Company's common stock on the open market for the participant's account. Such purchases may be made on any securities exchange where such shares are traded, in the over the counter market or in negotiated transactions.

12. At what price will the plan administrator purchase the shares?

If the shares are purchased in the open market or in a negotiated transaction, your purchase price will be the weighted average purchase price per share for all shares purchased for that investment date including broker commission. The plan administrator purchases shares through the broker as soon as practicable and in no event more than 10 business days after the applicable investment date.

The market price of the Company's common stock fluctuates (increases and decreases). Participants understand and agree that the Company and the plan administrator shall have no responsibility hereunder for any such changes, including, but not limited to those occurring between a dividend reinvestment or optional cash purchase or a termination and sale of the shares held under the Plan.

13. How often will I receive account statements?

The plan administrator will send you an account statement as soon as practicable after each dividend reinvestment and after each optional cash investment.

Account statements provide participants with records of their purchases and sales and other important information and should be retained for tax purposes.

14. Will I receive stock certificates for my plan shares?

You will not receive a stock certificate for your plan shares. You can request a certificate by submitting your request in writing to the plan administrator either by fax or by mail. There is a \$25 fee for issuance of a certificate. No certificates will be delivered for fractional shares.

15. Can I deposit stock certificates for safekeeping?

While enrolled in the Plan, any shares in your possession can be held for safekeeping by the plan administrator. Safekeeping ensures your protection against loss, theft, or destruction of the certificates representing your common shares.

To use this service you must send your certificate(s) to the plan administrator. Shares represented by certificates that you deposit with the plan administrator are credited to your account and thereafter are treated as if acquired under the Plan. You are responsible for maintaining your own record of the cost basis of certificated shares deposited with the plan administrator.

16. What if I lose my certificate?

We encourage you to search diligently for lost certificates. If your stock certificate(s) are lost, stolen or destroyed, please contact the plan administrator immediately. You will be required to provide an affidavit of loss and a surety bond at your cost.

17. Can I transfer my Plan shares to someone else?

You can transfer your plan shares. To do this, simply execute a stock power and return it to the plan administrator. Sign your name exactly as it appears on the account and if the account is registered in more than one name, each person must sign. Every signature must be guaranteed by a duly authorized representative of a financial institution participating in the Securities Transfer Agent Medallion Program (STAMP).

18. How do I sell my Plan shares?

You can sell some or all your plan shares by submitting your request in writing to the plan administrator either by fax, by mail or scanned email. The plan administrator, will, within 5 business days, sell such plan shares and deliver to you the proceeds of such sale, less any brokerage commissions and any other cost of sale. Any full shares and fractional interests in shares may be aggregated and sold with those of other terminating participants. All sale instructions are final when Continental Stock Transfer & Trust Company receives them. Your sale instructions cannot be stopped or cancelled. There is a \$15.00 fee to process all sales.

The price fluctuates on a daily basis. The price may rise or fall after you submit your request to sell and prior to the ultimate sale of your shares. The price risk will be borne solely by you.



19. How do I withdraw from the Plan?

You can withdraw all or a portion of your shares from your Plan at any time by notifying the plan administrator in writing by fax or by mail. A certificate for the appropriate number of shares will be mailed to you. Your dividend reinvestment election will continue unless you withdraw all your plan shares, your participation in the Plan will be terminated, and future dividends paid directly to you.

20. How do I contact the plan administrator?

**By mail:**

Continental Stock Transfer & Trust Company  
1 State Street- 30<sup>th</sup> Floor  
New York, NY 10004

**By phone:**

Fax: 1-212-616-7612 (Dividend Reinvestment)  
Tel: 1-800-509-5586  
Telephone hours are Monday-Friday, between  
The hours of 8:30 a.m. and 5:30 p.m. Eastern Time

**By Email:**

[drp@continentalstock.com](mailto:drp@continentalstock.com)

21. What are my tax consequences?

All dividends paid to you, whether or not they are reinvested, are considered taxable income. The total amount will be reported to you and to the Internal Revenue Service (the "IRS"), shortly after the end of each year.

Any sale of shares made through the plan administrator will also be reported to the IRS as required by law. Any profit or loss you incur should be reflected when you file your income tax returns.

22. How do I calculate my cost basis?

The Company and the plan administrator do not calculate your cost basis. We urge you to consult your own tax advisor for assistance with the calculation. Special tax issues may apply to some participants.

**Be sure to keep your statements for income tax purposes.**

## **OTHER PLAN INFORMATION**

### **Vesting Rights**

You are entitled to vote the shares held in your account in the Plan. You will be sent proxy information and other materials relating to shareholder meetings and any other material distributed by the Company to its shareholders. Continental Stock Transfer & Trust Company will vote your shares held in the Plan according to your instructions on the proxy card properly signed and returned by you.

### **Stock Splits and Other Distributions**

If The Company declares a stock split or stock dividend, we will credit your account with the appropriate number of shares. Shares will be distributed in book-entry form and those shares will be added to your account.

### **Changes to the Plan**

The Company may add to, modify or terminate its Plan at any time. We will send you written notice of any material changes.