

SUMMIT FINANCIAL GROUP INC  
Form DEF 14A  
April 09, 2013

---

---

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

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

Summit Financial Group, Inc.

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

Per unit price or other underlying value of transaction computed pursuant to Exchange  
3) Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how  
it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and  
identify the filing for which the offsetting fee was paid previously. Identify the previous  
filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

---

P. O. Box 179

300 North Main Street

Moorefield, West Virginia 26836

April 9, 2013

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Summit Financial Group, Inc. (the "Company"), a West Virginia corporation, which will be held on Thursday, May 16, 2013, at 1:00 p.m., EDT, at the Company's Corporate Office, 300 North Main Street, Moorefield, West Virginia.

It is important that your shares be represented at the Meeting. Whether or not you plan to attend the Meeting, you are requested to complete, date, sign and return the enclosed proxy card in the enclosed envelope for which postage has been paid. If you have any questions regarding the information in the attached proxy materials, please do not hesitate to call Teresa Ely, Director of Shareholder Relations, (304) 530-1000.

You will be asked at the Annual Meeting, to: (i) elect six (6) directors to serve until 2016, (ii) to adopt a non-binding resolution to approve the compensation of the Company's named executive officers; (iii) to approve a non-binding advisory proposal on the frequency of future votes on the compensation of the Company's named executive officers; and (iv) to ratify the selection of Arnett Foster Toothman, PLLC as the Company's independent registered public accounting firm for the year ending December 31, 2013.

You are urged to read the accompanying Proxy Statement carefully, as it contains detailed information regarding the nominees for directors of the Company and the independent registered public accounting firm of the Company.

Very truly yours,

Oscar M. Bean  
Chairman of the Board

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 16, 2013**

This proxy statement, along with our 2012 Annual Report, which includes our Form 10-K for the fiscal year ended December 31, 2012, are available free of charge on the following website: [www.summitfgi.com](http://www.summitfgi.com).

---

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

---

TIME 1:00 p.m., EDT, on May 16, 2013

PLACE Summit Financial Group, Inc.  
Corporate Office  
300 North Main Street  
Moorefield, West Virginia 26836

ITEMS OF BUSINESS (1)To elect six (6) directors to serve until 2016;

- (2)To adopt a non-binding resolution to approve the compensation of the Company's named executive officers;  
(3)To approve a non-binding advisory proposal on the frequency of future votes on the compensation of the Company's named executive officers;  
(4)To ratify the selection of Arnett Foster Toothman, PLLC as the Company's independent registered public accounting firm for the year ending December 31, 2013; and  
(5)To transact such other business as may properly come before the Meeting. The Board of Directors at present knows of no other business to come before the Annual Meeting.

RECORDOnly those shareholders of record at the close of business on April 1, 2013, shall be entitled to notice and to  
DATE vote at the Meeting.

ANNUALOur 2012 Annual Report, which is not part of the proxy materials, is enclosed.  
REPORT

PROXY It is important that your shares be represented and voted at the Meeting. Please MARK, SIGN, DATE and  
VOTING PROMPTLY RETURN the enclosed proxy card in the postage-paid envelope. Any proxy may be revoked prior to its exercise at the Meeting.

April 9, 2013

Oscar M. Bean  
Chairman of the Board

---

## TABLE OF CONTENTS

	Page
PROXY STATEMENT	1
Principal Executive Office of the Company	1
Shareholders Entitled to Vote	1
Multiple Shareholders Sharing the Same Address	1
Proxies	1
Vote By Mail	2
Voting at the Annual Meeting	2
Voting on Other Matters	2
Required Vote	2
Cost of Proxy Solicitation	3
Shareholder Account Maintenance	3
Section 16(a) Beneficial Ownership Reporting Compliance	3
GOVERNANCE OF THE COMPANY	4
Board and Committee Membership	4
Board Leadership Structure	4
Board's Role in Risk Oversight	4
Executive Committee	4
Audit and Compliance Committee	5
Compensation and Nominating Committee	6
Policies and Procedures Relating to Nomination of Directors	6
Director Qualifications and Review of Director Nominees	7
Nominees for the Class Expiring in 2016	7
Continuing Directors	9
Processes and Procedures Relating to Executive Compensation	11
Independence of Directors and Nominees	12
Transactions with Related Persons	13
Shareholder Communication with Directors	14
Board Member Attendance at Annual Meeting	14
Corporate Policies	14

ITEM 1 - ELECTION OF DIRECTORS	15
Security Ownership of Directors and Officers	15
Family Relationships	16
NOMINEES FOR DIRECTOR WHOSE TERMS EXPIRE IN 2016	17
DIRECTORS WHOSE TERMS EXPIRE IN 2015	19
DIRECTORS WHOSE TERMS EXPIRE IN 2014	20
ITEM 2 - ADOPTION OF NON-BINDING RESOLUTION TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS	22
ITEM 3 - NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF FUTURE VOTES ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS	23

EXECUTIVE COMPENSATION	24
Executive Compensation Program	24
Plans Covering All Employees	27
Potential Payments Upon Termination or Change of Control	28
Compensation of Named Executive Officers	33
Summary Compensation Table	34
Outstanding Equity Awards at December 31, 2012	35
Director Compensation	37
ITEM 4 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	39
AUDIT AND COMPLIANCE COMMITTEE REPORT	40
Audit and Compliance Committee Fees To Arnett Foster Toothman, PLLC	40
EXECUTIVE OFFICERS	42
PRINCIPAL SHAREHOLDER	44
REQUIREMENTS, INCLUDING DEADLINE FOR SUBMISSION OF PROXY PROPOSALS, NOMINATION OF DIRECTORS AND OTHER BUSINESS OF SHAREHOLDERS	45
Stock Transfers	45
ANNUAL REPORT	46
FORM 10-K	46





---

PROXY STATEMENT

---

These proxy materials are delivered in connection with the solicitation by the Board of Directors of Summit Financial Group, Inc. (“Summit,” the “Company,” “we,” or “us”), a West Virginia corporation, of proxies to be voted at our 2012 Annual Meeting of Shareholders and at any adjournment or postponement.

You are invited to attend our Annual Meeting of Shareholders on May 16, 2013, beginning at 1:00 p.m. The meeting will be held at Summit’s Corporate Office, 300 North Main Street, Moorefield, West Virginia 26836.

This Proxy Statement, form of proxy and voting instructions are being mailed starting on or about April 9, 2013.

#### Principal Executive Office of the Company

The principal executive office of the Company is 300 North Main Street, Moorefield, West Virginia 26836.

#### Shareholders Entitled to Vote

Holders of record of Summit common shares at the close of business on April 1, 2013, are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 7,437,472 common shares outstanding. Each common share is entitled to one vote on each matter properly brought before the Annual Meeting.

#### Multiple Shareholders Sharing the Same Address

Owners of common stock in street name may receive a notice from their broker or bank stating that only one proxy statement will be delivered to multiple shareholders sharing an address. This practice, known as “householding,” is designed to reduce printing and postage costs. However, if any shareholder residing at such an address wishes to receive a separate proxy statement, he or she may contact Teresa Ely, Director of Shareholder Relations, Summit Financial Group, Inc., P. O. Box 179, Moorefield, West Virginia 26836, or by telephone at (304) 530-1000, or by e-mail at tely@summitfgi.com.

#### Proxies

Your vote is important. Shareholders of record may vote their proxies by mail. If you choose to vote by mail, a postage-paid envelope is provided.

Proxies may be revoked at any time before they are exercised by (1) written notice to the Secretary of the Company, (2) timely delivery of a valid, later-dated proxy or (3) voting in person at the Annual Meeting.

You may save us the expense of a second mailing by voting promptly. Choose one of the following voting methods to cast your vote.



### Vote By Mail

If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

### Voting at the Annual Meeting

The method by which you vote now will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Meeting.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting in accordance with your instructions. If you sign your proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of Directors.

### Voting on Other Matters

If any other matters are properly presented at the Annual Meeting for consideration, the persons named in the enclosed form of proxy intend to exercise their discretionary authority in accordance with applicable federal and state laws and regulations to vote on those matters for you. As of the date this proxy statement went to press, we did not know of any other matter to be raised at the Annual Meeting.

### Required Vote

The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast by the shareholders entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions and broker “non-votes” are counted as present and entitled to vote for purposes of determining a quorum. A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

On the record date, there were 7,437,472 shares of common stock outstanding which are held by approximately 1,250 shareholders of record. A majority of the outstanding shares of Summit Financial Group, Inc. will constitute a quorum at the meeting.

A plurality of the votes cast is required for the election of directors. Abstentions and broker “non-votes” will be disregarded and will have no effect on the outcome of the vote for the election of directors.

In the election of directors, shareholders cast one (1) vote for each nominee for each share held. However, every shareholder has the right of cumulative voting, in person or by proxy, in the election of directors. Cumulative voting gives each shareholder the right to aggregate all votes which he or she is entitled to cast in the election of directors and to cast all such votes for one candidate or distribute them among as many candidates and in such a manner as the shareholder desires.

At our 2013 Annual Meeting, the total number of directors to be elected is six (6) in the class expiring in 2016. Each shareholder has the right to cast six (6) votes for each share of stock held on the record date.



If you wish to exercise, by proxy, your right to cumulative voting in the election of directors, you must provide a proxy showing how your votes are to be distributed among one or more candidates. Unless contrary instructions are given by a shareholder who signs and returns a proxy, all votes for the election of directors represented by such proxy will be divided equally among the nominees for each class. The vote represented by the proxies delivered pursuant to this solicitation, which do not contain any instructions, may be cumulated at the discretion of the Board of Directors of Summit Financial Group, Inc. in order to elect to the Board of Directors the maximum nominees named in this proxy statement.

For purposes of (i) the non-binding resolution to approve compensation of the Company's named executive officers and (ii) ratification of Arnett & Foster, PLLC as the Company's independent registered public accounting firm for the year ended December 31, 2013, an affirmative vote of a majority of the votes cast on this proposal is required. In determining whether the proposal has received the requisite number of affirmative votes, abstentions and broker "non-votes" will be disregarded and will have no effect on the outcome of the vote.

As to the frequency of the non-binding proposal to approve the compensation of the Company's named executive officers, the greatest number of votes (either every year, every two years or every three years) will be the frequency that shareholders approve, without regard to abstentions and broker "non-votes."

#### Cost of Proxy Solicitation

We will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by Directors, officers or employees in person or by telephone, electronic transmission, or by facsimile transmission. Brokers, fiduciaries, custodians and other nominees have been requested to forward solicitation materials to the beneficial owners of the Company's common stock. Upon request we will reimburse these entities for their reasonable expenses.

#### Shareholder Account Maintenance

Registrar and Transfer Company is our transfer agent. All communications concerning accounts of shareholders of record, including address changes, name changes, inquiries as to requirements to transfer common shares and similar issues can be handled by contacting:

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 07016-3572  
www.rtco.com  
(800) 368-5948

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 and SEC regulations require the Company's directors and executive officers and greater than ten percent shareholders to file reports of ownership on Form 3 and changes in ownership on Forms 4 or 5 with the SEC. Based solely on our review of copies of such reports received and/or written representations from such directors and executive officers and ten percent shareholders, the Company believes that all Section 16(a) filing requirements applicable to its directors, executive officers and ten percent shareholders were complied with during fiscal year 2012 except Jeffrey E. Hott, who had two late reports relating to five transactions.



---

## GOVERNANCE OF THE COMPANY

---

### Board and Committee Membership

During 2012, the Board of Directors met six (6) times. All of our Directors attended 75% or more of the meetings of the Board and the meetings held by committees of the Board on which the directors served in 2012.

The Company has a standing Executive Committee, Audit and Compliance Committee, and a Compensation and Nominating Committee.

### Board Leadership Structure

The Board of Directors of the Company is led by a Chairman who is not the Chief Executive Officer. Oscar M. Bean currently serves as the Chairman of the Board and H. Charles Maddy, III is the Company's Chief Executive Officer. The Board believes that it is important to formally separate the roles of Chairman of the Board of Directors and the Chief Executive Officer. The separation of these roles results in a more effective monitoring and objective evaluation of the Chief Executive Officer's performance. The Board also believes that directors will be more likely to challenge the Chief Executive Officer if the Chairman of the Board is not the Chief Executive Officer.

### Board's Role in Risk Oversight

Senior management is responsible for assessing and managing the Company's various exposures to risk on a day-to-day basis, including the creation of appropriate risk management programs and policies. The Board is responsible for overseeing management in the execution of its responsibilities and for assessing the Company's approach to risk management. The Board exercises these responsibilities periodically as part of its meetings and also through the Board's committees, each of which examines various components of risk as part of their responsibilities. The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management and reports from committees of the Board on areas of material risk to the Company, including operational, market, credit, financial, legal and regulatory risks. This enables the Board, senior management, and the committees of the Board to coordinate the risk oversight role, particularly with respect to risk interrelationships. In addition, an overall review of risk is inherent in the Board's consideration of the Company's long-term strategies and in the transactions and other matters presented to the Board, including capital expenditures, acquisitions and divestitures, and financial matters.

### Executive Committee

The Executive Committee, on an as needed basis, approves loans above specified limits and performs such duties and exercises such powers as delegated to it by the Company's Board of Directors. The current members of the Company's Executive Committee are Oscar M. Bean, Chairman, John W. Crites, James P. Geary, II, Thomas J. Hawse, III, Gary L. Hinkle, H. Charles Maddy, III, Duke A. McDaniel, G. R. Ours, Jr., and Charles S. Piccirillo. The Executive Committee did not meet in 2012.





### Audit and Compliance Committee

The Audit and Compliance Committee's primary function is to assist the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of Summit's financial reports. This entails:

- Serving as an independent and objective party to monitor the Company's financial reporting process and internal control system.
- Providing direction to and oversight of the Company's internal audit function.
- Reviewing and appraising the efforts of the Company's independent auditors.
- Maintaining a free and open means of communication between directors, internal audit staff, independent auditors, and management.

The Audit and Compliance Committee has adopted a written charter, which charter was amended on February 28, 2013. A copy of the amended charter is available on the Company's web site at [www.summitfgi.com](http://www.summitfgi.com). Current members of this committee are George W. Pace, Chairman, John W. Crites, Georgette R. George, Thomas J. Hawse, III, Gary L. Hinkle, Gerald W. Huffman, and Charles S. Piccirillo. The Audit and Compliance Committee charter requires that the committee be comprised of five (5) or more directors. The Audit and Compliance Committee met four (4) times in 2012.

Pursuant to the provisions of the Sarbanes-Oxley Act, which was enacted in 2002, the SEC adopted rules requiring companies to disclose whether or not at least one member of the Audit and Compliance Committee is an "audit committee financial expert" as defined in such rules.

Under the SEC rules, an "audit committee financial expert" has the following attributes:

- An understanding of generally accepted accounting principles and financial statements;
- An ability to assess the general application of accounting principles generally accepted in the United States of America in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions.

A person must possess all of the above attributes to qualify as an audit committee financial expert.

Based on Director Questionnaires, the Board of Directors has determined that John W. Crites, Thomas J. Hawse, III, and George W. Pace of the Audit and Compliance Committee possess all of the above five attributes so as to be deemed "audit committee financial experts" under the SEC rules. All three of these individuals are independent, as independence for audit committee members is defined in the NASDAQ listing standards.



In addition, John W. Crites, Thomas J. Hawse, III, and George W. Pace each qualify as a “financial expert” under the NASDAQ Marketplace Rules, which standards are different from the SEC rules. Under the NASDAQ Marketplace Rules, a “financial expert” must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background which results in the individual’s financial sophistication, including being a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Mr. Crites, Mr. Hawse and Mr. Pace have the necessary experience to qualify them as “financial experts” under the NASDAQ Marketplace Rules.

For information concerning the audit fees paid by the Company in 2012 and for information about the Company’s independent auditors generally, see the Audit and Compliance Committee Report on page 40 of these Annual Meeting materials.

#### Compensation and Nominating Committee

The Compensation and Nominating Committee consists of a minimum of four (4) independent, outside directors. The members of the Compensation and Nominating Committee during 2012 were Oscar M. Bean, Chairman, Dewey F. Bensenhaver, John W. Crites, James P. Geary, II, Thomas J. Hawse, III, Phoebe F. Heishman, Gary L. Hinkle, and Charles S. Piccirillo.

The Compensation and Nominating Committee has adopted a written charter, a copy of which is available on the Company’s website at [www.summitfgi.com](http://www.summitfgi.com).

The Committee meets at scheduled times during the year as required, generally one to two times. The Committee reports on Committee actions at Board meetings. The Committee has the authority to retain outside counsel and any other advisors as the Company may deem appropriate in its sole discretion. The Compensation and Nominating Committee met one (1) time in 2012.

#### Policies and Procedures Relating to the Nomination of Directors

The Compensation and Nominating Committee assists the Board in (i) identifying qualified individuals to become board members, (ii) determining the composition of the Board of Directors and its committees, (iii) monitoring a process to assess board effectiveness, and (iv) developing and implementing the Company’s corporate governance guidelines.

In determining nominees for the Board of Directors, the Compensation and Nominating Committee selects individuals who have the highest personal and professional integrity and who have demonstrated exceptional ability and judgment. The Committee also selects individuals who are most effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of the shareholders. In identifying first-time nominees for director, or evaluating individuals recommended by shareholders, the Compensation and Nominating Committee determines, in its sole discretion, whether an individual meets the minimum qualifications approved by the Board of Directors and may consider the current composition of the Board of Directors in light of the diverse communities served by the Company and the interplay of the candidate’s experience with the experience of other Board members.

Although the Compensation and Nominating Committee considers diversity in identifying nominees for a director by identifying directors who are educated and who have work experience in diverse areas (such as accounting, legal, finance, energy, media, insurance, timber, transportation, farming, hospitality, and retail) to provide the board as a whole with experience and perspective in a wide variety of areas, the Compensation and Nominating Committee does not have a policy with regard to the consideration of diversity in identifying director nominees.



The Compensation and Nominating Committee does not have a specific policy with regard to the consideration of persons nominated for Directors by shareholders. The Articles of Incorporation of the Company describe the procedures that a shareholder must follow to nominate persons for election as Directors. For more information regarding these procedures, see Requirements, Including Deadline for Submission of Proxy Proposals, Nomination of Directors and Other Business of Shareholders on page 45 of these Annual Meeting materials. The Compensation and Nominating Committee will consider nominees for Director recommended by shareholders provided the procedures set forth in the Articles of Incorporation of the Company are followed by shareholders in submitting recommendations. The Committee does not intend to alter the manner in which it evaluates nominees, including the minimum criteria set forth above, based on whether the candidate was recommended by a shareholder or not.

With regard to the Compensation and Nominating Committee's specific nominating responsibilities, see a copy of its current charter on the Company's website at [www.summitfgi.com](http://www.summitfgi.com).

#### Director Qualifications and Review of Director Nominees

In connection with the Director nominations for the 2013 Annual Meeting, the Compensation and Nominating Committee considered the Nominee's and the Continuing Directors' roles in identifying and understanding the Company's risks and overseeing the Company's compliance with its risk management program. These considerations were in addition to the qualifications, skills and attributes described above that are considered by the Compensation and Nominating Committee in selecting Nominees for the Board of Directors.

In addition to fulfilling the above criteria, all of the Nominees for election to the class expiring in 2016 are independent under the NASDAQ listing standards and the SEC rules. Ten (10) of eleven (11) directors whose terms expire in 2014 and 2015 (the "Continuing Directors") are independent under the NASDAQ listing standards. H. Charles Maddy, III is not independent as he is an executive officer and employee of the Company.

Each Nominee and Continuing Director brings a strong and unique background and set of skills to the Board providing the Board as a whole competence and experience in a wide variety of areas including banking, finance, accounting, legal, corporate governance, executive management, media, energy, forestry, transportation and insurance. Set forth below are the specific experience, qualifications, skills, and attributes considered by the Board in concluding that the Nominees and Continuing Directors are qualified to serve as Directors of the Company:

#### Nominees for the Class Expiring in 2016

Oscar M. Bean has served as a member of the Board of Directors of the Company since 1987 and has served as a member of the Board of Directors of Summit's banking subsidiary since 1978. Mr. Bean was named Chairman of the Board of the Company in 1995, and has served in this capacity for the last 18 years. Mr. Bean is a lawyer and was formerly the prosecuting attorney of Hardy County, West Virginia. Mr. Bean served on the Board of the Moorefield Scholarship Fund and served as a member of the West Virginia University College of Law Visiting Committee. Mr. Bean is currently the Chairman of the Eastern West Virginia Community and Technical College Foundation and is the Managing Partner of Bean & Bean, Attorneys at Law. Mr. Bean is Chairman of the Commission on Judicial Independence. Mr. Bean also chairs the Executive Committee and Compensation and Nominating Committee.

Dewey F. Bensenhaver, MD has served as a member of the Board of Directors of the Company since 2000 and served as a member of the Board of Directors of Summit's banking subsidiary from 1998 to 2008. Dr. Bensenhaver was reappointed as a member of the Board of Directors of Summit's banking subsidiary in May, 2011. Dr. Bensenhaver is a physician operating a private practice since 1972. In addition, Mr. Bensenhaver has owned a farming operation since 1976. Dr. Bensenhaver is a member of the Compensation and Nominating Committee.

John W. Crites has served as a member of the Board of Directors of the Company since 1989 and has served as a member of the Board of Directors of Summit's banking subsidiary since 1989. Mr. Crites serves as the Chairman and Chief Executive Officer of Allegheny Wood Products, Inc., a family-owned hardwood sawmill company founded by Mr. Crites and his wife in 1973, and Allegheny Wood Products International, Inc. Mr. Crites opened his first sawmill in 1973 with 13 employees in Riverton, West Virginia and today Allegheny Wood Products has 500 employees and markets to 18 foreign countries plus the United States. Mr. Crites also owns Allegheny Dimension, LLC in Petersburg, West Virginia which manufactures semi-finished furniture and stair-parts components. Mr. Crites is also a principal stockholder of KJV Aviation, Inc. Mr. Crites earned a bachelor's degree at West Virginia University and a master's degree in forestry from the University of Montana. Mr. Crites is a member of the West Virginia University Foundation Inc., National Campaign Committee, and is the Chair of the Trust Committee of the West Virginia University Forestry Endowment Fund. Mr. Crites is a member of the Executive Committee, the Audit and Compliance Committee, and the Compensation and Nominating Committee.

James P. Geary, II has served as a member of the Board of Directors of the Company since 2007 and served as a member of the Board of Directors of Summit's banking subsidiary from 2007 to 2008. Mr. Geary was reappointed as a member of the Board of Directors of Summit's banking subsidiary in May, 2011. Mr. Geary earned his bachelor of science degree in accounting from the West Virginia University School of Business and received his law degree from the West Virginia University College of Law. Mr. Geary is a Partner of the law firm Geary & Geary and is a real estate broker for Landimer, Inc. Mr. Geary is a title insurance agent for Old Republic Title Insurance Company and First American Title Insurance Company and is the Managing Member of Allegheny Highlands, LLC, a real estate sales and development company. Mr. Geary is a current member of the Grant County Planning Commission and is a member of the West Virginia Forestry Association. Mr. Geary serves as a mediator in the 21st and 22nd West Virginia Judicial Circuits and serves as the Mental Hygiene Commissioner in the 21st West Virginia Judicial Circuit. Mr. Geary is a charter member of the Grant and Hardy County Gideons and is the Membership Regional Program Leader of the West Virginia Gideons International. He serves as the Chairman of the Administrative Council of the St. John's United Methodist Church. Mr. Geary was also a professor at Shepherd College, Shepherdstown, West Virginia. Mr. Geary is a member of the Executive Committee.

Phoebe F. Heishman has served as a member of the Board of Directors of the Company since 1987 and has served as Secretary of the Company since 1995. Ms. Heishman has served as a member of the Board of Directors of Summit's banking subsidiary since 1973. Ms. Heishman has over 41 years of business experience. Ms. Heishman is currently the President of RE Fisher Co., Inc., and is the Publisher and Editor of The Moorefield Examiner. In 1994, Ms. Heishman was awarded the P. I. Reed Achievement Award from the West Virginia University School of Journalism. This award was created in 1966, and is the most prestigious award bestowed on alumni of the West Virginia University School of Journalism. Ms. Heishman also received the Adam Kelley Premier Journalist Award in 2008 from the West Virginia Press Association. Ms. Heishman served as the President of the West Virginia Press Association from 1990-1991. Ms. Heishman was also the Chairman of the Hardy County Bicentennial Commission and the Past President of the Hardy County Historical Society. Ms. Heishman has been named a Distinguished West Virginian by Governor Gaston Caperton and named as a Friend of Agriculture by Governor Bob Wise and Agriculture Commissioner Gus Douglass. Ms. Heishman was a former employee with the Federal Reserve Bank of San Francisco. Ms. Heishman is a current member of the Hardy County Chamber of Commerce Board of Directors. Ms. Heishman is Chairperson of the Profit Sharing Committee and a member of the Compensation and Nominating Committee.





Charles S. Piccirillo has served as a member of the Board of Directors of the Company since 1998 and served as a member of the Board of Directors of Summit's banking subsidiary from 1996 to 2008. Mr. Piccirillo was reappointed as a member of the Board of Directors of Summit's banking subsidiary in May, 2011. Mr. Piccirillo received his law degree from the West Virginia University College of Law in 1980 and is a member in the law firm of Shaffer & Shaffer, PLLC. Mr. Piccirillo is also a Partner with Lawoff Associates, and President of Auggus Enterprises, Inc., both of which are real estate entities. Mr. Piccirillo is a member of the Executive Committee, the Audit and Compliance Committee and the Compensation and Nominating Committee.

#### Continuing Directors

James M. Cookman has served as a member of the Board of Directors of the Company since 1994 and served as a member of the Board of Directors of Summit's banking subsidiary from 1994 to 2008. Mr. Cookman was reappointed as a member of the Board of Directors of Summit's banking subsidiary in May, 2011. Mr. Cookman has 35 years of diverse business experience in the areas of insurance, renewable energy, finance, real estate and communications. Mr. Cookman is currently the President of Cookman Insurance Group, Inc., and is the President and Chief Operating Officer of US Wind Force, LLC and is also the president of several other companies that he manages. Mr. Cookman is politically active at the local, state and federal levels and is actively involved in community initiatives. Mr. Cookman is a member of the Profit Sharing Committee.

Thomas J. Hawse, III has served as a member of the Board of Directors of the Company since 1988 and has served as a member of the Board of Directors of Summit's banking subsidiary since 1988. Mr. Hawse received his bachelor of science degree in accounting from West Virginia University and has audit experience from working for PriceWaterhouseCoopers in Pittsburgh, Pennsylvania. Mr. Hawse has served on numerous Boards of Directors. Mr. Hawse is currently the President of Hawse Food Market, Inc. Mr. Hawse has executive and legislative experience. Mr. Hawse serves as a member of the Executive Committee, the Compensation and Nominating Committee, and the Audit and Compliance Committee.

Gary L. Hinkle has served as a member of the Board of Directors of the Company since 1993 and has served as a member of the Board of Directors of Summit's banking subsidiary since 1993. Mr. Hinkle received his bachelor of science in business management from West Virginia University and has 27 years of experience in owning and operating his own business. Mr. Hinkle is currently the President of Hinkle Trucking, Inc., Dettinburn Transport, Inc., Mt. Storm Fuel Inc., and H. T. Services, Inc. Mr. Hinkle serves as a member of the Executive Committee, the Audit and Compliance Committee, and the Compensation and Nominating Committee.

Gerald W. Huffman has served as a member of the Board of Directors of the Company since 2000 and served as a member of the Board of Directors of Summit's banking subsidiary from 1998 to 2008. Mr. Huffman was reappointed as a member of the Board of Directors of Summit's banking subsidiary in May, 2011. Mr. Huffman has over 41 years of experience in owning and operating his own business and has employed as many as 50 individuals. Mr. Huffman is currently the President of Huffman Logging, Inc., Potomac Trucking and Excavation, Inc. and G&T Repair, Inc. Mr. Huffman has served on the Executive Board of the West Virginia Forestry Association. Mr. Huffman serves on the Audit and Compliance Committee and the Profit Sharing Committee.

H. Charles Maddy, III has served as a member of the Board of Directors since 1993 and has served as a member of the Board of Directors of Summit's banking subsidiary since 1993. Mr. Maddy has served as Chairman of the Board of Directors of Summit Community Bank, the banking subsidiary of the Company, since September, 2010, and Co-Chairman from 2007 to September, 2010. Mr. Maddy is currently the President and Chief Executive Officer of the Company, and has served in this capacity since 1994. Mr. Maddy received his bachelor degree in business administration with a concentration in accounting from Concord College. Mr. Maddy served as the Vice-Chairman and Director of the Federal Home Loan Bank of Pittsburgh during the time period from 2002 to 2010 and also served as Chairman and member of the Federal Home Loan Bank of Pittsburgh's Audit Committee. Mr. Maddy is a member of the Executive Committee and the Profit Sharing Committee.

J. Scott Bridgeforth has served as a member of the Board of Directors since 2011. Mr. Bridgeforth has served as a member of the Board of Directors of Summit's banking subsidiary since 1999. Mr. Bridgeforth received his Bachelor of Business Administration in Business Management from James Madison University and has 27 years of experience in owning and operating his own business. Mr. Bridgeforth is currently the owner and Vice-President of Royal Crown Bottling Company of Winchester, Inc. and Royal Crown Bottling Company of Hagerstown, Maryland, and the owner and President of Sure Bet Services, Inc. Mr. Bridgeforth is a member of the Profit Sharing Committee.

Georgette R. George has served as a member of the Board of Directors since 2010. Ms. George also served as a member of the Board of Directors of Summit from March, 1998 to December, 1999 and served as a member of the Board of Directors of Summit's banking subsidiary from 1995 to 2005. Ms. George was re-appointed as a member of the Board of Directors of Summit's banking subsidiary in December, 2009. Ms. George is a principal in a number of business enterprises involved in various retail, office, and hotel development projects, of which she manages the administrative and financial operations. She has been engaged in these businesses for more than twenty years. Previously, she held a position in sales management at the Hewlett-Packard Company where she received the President's Award, that company's highest sales achievement award. Ms. George has a strong understanding of business management and finance through her experience in managing and operating multiple businesses. Ms. George has served on the Boards of numerous non-profit organizations, including the Thomas Hospital Foundation, Community Council of Kanawha Valley, and the Convention Bureaus of the cities of both Charleston and South Charleston, West Virginia. Ms. George was a recipient of the Women of Achievement Award conferred by the Young Women's Christian Association of Charleston. Ms. George is a graduate of Vanderbilt University where she earned a B.E. degree in Biomedical and Electrical Engineering. Ms. George is a member of the Audit and Compliance Committee and the Profit Sharing Committee.

Jeffrey E. Hott has served as a member of the Board of Directors since 2011. Mr. Hott has served as a member of the Board of Directors of Summit's banking subsidiary since October, 1990. Mr. Hott is the President and a member of the Board of Directors of E. E. Hott, Inc., a real estate holding and asset management company for the following entities: Franklin Oil Company, Inc., Hott's Ag Services, Inc., and Hott's Farming, Inc. Mr. Hott is an officer and a member of the Board of Directors of each of these entities. Mr. Hott is an operating partner and owner in BeaconNet, LLC involved primarily in leasing and renting communication facilities. Mr. Hott has served in these businesses for over 40 years. Mr. Hott serves as a member of the Pendleton County Community and Economic Development Authority. Mr. Hott is a member of the Profit Sharing Committee. Mr. Hott also serves as a director of Cross Knob Sportsman Club, Inc., primarily a hunting preservation and real estate holding company.

Duke A. McDaniel has served as a member of the Board of Directors since 2000 and served as a member of the Board of Directors of Summit's banking subsidiary from 1985 to 2008. Mr. McDaniel was reappointed as a member of the Board of Directors of Summit's banking subsidiary in May, 2011. Mr. McDaniel received his law degree from West Virginia University College of Law and has been practicing law since 1964. Mr. McDaniel is a member of the Executive Committee and the Profit Sharing Committee.



G .R. Ours, Jr. has served as a member of the Board of Directors since 2000 and has served as a member of the Board of Directors of Summit's banking subsidiary since 1974. Mr. Ours has 38 years of banking experience and 31 years of business experience at Petersburg Oil Co. Mr. Ours served as the President of Petersburg Oil Co. for 31 years prior to retiring. Mr. Ours received his business degree from West Virginia University. Mr. Ours is involved in the community and volunteers and supports numerous community initiatives. Mr. Ours is a member of the Executive Committee.

George W. Pace has served as a member of the Board of Directors since 2011. Mr. Pace has served as a member of the Board of Directors of Summit's banking subsidiary since 2003, and has served on the local Board of Directors of Summit Community Bank in Harrisonburg, Virginia since 2003. Mr. Pace earned his bachelor of science degree and master's degree in business administration from the University of North Carolina. Mr. Pace is the former CEO of Rocco Enterprises and served as the Vice-Mayor of Harrisonburg, Virginia. Mr. Pace is currently self-employed as a business advisor and serves on the Board of Directors of five privately-owned entities. Mr. Pace serves as Chair of the Audit and Compliance Committee.

#### Processes and Procedures Relating to Executive Compensation

Another purpose of the Compensation and Nominating Committee is to review, approve and report to the Board of Directors the compensation of all executive officers of the Company who are subject to the requirements of Section 16 of the Securities Exchange Act of 1934 (the "Executive Officers"), including salaries and bonuses, and to approve and report to the Board of Directors all grants of stock options. The Compensation and Nominating Committee also annually reviews the Board Attendance and Compensation Policy which includes the compensation paid to the Board of Directors. The Compensation and Nominating Committee recommends any revisions to the Board Attendance and Compensation Policy to the full Board of Directors for approval. The Committee's primary processes and procedures for carrying out these purposes include:

- Scope of Authority. The Committee has the following duties and responsibilities:
  - Annually review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer (the "CEO") established by the Board of Directors, evaluate the CEO's performance in light of these goals and objectives, and review, approve and report to the Board of Directors all compensation arrangements, including base salary, incentive compensation and long-term compensation for the CEO.
  - Annually review, approve and report to the Board of Directors all compensation arrangements, including base salary, incentive compensation and long-term compensation, for all other Executive Officers.
  - Review, approve and report to the Board of Directors compensation packages for new Executive Officers and termination packages for Executive Officers.
  - Review and make recommendations to the Board of Directors for ratification decisions relating to long-term incentive compensation plans, including the use of equity-based plans. Except as otherwise delegated by the Board of Directors, the Committee will act on behalf of the Board of Directors as the "committee" established to administer equity-based and employee benefit plans, and as such, will discharge any responsibilities imposed on the committee under those plans, including making and authorizing grants in accordance with the terms of those plans. All such grants must be ratified by the Board of Directors.



- Make recommendations to the Board of Directors with respect to matters relating to incentive compensation and equity-based plans which are appropriate for action by the Board of Directors under applicable NASDAQ and SEC rules.

- Delegation of Authority. The Committee has the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate.

- Role of Executive Officers. The Chief Executive Officer provides the Committee with a verbal performance assessment and compensation recommendation for each of the other Executive Officers. In addition to the following items, these performance assessments and recommendations are considered by the Committee in reviewing, approving and reporting to the Board the compensation arrangements of each Executive Officer other than the CEO: (i) an assessment of the Company's performance, (ii) the perquisites provided to the Executive Officers, (iii) the salaries paid by a peer group to executive officers holding equivalent positions, (iv) tally sheets showing the aggregate amount of all components of compensation paid to the Executive Officers, and (v) the complexity of the job duties of each Executive Officer.

- Role of Independent Consultant. The Committee has the authority to retain any advisors as the Committee deems appropriate in carrying out its duties. The Committee has not retained the services of an independent consultant in reviewing and approving the form and amount of executive and director compensation.

#### Independence of Directors and Nominees

The Board of Directors annually reviews the relationships of each of its members with the Company to determine whether each director is independent. This determination is based on both subjective and objective criteria developed by the NASDAQ listing standards and the SEC rules.

The Board of Directors reviewed the directors' responses to a questionnaire asking about their relationships with the Company (and those of their immediate family members) and other potential conflicts of interest, as well as information provided by management related to transactions, relationships, or arrangements between the Company and the directors or parties related to the directors in order to determine the independence of the current members of the Board of Directors and the nominees for election as a director of the Company.

Based on the subjective and objective criteria developed by the NASDAQ listing standards and the SEC rules, the Board of Directors determined that the following nominees and current members of the Board of Directors are independent: Oscar M. Bean, Dewey F. Bensenhaver, J. Scott Bridgeforth, James M. Cookman, John W. Crites, James P. Geary, II, Georgette R. George, Thomas J. Hawse, III, Phoebe F. Heishman, Gary L. Hinkle, Jeffrey E. Hott, Gerald W. Huffman, Duke A. McDaniel, G. R. Ours, Jr., George W. Pace and Charles S. Piccirillo.

H. Charles Maddy, III is not independent because he is an executive officer of the Company.

The NASDAQ listing standards contain additional requirements for members of the Compensation and Nominating Committee and the Audit and Compliance Committee. All of the directors serving on each of these committees are independent under the additional requirements applicable to such committees.

The Board considered the following relationships in evaluating the independence of the Company's Directors and determined that none of the relationships constitute a material relationship with the Company and each of the relationships satisfied the standards for independence:

- Summit Community Bank, Inc., a subsidiary of the Company, provided lending and/or other financial services to each member of the Company's Board of Directors, their immediate family members, and/or their affiliated organizations during 2012 and 2011 in the ordinary course of business and on substantially the same terms as those available to unrelated parties;
- Oscar M. Bean and James P. Geary, II are partners of law firms that received payments for legal services provided to the Company or its subsidiaries during 2012 and 2011;
- Mr. Crites beneficially owns an aggregate of 798,816 shares or 10.41% of the Company's common stock. Of these shares beneficially owned by Mr. Crites, 250,000 shares arise from Mr. Crites' right to convert some or all of the 2,000 shares of Series 2011 Preferred Stock on any dividend payment date (March 1, June 1, September 1 and December 1). Under the SEC rules, Mr. Crites is deemed to beneficially own these 250,000 shares of the Company's common stock on a date that is 60 days prior to a dividend payment date. Accordingly, Mr. Crites's ownership under the SEC rules exceed 10% during the following time periods when he has the right to convert this Series 2011 Preferred Stock to common stock: from January 1 to March 1, April 2 to June 1, July 3 to September 1 and October 2 to December 1.
- The Company and its subsidiary purchased products from a grocery store owned by Thomas J. Hawse, II in 2012 and 2011; and
- The Company and its subsidiary advertised in a weekly newspaper owned by Phoebe F. Heishman in 2012 and 2011.

#### Transactions with Related Persons

The Company has written policies and procedures for review, approval and monitoring of transactions involving the Company and "related persons" (directors, nominees for director, and executive officers or their immediate families, or shareholders owning five percent or greater of the Company's outstanding voting stock). The policy covers any related person transaction that meets the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest).

Directors and executive officers of the Company and its subsidiaries, members of their immediate families, and business organizations and individuals associated with them have been customers of, and have had normal banking transactions with Summit Community Bank. All such transactions were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to Summit and did not involve more than the normal risk of collectability or present other unfavorable features. Loans made to directors and executive officers are in compliance with federal banking regulations and are thereby exempt from insider loan prohibitions included in the Sarbanes-Oxley Act of 2002.

The Board of Directors reviewed all transactions with related parties since January 1, 2011, to determine if such transactions were required to be reported in this Proxy Statement. The Company has not entered into any transactions with related persons since January 1, 2011, that met the threshold for disclosure in this Proxy Statement under the

relevant SEC rules, nor has the Company entered into a current transaction, in which the amount of the transaction exceeds the threshold for disclosure in this Proxy Statement under relevant SEC rules and in which a related person had or will have a direct or indirect material interest.



#### Shareholder Communication with Directors

The Board of Directors of the Company provides a process for shareholders to send communications to the Board of Directors or to any of the individual Directors. Shareholders may send written communications to the Board of Directors or to any of the individual Directors c/o Assistant Corporate Secretary at the following address: Summit Financial Group, Inc., P. O. Box 179, 300 North Main Street, Moorefield, West Virginia 26836. All communications will be compiled by the Assistant Corporate Secretary of the Company and submitted to the Board of Directors or to the individual Directors on a periodic basis.

#### Board Member Attendance at Annual Meeting

The Company does not have a policy with regard to directors' attendance at annual meetings. Eleven (11) of seventeen (17) members of the Board of Directors in 2012 attended the 2012 Annual Meeting of Shareholders.

#### Corporate Policies

The Company operates within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. The Sarbanes-Oxley Act of 2002, among other things, establishes a number of corporate governance standards and disclosure requirements. In addition, the Company is subject to the corporate governance and Marketplace Rules promulgated by NASDAQ. In light of the requirements of the Sarbanes-Oxley Act of 2002 and the NASDAQ corporate governance and Marketplace Rules, Summit has a Compensation and Nominating Committee Charter and a Code of Ethics that applies to all directors, executive officers and employees of Summit Financial Group, Inc. and its subsidiaries. The Code of Ethics also contains supplemental provisions that apply to the Company's Chief Executive Officer, the Chief Financial Officer, and the Chief Accounting Officer (the "Senior Financial Officers"). In addition, the Code of Ethics contains procedures for reporting violations of the Code of Ethics involving the Company's financial statements and disclosures, accounting practices, internal control over financial reporting, disclosure controls and auditing matters. A copy of the Code of Ethics is available on the Company's website at [www.summitfgi.com](http://www.summitfgi.com).

---

ITEM 1 – ELECTION OF DIRECTORS

---

The Board of Directors is divided into three (3) classes. The terms of the Directors in each class expire at successive annual meetings. Six (6) Directors will be elected at our 2013 Annual Meeting to serve for a three-year term expiring at our Annual Meeting in the year 2016. If the proposed nominees are elected, the Company will have a Board of Directors consisting of two classes of six (6) directors each and one class of five (5) directors.

The persons named in the enclosed proxy intend to vote the proxy for the election of each of the six (6) nominees, unless you indicate on the proxy card that your vote should be withheld from any or all of such nominees. Each nominee elected as a Director will continue in office until his or her successor has been elected, or until his or her death, resignation or retirement.

The Board of Directors has proposed the following nominees for election as Directors, with terms expiring at the Annual Meeting in 2016: Oscar M. Bean, Dewey F. Bensenhaver, John W. Crites, James P. Geary, II, Phoebe F. Heishman and Charles S. Piccirillo. All of the nominees were recommended by the Compensation and Nominating Committee and approved by the Board of Directors of the Company. All of the nominees are Directors standing for re-election.

The Board of Directors recommends a vote FOR the election of these nominees for election as Directors.

We expect each nominee for election as a Director to be able to serve if elected. To the extent permitted by applicable law, if any nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless the Board chooses to reduce the number of Directors serving on the Board. The principal occupation and certain other information about the nominees and other Directors whose terms of office continue after the Annual Meeting are set forth on the following pages and on pages 7-11.

#### Security Ownership of Directors and Officers

As of March 1, 2013, the nominees and other Directors of the Company owned beneficially, directly or indirectly, the number of shares of common stock indicated on pages 17-21. The number of shares shown as beneficially owned by each Director and executive officer is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. The information is not necessarily indicative of beneficial ownership for any other purposes.

Unless indicated in the tables on pages 17-21 to our knowledge, the nominees and other Directors named in the tables have sole voting and sole investment power with respect to all shares beneficially owned. Shares of common stock issuable upon exercise of currently exercisable options or issuable upon conversion of Preferred Stock within 60 days of March 1, 2013, are deemed to be outstanding and to be beneficially owned by the nominees or other Directors holding the options or Preferred Stock for the purpose of computing the percentage ownership of that nominee or Director, but are not treated as outstanding for the purpose of computing the percentage ownership of any other nominee or Director.



All Directors, nominees and executive officers as a group owned 2,891,814 shares or 33.76% of the Company's common stock as of March 1, 2013. Each Director of the Company is required to own a minimum of 2,000 shares of the Company's common stock. Ownership is defined as shares held solely in the Director's name, shares held through the Company's employee stock ownership plan, a profit-sharing plan, individual retirement account, retirement plan or similar arrangement, and shares owned by a company where the Director owns a controlling interest. Common shares held jointly by a Director and the Director's spouse are counted when determining whether a Director owns 2,000 shares of the Company's common stock as long as the director owns stock in his or her own name with a minimum value of at least \$500, which is the minimum imposed by West Virginia law. Directors who are also employees of the Company or its subsidiaries are exempt from this requirement.

The Company has a policy that requires that all Directors retire at the end of the term during which the Director attains the age of 70. However, pursuant to the Merger Agreement with Potomac Valley Bank, the Company agreed that Messrs. McDaniel and Ours, Jr. would be exempt from the Company's mandatory retirement requirement. These individuals must retire at the end of the term during which they attain the age of 80. In addition, the Board of Directors made an exception to the policy to nominate John W. Crites and Phoebe F. Heishman to serve for a three year term expiring at our Annual Meeting in the year 2016. The Board determined that it was important to retain Mr. Crites and Ms. Heishman on the Board of Directors for an additional term because of their long term board experience and sound judgment.

#### Family Relationships

Dewey F. Bensenhaver is married to G. R. Ours, Jr.'s niece.

Edgar Filing: SUMMIT FINANCIAL GROUP INC - Form DEF 14A

Name and Age as of the May 16, 2013, Meeting Date	Position, Principal Occupation Within the Last Five Years and Directorships of Public Companies	Amount of Beneficial Ownership of Summit's Equity Securities as of March 1, 2013			
		Number of Common Shares	% of Common Stock	Number of Preferred Shares	% of Preferred Stock
Oscar M. Bean .....(62)	Director of Summit Financial Group since 1987, Chairman of the Board since 1995. Managing partner of Bean & Bean, Attorneys at Law.	119,539(1)	1.60%	300(1)	1.91%
Dewey F. Bensenhaver ... (66)	Director of Summit Financial Group since February, 2000. Physician in private practice; Owner of farming operation.	80,722(2)	1.08%	200(2)	1.27%
John W. Crites .....(72)	Director of Summit Financial Group since 1989. Chairman and CEO of Allegheny Wood Products, Inc. and Allegheny Wood Products International, Inc.; partner in Allegheny Dimension, LLC; and principal stockholder of KJV Aviation, Inc.	798,816(3)	10.41%	2,000(3)	12.73%
James P. Geary, II .....(57)	Director of Summit Financial Group since May, 2007. Partner of the law firm of Geary & Geary.	37,060(4)	*	150(4)	*
Phoebe F. Heishman. ....(72)	Director of Summit Financial Group since 1987, Secretary since 1995. President of RE Fisher Co., Inc.; Publisher and Editor of The Moorefield Examiner.	99,770(5)	1.34%	50(5)	*
Charles S. Piccirillo ..... (58)	Director of Summit Financial Group since 1998. Member in the law firm of Shaffer & Shaffer, PLLC; Partner, Lawoff Associates; President, Auggus Enterprises, Inc.	47,954(6)	*	162(6)	1.03%

(1)Includes 4,855 Common Shares owned by spouse, 100 Shares of Series 2009 Preferred Stock owned by spouse convertible into 18,182 shares of Common Stock that are pledged as collateral, and 200 Shares of Series 2011 Preferred Stock owned by self-directed IRA convertible into 25,000 shares of Common Stock.

(2)

Includes 5,769 Common Shares owned by spouse, which include 3,804 shares pledged as collateral, 14,820 Common Shares owned by children, 600 Common Shares owned as a custodian for children, 100 Shares of Series 2009 Preferred Stock convertible into 18,182 shares of Common Stock that are pledged as collateral, and 100 Shares of Series 2011 Preferred Stock convertible into 12,500 shares of Common Stock.

(3) Includes 227,240 Common Shares in eight subtrusts created for the benefit of grandchildren, (Mr. Crites and his wife serve as co-trustees of six of the eight subtrusts and also have the power to vote the shares of Common Stock owned by all eight of the subtrusts, including two subtrusts for which they are not acting as co-trustees), 182,325 shares of Common Stock in the Patricia A. Crites 2010 Grantor Retained Annuity Trust for which Mr. Crites is the trustee, and 111,951 shares of Common Stock in the Patricia A. Crites 2012 Grantor Retained Annuity Trust for which Mr. Crites is the trustee. Also includes 2,000 Shares of Series 2011 Preferred Stock convertible into 250,000 shares of Common Stock.

- Includes 136 Common Shares owned as custodian for child, 100 Shares Series 2009 Preferred Stock convertible into 18,182 shares of Common Stock and 50 Shares of Series 2011 Preferred Stock owned by the WE Mullenax Trust for which Mr. Geary is the Trustee, convertible into 6,250 shares of Common Stock.
- (4)
- Includes 1,760 Common Shares owned by spouse, 20,135 Common Shares owned by children for whom she has a power of attorney, 50 Shares of Series 2011 Preferred Stock owned by children for whom she has power of attorney convertible into 6,250 shares of Common Stock. 10,000 Common Shares owned by Ms. Heishman and 3,920 Common Shares owned by her son are pledged as collateral.
- (5)
- Includes 413 Common Shares owned by spouse, 100 Shares Series 2009 Preferred Stock owned by Auggus Enterprises convertible into 18,182 shares of Common Stock, 2 Shares of Series 2011 Preferred Stock owned by spouse convertible into 250 shares of Common Stock, 10 Shares of Series 2011 Preferred Stock convertible into 1,250 shares of Common Stock, and 50 shares of Series 2011 Preferred Stock owned by Shaffer & Shaffer Self-Directed 401(K) Plan convertible into 6,250 shares of Common Stock.
- (6)

\* Indicates director owns less than 1% of the Company's Common Stock.

Name and Age as of the May 16, 2013, Meeting Date	Position, Principal Occupation Within the Last Five Years and Directorships of Public Companies	Amount of Beneficial Ownership of Summit's Equity Securities as of March 1, 2013			
		Number of Common Shares	% of Common Stock	Number of Preferred Shares	% of Preferred Stock
<b>DIRECTORS WHOSE TERMS EXPIRE IN 2015</b>					
James M. Cookman.... (59)	Director of Summit Financial Group since 1994. President of Cookman Insurance Group, Inc.; President and Chief Operating Officer of U.S. WindForce, LLC.	23,784(1)	*	-	-
Thomas J. Hawse, III ..(68)	Director of Summit Financial Group since 1988. President of Hawse Food Market, Inc.	98,084(2)	1.31%	187(2)	1.19%
Gary L. Hinkle .....(63)	Director of Summit Financial Group since 1993. President of Hinkle Trucking, Inc., Dettinburn Transport, Inc., Mt. Storm Fuel Corporation and H. T. Services, Inc.	356,254(3)	4.75%	400(3)	2.55%
Gerald W. Huffman ... (68)	Director of Summit Financial Group since February, 2000. President of Potomac Trucking & Excavation, Inc., Huffman Logging, Inc. and G&T Repair, Inc.	115,682(4)	1.54%	400(4)	2.55%
H. Charles Maddy, III..(50)	Director of Summit Financial Group since 1993. President and CEO of Summit Financial Group since 1994. Chairman of Board of Directors of Summit Community Bank, the banking subsidiary of the Company, since September, 2010 and Co-Chairman from 2007-September, 2010. Vice-Chairman and Director of the Federal Home Loan Bank of Pittsburgh ("FHLB") during the time period from 2002 to 2010 and also served as Chairman and a member of the Audit Committee.	139,486(5)	1.85%	252(5)	1.60%



- (1) Includes 20,784 Common Shares owned by self-directed 401(k) Retirement Plan.
- (2) Includes 1,500 Common Shares owned by spouse and 4,109 Common Shares owned by self-directed IRA FBO spouse, and 187 Shares of Series 2011 Preferred Stock owned by self-directed IRA convertible into 23,375 shares of Common Stock.
- (3) Includes 56,945 Common Shares owned by Hinkle Trucking, Inc., 4,800 Common Shares owned by spouse, 500 Common Shares owned as Custodian for grandchild, 100 Shares of Series 2009 Preferred Stock convertible into 18,182 Shares of Common Stock, 200 Shares of Series 2011 Preferred Stock convertible to 25,000 Shares of Common Stock and 100 Shares of Series 2011 Preferred Stock owned by H. T. Services convertible into 12,500 Shares of Common Stock.
- (4) Includes 100 Shares of Series 2009 Preferred Stock convertible into 18,182 Shares of Common Stock, and 300 Shares of Series 2011 Preferred Stock convertible into 37,500 Shares of Common Stock.
- (5) Includes 10,075 Common Shares owned by spouse, 24,972 fully vested Common Shares held in Company's ESOP, exercisable stock options for 52,400 Common Shares, 250 Shares of Series 2009 Preferred Stock owned by spouse convertible into 45,455 Shares of Common Stock, which are pledged as collateral, and 2 Shares of Series 2011 Preferred Stock convertible into 250 Shares of Common Stock; 2,768 Common Shares are pledged as collateral.

\* Indicates director owns less than 1% of the Company's Common Stock.

Name and Age as of the May 16, 2013, Meeting Date	Position, Principal Occupation Within the Last Five Years and Directorships of Public Companies	Amount of Beneficial Ownership of Summit's Equity Securities as of March 1, 2013			
		Number of Common Shares	% of Common Stock	Number of Preferred Shares	% of Preferred Stock
<b>DIRECTORS WHOSE TERMS EXPIRE IN 2014</b>					
J. Scott Bridgeforth.....(49)	Director of Summit Financial Group since 2011. Owner and Vice President of Royal Crown Bottling Company of Winchester, Inc. and Royal Crown Bottling Company of Hagerstown, Maryland. Owner and President of Sure Bet Services, Inc.	6,450(1)	*	-	-
Georgette R. George...(52)	Director of Summit Financial Group since February, 2010. President of E&G, Inc. and Chief Operations Officer for three hotel companies and general services. Vice President of Ridgeline, Inc.	303,519(2)	3.93%	1,800(2)	11.46%
Jeffrey E. Hott .....(62)	Director of Summit Financial Group since 2011. Director and President of E. E. Hott, Inc., a real estate holding and asset management company for Franklin Oil Company, Inc., Hott's Ag Services, Inc. and Hott's Farming, Inc. Operating partner and owner of BeaconNet, LLC.	180,236 (3)	2.42%	100(3)	*
Duke A. McDaniel .....(74)	Director of Summit Financial Group since 2000. Attorney at Law.	39,524(4)	*	-	-
G. R. Ours, Jr. ....(81)	Director of Summit Financial Group and Vice Chairman of the Board since February, 2000. Retired President of Petersburg Oil Co.	168,500(5)	2.26%	100(5)	*
George W. Pace .....(61)	Director of Summit Financial Group since 2011. Self-employed as a business advisor.	3,325(6)	*	5(6)	*

(1) Includes 1,150 Common Shares owned by spouse.

- (2) Includes 1,000 Common Shares held by father, 9,248 Common Shares owned by self-directed IRA FBO spouse, 5,559 Common Shares held by George Brothers Investment Partnership, 100 Shares of Series 2009 Preferred Stock owned by self-directed IRA FBO spouse convertible into 18,181 shares of Common Stock, 100 Shares of Series 2009 Preferred Stock jointly owned by father-in-law and mother-in-law convertible into 18,181 shares of Common Stock, 400 Shares of Series 2009 Preferred Stock owned by mother convertible into 72,727 shares of Common Stock, 300 Shares of Series 2009 Preferred Stock owned by George Brothers Investment Partnership convertible into 54,545 shares of Common Stock, 200 Shares of Series 2011 Preferred Stock convertible into 25,000 shares of Common Stock, 500 shares of Series 2011 Preferred Stock owned by father's profit sharing plan convertible into 62,500 shares of Common Stock, 100 shares of Series 2011 Preferred Stock owned by self-directed IRA FBO spouse convertible into 12,500 shares of Common Stock, 100 shares of Series 2011 Preferred Stock owned by George Brothers Investment Partnership convertible into 12,500 shares of Common Stock.
- (3) Includes 112,860 Common Shares owned by E. E. Hott, Inc., 21,100 Common Shares owned by Franklin Oil Co. Inc., 1,815 Common Shares owned by spouse, 8,484 Common Shares owned by mother, 1,350 Common Shares owned by E. E. Hott Trust, Ruth Hott, TTEE, 400 Common Shares owned as a custodian for son, 50 Shares Series 2009 Preferred Stock convertible into 9,090 shares of Common Stock, 50 Shares Series 2009 Preferred Stock owned by E. E. Hott, Inc. convertible into 9,090 shares of Common Stock. The following Common Shares are pledged as collateral: 113,000 owned by E.E. Hott, Inc., 20,300 owned by Franklin Oil Co. Inc., and 1,400 owned by Mr. Hott. Mr. Hott disclaims beneficial ownership of the shares of Common Stock held by his mother and the E.E. Hott Trust, Ruth Hott, TTEE.

- (4) Includes 37,500 Common Shares that are pledged as collateral.
- (5) Includes 21,000 Common Shares owned by spouse and 100 Shares of Series 2011 Preferred Stock convertible into 12,500 Shares of Common Stock.
- (6) Includes 5 Shares of Series 2011 Preferred Stock convertible into 625 shares of Common Stock.

\* Indicates director owns less than 1% of the Company's Common Stock.

---

ITEM 2 – ADOPTION OF NON-BINDING RESOLUTION TO APPROVE THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS

---

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

The executive officers named in the summary compensation table set forth in this proxy statement and deemed to be the Company’s “named executive officers” are H. Charles Maddy, III, Scott C. Jennings, and Robert S. Tissue.

Shareholders are urged to read the compensation information on the following pages of this proxy statement which discusses the compensation policies and procedures with respect to the Company’s named executive officers and vote on the following advisory, non-binding resolution:

“RESOLVED, that the shareholders approve, on an advisory basis, the compensation paid to Company’s named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Summary Compensation Table, the Outstanding Equity Awards Table and the narrative discussion.”

As described in detail under the heading “Executive Compensation” beginning on page 24, we seek to closely align the interests of our named executive officers with the interests of our shareholders. Our compensation programs are designed to reward our named executive officers for the achievement of the Company’s financial goals, while at the same time avoiding the encouragement of unnecessary or excessive risk taking.

This advisory vote, commonly referred to as a “say-on-pay” advisory vote, is non-binding on the Board of Directors. Although non-binding, the Board of Directors and the Compensation and Nominating Committee (the “Committee”) value constructive dialogue on executive compensation and other important governance topics with shareholders. The Board of Directors and the Committee will review the voting results and take them into consideration when making future decisions regarding the Company’s executive compensation programs.

The Board of Directors and the Committee recommends a vote FOR the nonbinding resolution to approve the compensation of the Company’s named executive officers.

---

ITEM 3 – NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF FUTURE VOTES  
ON THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS

---

The Dodd-Frank Wall Street Reform and Consumer Protection Act also provides that shareholders must be given the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently the Company should seek future advisory votes on the compensation of the Company’s named executive officers as disclosed in accordance with the compensation disclosure rules of the Securities and Exchange Commission (the “say-on-pay” advisory vote in Item 2 above). By voting on this Item 3, shareholders may indicate whether they would prefer that the Company conduct future “say-on-pay” advisory votes on executive compensation every year, every two years or every three years. Shareholders also may abstain from casting a vote on this item.

The Board of Directors has determined that an advisory vote on executive compensation that occurs once every three years is the most appropriate alternative for the Company and therefore our Board recommends that you vote for a three-year interval for the advisory vote on executive compensation. In determining to recommend that shareholders vote for a frequency of once every three years, the Board considered how an advisory vote at this frequency will provide our shareholders with sufficient time to evaluate the effectiveness of our overall compensation philosophy, policies and practices in the context of our long-term business results for the corresponding period, while avoiding over-emphasis on short term variations in compensation and business results. An advisory vote occurring once every three years will also permit our shareholders to observe and evaluate the impact of any changes to our executive compensation policies and practices which have occurred since the last advisory vote on executive compensation, including changes made in response to the outcome of a prior advisory vote on executive compensation.

Although the Board of Directors recommends a “say-on-pay” vote every three years, shareholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. Shareholders are not voting to approve or disapprove the recommendation of the Board of Directors.

This vote is advisory and not binding on the Company or the Board of Directors in any way. The Board of Directors and the Committee will take into account the outcome of the vote, however, when considering the frequency of future advisory votes on executive compensation. The Board may decide that it is in the best interests of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our shareholders. Shareholders will vote again on the frequency at the Annual Shareholders Meeting in 2019.

The Board of Directors recommends a vote “FOR” the option of once every THREE YEARS as the preferred frequency for an advisory vote to approve named executive officer compensation.

---

EXECUTIVE COMPENSATION

---

This section explains Summit's executive compensation program as it relates to the following named executive officers (defined as the CEO and the two most highly compensated Executive Officers other than the CEO) as of December 31, 2012:

H. Charles Maddy, III	President and Chief Executive Officer
Scott C. Jennings	Senior Vice President and Chief Operating Officer
Robert S. Tissue	Senior Vice President and Chief Financial Officer

#### Executive Compensation Program

We have a straightforward compensation program that focuses on a team approach. Each of our named executive officers must demonstrate exceptional personal performance to remain part of our executive team. As a member of that team, each officer must contribute to the overall success of Summit rather than simply attain goals within that officer's specific area of responsibility.

Our executive compensation program is designed to:

- retain executive officers by paying them competitively, motivate them to contribute to the Company's success, and reward them for their performance;
- link a substantial part of each executive officer's compensation to the performance of the Company and its subsidiaries, and the individual executive officer; and
- encourage ownership of Company common stock by executive officers.

Our fundamental philosophy is to link closely executive compensation with the achievement of annual financial and non-financial performance goals. It is the Company's practice to provide a mix of cash and equity-based compensation that the Company believes balances the best interests of the Company's executives and the Company's shareholders. The Company believes compensation should be structured to ensure that a significant portion of the compensation opportunity will be directly related to shareholder value.

As discussed below, the program consists of, and is intended to balance, three elements:

- Salaries

Salaries are based on the Company's evaluation of individual job performance and an assessment of the salaries and total compensation mix paid by the Company's Peer Group to executive officers holding equivalent positions. The Company's Peer Group is a group consisting of all public banks and thrifts in the United States with assets of \$1 billion

- \$5 billion. The Company does not “benchmark” to the Peer Group, but rather uses the Peer Group as a general reference for purposes of comparing our executive officer salaries to other companies in the industry to determine whether the salaries are reasonable and competitive.



The Board and the Company have directed a mix of the Company's executive compensation that provides an opportunity for significant variation in total compensation based on performance with a proportionately lesser emphasis on salaries. This strategy is intended to increase the performance orientation of the Company's executive compensation.

In setting the base salary for the President and CEO and in reviewing and approving the salaries for the other named executive officers, the Company first reviews the history of and the proposals for the compensation for each individual, including cash and equity-based components. In setting salaries, the Company and the Committee do not use a predetermined formula. Instead, the salaries of the President and CEO and the other executive officers are based on:

- the Board's review of the CEO's evaluation of each officer's individual job performance, and the Committee's evaluation of the CEO's job performance;
- an assessment of the Company's performance;
- the perquisites provided to the CEO and other named executive officers;
- a consideration of salaries paid by the Peer Group to executive officers holding equivalent positions;
- a consideration of aggregate amount of all components of compensation paid to the President and CEO and other executive officers; and
- the complexity of the job duties of the indicated executive as compared to the perceived complexity of the duties of similar executives in other companies.

We do not have a pre-defined framework that determines which of these factors may be more or less important and the emphasis placed on specific factors may vary among the named executive officers. Ultimately it is the Committee's judgment of these factors along with the competitive data that form the basis for determining the named executive officer's compensation. Once the base salary is set, it does not depend on the Company's performance. In 2012, the Company made the following decisions with respect to the base salaries of its named executive officers:

- A performance based increase of 2% in the salary of Mr. Jennings and a 2% increase in the salary of Mr. Tissue for their significant contribution to the overall management of the Company.
- Mr. Maddy requested that the Committee not consider any increases in his salary for the years 2009 through 2012.
- Incentive compensation

The second element of the executive compensation program is the Incentive Compensation Plan. The purpose of the Company's Incentive Compensation Plan is to motivate and reward eligible employees for their contributions to the Company and its bank subsidiary by making a large portion of their cash compensation variable and dependent upon the Company's and its bank subsidiary's performance.

The Company annually adopts an Incentive Compensation Plan for the Company and its bank subsidiary. In prior years, all incentive compensation award under the Incentive Compensation Plan was based on a formula which primarily considered the return on average equity of the Company and its bank subsidiary. The Company set a range of goals for return on average equity and also set the percentage to which each executive officer was entitled if the

specific goals were met. The percentage to which each named executive officer was entitled was based on the individual's contribution to the Company as determined by the Committee in its judgment based on the recommendation of the Chief Executive Officer. Among other things, the Committee considered the Company's compensation philosophy which focused on a team based approach and the individual's relative contribution to the team.

In February 2009, the Board of Directors suspended indefinitely the Incentive Compensation Plan. No incentive compensation was paid to the named executive officers in 2009, 2010, 2011, or 2012.

- Long-term Incentive Compensation

Officer Stock Option Plan. The main component of the long-term incentive compensation program is the Officer Stock Option Plan. The purpose of the Officer Stock Option Plan is to reward and retain officers in a manner that best aligns officers' interests with stockholders' interests. Under this Plan, the Company may award options for up to 350,000 shares of the Company's common stock to qualified officers of the Company and its subsidiaries. Each option granted under the Plan must have an exercise price of no less than the fair market value of the Company's common stock as of the date of grant. Options granted under the plan vest according to a schedule designated at the grant date. The Company does not have a program, policy or practice of timing the grant of options in coordination with the release of material nonpublic information. The Officer Stock Option Plan is administered by the Compensation and Nominating Committee of the Board of Directors. The committee has discretion to determine the officers to whom the options may be granted, when the options may be granted, the vesting schedule applicable to any option grants and other terms relating to the grant of the options. Annual stock option grants for executive officers are a key element of market-competitive total compensation. In 2009, 2010, 2011, and 2012, the Company did not approve any annual stock option grants for the named executive officers due to the disappointing performance of the Company's stock and the failure of the Company to meet its performance targets.

Executive Salary Continuation Agreements. In an effort to attract, reward, motivate and retain the most qualified people available, and to provide those people with a complete and reasonable compensation package, Summit and its banking subsidiary have entered into executive salary continuation agreements with certain executives of the Company with an endorsement split dollar life insurance plan. In this section, Company includes Summit's bank subsidiary.

The Executive Salary Continuation Agreements (the Continuation Agreements) were designed to provide an annual defined retirement benefit payable for the life of the executive. These benefits, when added to the retirement benefits that will be provided by the Company's 401(k) Profit Sharing Plan, Employee Stock Ownership Plan, and social security, will provide each executive with benefit levels comparable to other Company employees when measured as a percentage of salary at the time of retirement.

The Continuation Agreements are designed to be a retention tool but they do take into account the age of the named executive officers. With respect to the Company's President and Chief Executive Officer, Mr. Maddy, the benefits under his Continuation Agreement vest at a rate of five percent per year in the first ten years, zero percent in year eleven through eighteen, and in year nineteen, the remaining fifty percent vests. With respect to the Company's other named executive officers, Mr. Jennings and Mr. Tissue, the benefits under their Continuation Agreement vest at a rate of five percent per year in the first ten years, zero percent in year eleven through nineteen, and in year twenty, the remaining fifty percent vests. Vesting is measured for each executive from the effective date of the Continuation Agreements, which vary by executive.

The Company's obligations under the retirement benefit portion of these agreements are unfunded; however, the Company has purchased life insurance policies on each insurable executive that are actuarially designed to offset the annual expenses associated with the agreements and will, given reasonable actuarial assumptions, offset all of the costs of the agreements during the life of the executive and provide a complete recovery of all costs at the executive's death. The Company is the sole owner of all policies and as Company assets, the policies are subject to claims of the Company's general creditors.

The life insurance benefit for each insurable officer is being provided by an Endorsement Split Dollar Plan whereby the Company endorses a specified percentage of the net-at-risk life insurance portion of a policy (total death benefit less cash value of policy) on the life of each officer for payment to the designated beneficiary of that officer. The Company owns the policy and its entire surrender value.

For each of the named executive officers, the annual lifetime benefits payable upon retirement at normal retirement age are as follows: H. Charles Maddy, III - \$175,000; Scott C. Jennings - \$125,000; and Robert S. Tissue - \$125,000.

#### Perquisites

Generally, the Company provides modest perquisites or personal benefits, and only with respect to benefits or services that are designed to assist a named executive officer in being productive and focused on his or her duties, and which management and the Committee believe are reasonable and consistent with the Company's overall compensation program. Management and the Committee periodically review the levels of perquisites or personal benefits provided to named executive officers.

#### Plans Covering All Employees

**Employee Stock Ownership Plan.** The Company also maintains an Employee Stock Ownership Plan (ESOP) which covers substantially all employees. Any employee who is at least 21 years of age and is credited with at least 1,000 hours of service during the plan year is eligible to participate. Vesting occurs at the rate of 0% for the first year of credited service and 20% for each year thereafter. Under the provisions of the ESOP, employee participants in the ESOP are not permitted to contribute to the ESOP, rather the cost of the ESOP is borne by the Company through annual contributions in amounts determined by the Company's Board of Directors. Discretionary contributions were made by the Company for 2011 and 2012 consisting of \$69,000 and \$100,000 respectively.

**401(k) Profit Sharing Plan.** The Company has a defined contribution profit-sharing plan with 401(k) provisions covering substantially all employees. Any employee (other than a leased employee, owner employee, seasonal employee, or other employee who is not a common law employee) who is at least 21 years of age is eligible to participate. If the eligibility requirements are met, an employee may become a participant on the next semi-annual entry date of January 1st or July 1st. The employee is eligible for employer contributions after the employee has at least 12 months of service. Under the provisions of the plan, the Company matches 100% of the participant's salary reduction contributions, up to 4% of such participant's compensation. These matching contributions shall be fully vested at all times. The Company may also make optional contributions at the discretion of the Company's Board of Directors. Vesting of discretionary contributions occurs at the rate of 0% for the first year of credited service, and 20% per year thereafter. No discretionary contributions were made by the Company for 2011 and 2012.

## Potential Payments Upon Termination or Change of Control

The Company has entered into Employment Agreements with the named executive officers in order to ensure continuity of management of the Company and to retain the pool of talent the Company has developed in a competitive marketplace. The Board of Directors determined that such arrangements were appropriate, especially in view of the entry of large regional bank holding companies into West Virginia. The Agreements were not undertaken in the belief that a change of control of the Company was imminent.

Generally, the Company chose particular events for triggering payments based on the standard practice in the industry at the time the particular agreement was negotiated, the overall reasonableness of the expense to the Company associated with a particular triggering event, and whether the specific provision would have a material impact on the marketability of the Company should the Board of Directors believe a sale of the Company were in the best interest of its shareholders. The following summaries set forth potential payments to our named executive officers upon termination of employment or change of control of the Company under their current employment agreements and our other compensation programs.

### Employment Agreement — Mr. Maddy

On March 4, 2005, the Company entered into an Employment Agreement (the “Employment Agreement”) and a Change in Control Agreement (the “Change in Control Agreement”) with H. Charles Maddy, III, Chief Executive Officer of Summit. On December 31, 2008, the Employment Agreement and Change in Control Agreement were amended and restated to comply with Internal Revenue Code Section 409A. Under the terms of the Employment Agreement, Summit will review the Employment Agreement annually and may, with the approval of Mr. Maddy, extend the term of the Employment Agreement annually for additional one year periods (so that the actual term of the Employment Agreement will always be between two and three years). The term of the Employment Agreement extends to March 4, 2016.

The Employment Agreement may be terminated based on one of the following:

- By mutual agreement of the parties
- Upon the death of Mr. Maddy
- Upon the disability of Mr. Maddy
- By Summit, for cause (as defined in the Employment Agreement)
- Upon a Change of Control (as provided in the Change in Control Agreement)
- By Mr. Maddy, upon material breach by Summit
- By Mr. Maddy, based on insolvency not attributable to Mr. Maddy

Under the Employment Agreement, Mr. Maddy is entitled to certain termination payments. If Mr. Maddy is terminated by mutual agreement, then he is entitled to receive a termination payment equal to an amount agreed to by the parties. If Mr. Maddy is terminated for cause based generally on his gross negligence, then Mr. Maddy will not receive a termination payment. In this case, Mr. Maddy is entitled to his Base Salary in effect for the year in which termination occurs, only for such period of his active full-time employment to the date of the termination.



If Mr. Maddy is terminated for cause based on his negligence, malfeasance, or misfeasance, then Mr. Maddy is entitled to receive his Base Salary without offset for compensation already paid prior to the effective date of termination. If Mr. Maddy is terminated for death or disability, Mr. Maddy is entitled to three times his Base Salary. If Mr. Maddy terminates his employment based on a material breach by Summit, then Mr. Maddy is entitled to an amount equal to two times his Base Salary in effect for the year in which termination occurs without offset for compensation already paid prior to the effective date of termination. If Mr. Maddy voluntarily terminates, and there is no material breach by Summit, then Mr. Maddy does not receive a termination payment. In this case, Mr. Maddy is entitled to his Base Salary in effect for the year in which termination occurs, only for such period of his active full-time employment to the date of the termination.

If Mr. Maddy's employment is terminated pursuant to the provisions of the Change in Control Agreement, then Mr. Maddy would be entitled to the compensation set forth in the Change in Control Agreement as described below.

#### Change In Control Agreement – Mr. Maddy

Under the Change in Control Agreement, after a Change of Control (as defined below), Mr. Maddy is required to work for the acquiring company for a period of one year in order to facilitate management continuity and to promote an orderly transition of ownership (the "Transition Period"). Upon expiration of this Transition Period, Mr. Maddy is entitled to receive a payment equal to three times the greater of (a) his Salary (as defined in the Employment Agreement) in effect immediately prior to the date of consummation of the Change of Control or (b) his Salary in effect on the date of termination of his employment under the Change in Control Agreement. Under the Change in Control Agreement, Mr. Maddy has the option to terminate within six months of a Change of Control. In this case, Mr. Maddy would be entitled to a lump sum payment equal to seventy-five percent (75%) of the greater of (a) his Salary in effect immediately prior to the date of consummation of the Change of Control or (b) his Salary in effect on the date of termination of his employment under the Change in Control Agreement.

If Mr. Maddy terminates his employment after the first six months following the Change of Control, but before completion of the Transition Period (unless such termination is for Good Reason or due to his death or disability), Mr. Maddy is not entitled to a severance payment under the Change in Control Agreement.

If Mr. Maddy terminates for Good Reason (as defined below) or is terminated under circumstances constituting Wrongful Termination (as defined in the Change in Control Agreement) during the Transition Period, then Mr. Maddy would be entitled to a payment equal to three times the greater of (a) his Salary in effect immediately prior to the date of consummation of a Change of Control or (b) his Salary in effect on the date of termination of his Employment Agreement under the Change in Control Agreement. Mr. Maddy is also entitled to receive payment of cash incentive award, if any, under the Company's Annual Incentive Plan and continuing participation in employee benefit plans and programs such as retirement, disability and medical insurance for the number of months between the date of his termination and the date that is thirty-six (36) months after the date of consummation of the Change of Control.

If Mr. Maddy is terminated as a result of disability or death during the Transition Period, Mr. Maddy would receive a payment equal to three times the greater of (a) his Salary (as defined in the Agreement) in effect immediately prior to the date of consummation of the Change of Control or (b) his Salary in effect on the date of termination of his employment under the Change in Control Agreement.

Under the Change in Control Agreement, Mr. Maddy agrees not to engage, directly or indirectly, in the business of banking in the Restricted Area (as defined in the Change in Control Agreement) for a period of three years after expiration of the Transition Period. If Mr. Maddy's employment with Summit is terminated for any reason other than Mr. Maddy's disability, retirement, Good Reason, or termination at Mr. Maddy's option, Mr. Maddy agrees that for a period of one year, he will not, directly or indirectly, engage in the business of banking in the Restricted Area.

Under the Change in Control Agreement, a "Change of Control" is defined in Internal Revenue Code Section 409A and the regulations issued thereunder and includes:

- a change in the ownership of Summit which is defined to occur on the date that any one person, or more than one person acting as a group, acquires ownership of stock of Summit that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of Summit,
- a change in the effective control of Summit, which is defined to occur on (1) the date any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Summit possessing 30% or more of the total voting power of Summit, and also to occur on (2) the date a majority of members of Summit's Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Summit's Board of Directors before the date of the appointment or election, and
- a change in the ownership of a substantial portion of Summit's assets which is defined to occur on the date that any one person, or more than one person acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from Summit that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of Summit immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Summit, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Under the Change in Control Agreement, Mr. Maddy may voluntarily terminate his employment for Good Reason which arises if one of the following occurs in combination with a Change of Control:

- a decrease in the executive's overall compensation below the level in effect immediately prior to on the date of consummation of the change of control, without the executive's consent;
- a material reduction in the importance of the executive's job responsibilities without his consent;
- geographical relocation of the executive without his consent, which is deemed to mean relocation to an office more than twenty (20) miles from his location at the time of a change of control;
- failure by the Company to obtain assumption of the Change in Control Agreement by its successor; or



- any removal of the executive from, or failure to reelect the executive to, any position with the Company or Bank that he held immediately prior to the change of control without his prior written consent (except for good cause, death, disability or retirement).

The Employment Agreement and the Change in Control Agreement provide for an additional gross-up payment by Summit to Mr. Maddy in the event that a payment or distribution pursuant to the Employment Agreement or the Change in Control Agreement would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. Any calculated gross-up payment amount is equal to one hundred percent (100%) of the excise tax plus one hundred percent (100%) of any federal, state and local income taxes plus the additional excise tax on the gross-up amount.

#### Employment Agreements - Messrs. Jennings and Tissue

On December 20, 2008, the Company entered into an Amended and Restated Employment Agreement with Scott C. Jennings and on December 24, 2008, the Company entered into an Amended and Restated Employment Agreement with Robert S. Tissue in order to set forth the terms and conditions of their employment in a manner compliant with Internal Revenue Code Section 409A. The Amended and Restated Employment Agreements with Mr. Jennings and Mr. Tissue are substantially identical in all material respects and each is referred to as the "Employment Agreement."

The Employment Agreements may be terminated based on one of the following:

- Termination for Good Cause (as defined by the Employment Agreement)
- Termination Not for Good Cause (as defined by the Employment Agreement)
- Termination for Good Reason, Wrongful Termination, or at Employee's Option, upon a Change of Control (as defined by the Employment Agreement).

Messrs. Jennings and Tissue are entitled to certain termination payments under the Employment Agreements. If either Mr. Jennings or Mr. Tissue is terminated Not for Good Cause (as defined by the Employment Agreement), then he is entitled to a payment from the Company equal to the base salary compensation set forth in the Employment Agreement for the remaining term of the Employment Agreement or severance pay equal to 100% of his then current annual base salary, whichever is greater. The termination payment is paid in a lump sum on the date of termination, subject to a six month delay if required under Internal Revenue Code Section 409A.

Messrs. Jennings and Tissue have change of control provisions included in their Employment Agreements. Generally, the Employment Agreements provide severance compensation to Messrs. Jennings and Tissue if such executive's employment should end under certain specified conditions after a change of control. Compensation is paid upon an involuntary termination within 24 months following a change of control unless Messrs. Jennings or Tissue is terminated for Good Cause. In addition, compensation will be paid after a change of control if Messrs. Jennings or Tissue voluntarily terminates employment within 24 months of a change of control because of:

- a material decrease in the total amount of the executive's base salary below the level in effect on the date of consummation of the change of control, without his consent;
- a material reduction in the executive's job duties and responsibilities without the executive's prior consent;



- a material geographical relocation of the executive without his prior consent, which is deemed to mean relocation to an office more than twenty (20) miles from his location at the time of a change of control;
- failure by the Company to obtain assumption of the Change in Control Agreement by its successor; or
- any purported termination of the executive's employment which is not effected pursuant to a notice of termination as required in the executive's Employment Agreement.

Under the Employment Agreement, a "Change of Control" is defined in Internal Revenue Code Section 409A and the regulations issued thereunder. This definition is set forth above under the description of Mr. Maddy's Change in Control Agreement.

Messrs. Jennings' and Tissue's severance benefits include:

- a lump sum cash payment equal to the executive's monthly salary (calculated based on the average annual base salary and bonuses for the two full year periods immediately preceding the consummation of the Change in Control) multiplied by the number of months between the date of the executive's termination and the date that is twenty-four (24) months after the date of consummation of the Change of Control; provided that the executive's lump sum cash payment not be less than 100% of his salary; and
- payment of cash incentive award, if any, under the Company's Incentive Plans for the year in which the executive terminates for Good Reason or is involuntarily termination without Good Cause after a Change in Control; and continuing participation, or if continuing participation is barred, in substantially similar programs, in employee benefit plans and programs such as retirement, disability and medical insurance for the number of months between the date of his termination and the date that is twenty-four (24) months after the date of consummation of the Change of Control, or, if earlier, to the date on which the executive receives comparable benefits from any other source.

Messrs. Jennings and Tissue also each have the right to terminate employment without reason at his option within six (6) months after a Change of Control, by giving written notice of termination, and severance compensation is then equal to seventy five percent of salary, to be paid in a lump sum of the date of Separation from Service, subject to a six month delay if required under Internal Revenue Code Section 409A. Benefit continuation in the event of termination of employment without reason at the executive's option within six (6) months after a Change of Control is limited to six months (or, if earlier, to the date on which the executive receives comparable benefits from any other source.)

The change of control provisions in Messrs. Jennings' and Tissue's Employment Agreements provide for an additional gross-up payment by the Company to the executive in the event that a distribution pursuant to the change of control provisions in the Employment Agreements would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. Any calculated gross-up payment amount is equal to one hundred percent (100%) of the excise tax plus one hundred percent (100%) of any federal, state and local income taxes plus the additional excise tax on the gross-up amount.

The change of control provisions of the Employment Agreements do not affect the right of the Company to terminate Messrs. Jennings and Tissue or change their salary or benefits with or without good cause, prior to any change of control. However, any termination or change which takes place after discussions have commenced which result in a change of control will be presumed to be a wrongful termination and will entitle the executives to the benefits under the Employment Agreements, absent clear and convincing evidence to the contrary.



### Compensation of Named Executive Officers

In applying our compensation principles and philosophy, the Company analyzed the compensation arrangements of its named executives, and believes that the total compensation paid to its executive officers is appropriate and reasonable.

We believe our compensation decisions are in the best interests of our Company and our shareholders for many reasons including:

- We have a strong management team with a proven record of performance.
- We have an experienced group of executives who we believe will provide the strong management necessary to maximize shareholder return.
- We believe that our incentive compensation plans effectively promote the Company's philosophy of pay for performance.

We will continue to monitor our compensation arrangements to ensure that executive pay directly correlates with the performance of the Company. The Company is committed to the retention of strong management and will continue to focus heavily on its compensation philosophy and principles as it evaluates the total compensation of its executive officers.

## Summary Compensation Table

The table below sets forth the compensation of the Company's Chief Executive Officer and the two most highly compensated executive officers other than the Chief Executive Officer who earned \$100,000 or more in salary and bonus for the years ended December 31, 2010, 2011 and 2012 (the "named executive officers").

Name and Principal Position	Year	Salary(1) (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation(2) (\$)	Non-qualified Deferred Compensation(3) (\$)	All Other Compensation(4) (\$)	Total (\$)
H. Charles Maddy, III, President and Chief Executive Officer – Summit Financial Group	2012	\$397,500	-	-	-	-	\$ 38,586	\$ 22,848	\$
	2011	\$397,500	-	-	-	-	\$ 33,930	\$ 23,452	\$ 458,934
	2010	\$397,500	-	-	-	-	\$ 31,643	\$ 23,400	\$
									454,882
									\$
									452,543
Scott C. Jennings, Senior Vice President, Chief Operating Officer – Summit Financial Group	2012	\$187,250	-	-	-	-	\$ 27,411	\$ 9,623	\$
	2011	\$183,833	-	-	-	-	\$ 25,564	\$ 1,434	\$ 224,284
	2010	\$181,000	-	-	-	-	\$ 23,840	\$ -	\$
									210,831
									\$
									204,840
Robert S. Tissue, Senior Vice President and Chief Financial Officer – Summit Financial Group	2012	\$187,250	-	-	-	-	\$ 17,690	\$ 8,996	\$
	2011	\$183,833	-	-	-	-	\$ 10,657	\$ 8,171	\$ 213,936
	2010	\$181,000	-	-	-	-	\$ 11,836	\$ 6,637	\$
									202,661
									\$
									199,473

- (1) Mr. Maddy requested that the Compensation and Nominating Committee not consider any salary increases for him for the years 2009 through 2012.
- (2) The amounts in this column relate to awards granted under the Company's Incentive Compensation Plans. The plans and awards are discussed in the Executive Compensation section.
- (3) The amounts in this column represent the increase in the actuarial net present value of all future retirement benefits under the Executive Salary Continuation Agreements. The net present value of the retirement benefits used to calculate the net change in benefits were determined using the same assumptions used to determine our retirement obligations and expense for financial statement purposes. Additional information about our Executive Salary Continuation Agreements is included on page 26. We have not provided above-market or preferential earnings on any nonqualified deferred compensation and, accordingly, no such amounts are reflected above.
- (4) This amount includes the Company's matching contributions under the Company's 401(k) Profit Sharing Plan on behalf of Mr. Maddy (\$10,000), Mr. Jennings (\$7,490) and Mr. Tissue (\$6,863). No discretionary contributions were made by the Company in 2012. The amount also includes fees paid to Mr. Maddy (\$10,000) as a member of the Company's and its subsidiary bank's Boards of Directors. This amount includes discretionary contributions to

the Company's ESOP as follows: Mr. Maddy (\$2,848), Mr. Jennings (\$2,133), and Mr. Tissue (\$2,133). No named executive officers received perquisites in excess of \$10,000.

Total cash compensation, as measured by salary and non-equity incentive plan compensation, is based on the Company's performance as well as employee performance and certain other factors as described in the section entitled "Executive Compensation." For the named executive officers, total cash compensation as a percentage of total compensation is as follows: Mr. Maddy – 86.6%; Mr. Jennings – 83.5%, and Mr. Tissue 87.5%. The percentage of total cash compensation to total compensation for the named executive officers reflects the emphasis that is placed on cash compensation.

A description of the employment agreements with the named Executive Officers is set forth in the Section entitled "Executive Compensation."

## Outstanding Equity Awards at December 31, 2012

The following table shows outstanding stock option awards classified as exercisable and unexercisable held as of December 31, 2012, by the Company's named executive officers.

Name	Option Awards Equity Incentive Plan Awards:				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date
H. Charles Maddy, III	4,800	-	-	\$5.21	02/26/2013
	1,600	-	-	\$4.63	02/26/2013
	1,600	-	-	\$ 4.63	02/26/2014
	1,200	-	-	\$ 5.95	10/26/2013
	1,200	-	-	\$ 5.95	10/26/2014
	1,200	-	-	\$ 5.95	10/26/2015
	1,200	-	-	\$ 5.95	10/26/2016
	1,400	-	-	\$ 9.49	12/06/2013
	1,400	-	-	\$ 9.49	12/06/2014
	1,400	-	-	\$ 9.49	12/06/2015
	1,400	-	-	\$ 9.49	12/06/2016
	1,400	-	-	\$ 9.49	12/06/2017
	2,400	-	-	\$ 17.79	12/12/2014
	2,400	-	-	\$ 17.79	12/12/2015
	2,400	-	-	\$ 17.79	12/12/2016
	2,400	-	-	\$ 17.79	12/12/2017
	2,400	-	-	\$ 17.79	12/12/2018
	2,400	-	-	\$ 25.93	12/07/2015
	2,400	-	-	\$ 25.93	12/07/2016
	2,400	-	-	\$ 25.93	12/07/2017
2,400	-	-	\$ 25.93	12/07/2018	
2,400	-	-	\$ 25.93	12/07/2019	
15,000	-	-	\$ 24.44	12/06/2015	
Scott C. Jennings	800	-	-	\$ 5.95	10/26/2013
	800	-	-	\$ 5.95	10/26/2014
	800	-	-	\$ 5.95	10/26/2015
	800	-	-	\$ 5.95	10/26/2016
	880	-	-	\$ 9.49	12/06/2013
	880	-	-	\$ 9.49	12/06/2014
	880	-	-	\$ 9.49	12/06/2015
	880	-	-	\$ 9.49	12/06/2016
	880	-	-	\$ 9.49	12/06/2017
	1,400	-	-	\$17.79	12/12/2014



Edgar Filing: SUMMIT FINANCIAL GROUP INC - Form DEF 14A

1,400	-	-	\$17.79	12/12/2015
1,400	-	-	\$17.79	12/12/2016
1,400	-	-	\$17.79	12/12/2017
1,400	-	-	\$17.79	12/12/2018
1,600	-	-	\$25.93	12/07/2015
1,600	-	-	\$25.93	12/07/2016
1,600	-	-	\$25.93	12/07/2017
1,600	-	-	\$25.93	12/07/2018
1,600	-	-	\$25.93	12/07/2019
10,000	-	-	\$24.44	12/06/2015

## Option Awards

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity	Option Exercise Price	Option Expiration Date
			Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)		
Robert S. Tissue	4,800	-	-	\$ 5.21	02/26/2013
	800	-	-	\$ 4.63	02/26/2013
	800	-	-	\$ 4.63	02/26/2014
	800	-	-	\$ 5.95	10/26/2013
	800	-	-	\$ 5.95	10/26/2014
	800	-	-	\$ 5.95	10/26/2015
	800	-	-	\$ 5.95	10/26/2016
	880	-	-	\$ 9.49	12/06/2013
	880	-	-	\$ 9.49	12/06/2014
	880	-	-	\$ 9.49	12/06/2015
	880	-	-	\$ 9.49	12/06/2016
	880	-	-	\$ 9.49	12/06/2017
	1,400	-	-	\$ 17.79	12/12/2014
	1,400	-	-	\$ 17.79	12/12/2015
	1,400	-	-	\$ 17.79	12/12/2016
	1,400	-	-	\$ 17.79	12/12/2017
	1,400	-	-	\$ 17.79	12/12/2018
	1,600	-	-	\$ 25.93	12/07/2015
	1,600	-	-	\$ 25.93	12/07/2016
	1,600	-	-	\$ 25.93	12/07/2017
	1,600	-	-	\$ 25.93	12/07/2018
	1,600	-	-	\$ 25.93	12/07/2019
	10,000	-	-	\$ 24.44	12/06/2015

All options listed in the above table are vested.

## Director Compensation 2012

The following table sets forth certain information regarding the compensation earned by or awarded to each director who served on the Company's Board of Directors in 2012 except for H. Charles Maddy, III whose compensation as a named executive officer of the Company is presented in the Summary Compensation Table on page 34.

Name (a)	Fees Earned or Paid in Cash \$(1) (b)	Stock Awards (\$) (c)	Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Nonqualified Deferred Compensation Earnings(2) (f)	All Other Compensation \$(3) (g)	Total (\$) (h)
Oscar M. Bean	\$ 34,950	-	-	-	-	\$ 11,919	\$ 46,869
Dewey F. Bensenhaver	\$ 10,900	-	-	-	-	\$ 15,640	\$ 26,540
J. Scott Bridgeforth	\$ 10,900	-	-	-	-	-	\$ 10,900
James M. Cookman	\$ 11,300	-	-	-	-	-	\$ 11,300
John W. Crites	\$ 15,050	-	-	-	-	\$ 13,756	\$ 28,606
James P. Geary, II	\$ 13,450	-	-	-	-	-	\$ 13,450
Georgette R. George	\$ 13,900	-	-	-	-	-	\$ 13,900
Thomas J. Hawse, III	\$ 15,200	-	-	-	-	\$ 11,789	\$ 26,989
Phoebe F. Heishman	\$ 11,050	-	-	-	-	\$ 12,166	\$ 23,216
Gary L. Hinkle	\$ 16,650	-	-	-	-	\$ 10,379	\$ 27,029
Jeffrey E. Hott	\$ 9,300	-	-	-	-	\$ 13,037	\$ 22,337
Gerald W. Huffman	\$ 12,550	-	-	-	-	\$ 13,140	\$ 25,690
Duke A. McDaniel	\$ 10,750	-	-	-	-	-	\$ 10,750
G. R. Ours, Jr.	\$ 10,450	-	-	-	-	-	\$ 10,450
George W. Pace	\$ 13,500	-	-	-	-	-	\$ 13,500
Charles S. Piccirillo	\$ 13,600	-	-	-	-	-	\$ 13,600

- (1) Directors of the Company received \$500 per board meeting attended. Non-employee Directors of the Company who serve on the Company's Audit and Compliance Committee and Compensation and Nominating Committee received \$750 for each meeting attended. Non-employee Directors serving on other Company Committees received \$150 per committee meeting attended.

Members of the Board of Directors of the subsidiary of the Company are paid an annual retainer fee based on the asset size of the subsidiary bank as of December 31st of the prior year and receive \$500 for each meeting attended and \$150 for each committee meeting attended through June 2012. All of the members of the Board of Directors of the Company are also members of the Board of Directors of the bank subsidiary of the Company, and accordingly, receive fees from the bank subsidiary of the Company. In addition, Mr. Maddy is a member of the Board of Directors of the subsidiary bank of the Company and as such receives fees from the bank subsidiary. The fees received by Mr. Maddy are included in the Summary Compensation Table under "All Other Compensation."

If an individual is a member of the Board of Directors of the Company or of its subsidiary bank and is also an employee of the Company or any of its subsidiaries, then such director will be paid the retainer fees and the fees for each board meeting attended as set forth above; however, such director will not be paid the fees for each committee meeting attended.

- (2) Pursuant to the Summit Directors' Deferral Plan, the Company's Directors may elect to defer their retainer, meeting and committee fees earned. The Company invests amounts equating to the deferrals of each participating director in phantom investments in various mutual funds. Benefits payable to participant directors at retirement under the Plan will equate to the then current value of the individual investments. The Company's subsidiary has a similar deferral plan for its directors.

On December 30, 2005, the Company and its subsidiaries amended the Directors' Deferral Plans (the "Plans") to conform the Plans to administrative guidance and the regulations issued by the Internal Revenue Service under Section 409A of the Internal Revenue Code. The Company has not provided above-market or preferential earnings on any non-qualified deferred compensation and, accordingly, no such amounts are reflected in the above table.

- (3) Certain members of the Company's Board of Directors receive health insurance coverage under the Company's health insurance plan. This benefit is only available for directors originally elected to the Board prior to 1994. For those still receiving health insurance coverage, such coverage will be eliminated upon their retirement. The amount of the coverage provided exceeded \$10,000 for the eight (8) directors included in the above table for whom an amount is reflected in "All Other Compensation." The amount in the "All Other Compensation" column for Mr. Crites also includes perquisites for sporting event tickets, and personal executive and spousal expenses while traveling for business.

---

ITEM 4 – RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

---

The Board of Directors has appointed Arnett Foster Toothman, PLLC to serve as our independent registered public accounting firm for 2013 subject to the ratification of our shareholders. For information concerning the audit fees paid by the Company in 2011 and 2012 and for information about the Company's auditors generally, see the Audit and Compliance Committee Report on page 40 of this Proxy Statement.

Representatives of Arnett Foster Toothman, PLLC will be present at the Annual Meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

The affirmative vote of a majority of votes cast on this proposal is required for the ratification of this proposal. In determining whether the proposal has received the requisite number of affirmative votes, abstentions and broker non-votes will be disregarded and will have no effect on the outcome of the vote.

Shareholder ratification of the selection of Arnett Foster Toothman, PLLC as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the Board of Directors is submitting the selection of Arnett Foster Toothman, PLLC to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit and Compliance Committee and the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit and Compliance Committee and the Board of Directors in their discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interest of the Company and our shareholders.

The Board of Directors recommends a vote FOR the ratification of Arnett Foster Toothman, PLLC as our independent registered public accounting firm for the year 2013.

---

AUDIT AND COMPLIANCE COMMITTEE REPORT

---

The Audit and Compliance Committee of the Board of Directors of the Company is composed of seven (7) independent directors. The members of the Audit and Compliance Committee are George W. Pace, Chairman, John W. Crites, Georgette R. George, Thomas J. Hawse, III, Gary L. Hinkle, Gerald W. Huffman and Charles S. Piccirillo.

The Audit and Compliance Committee operates under a written charter adopted by the Company's Board of Directors. A copy of the Audit and Compliance Committee Charter is available on the Company's website at [www.summitfgi.com](http://www.summitfgi.com).

The Audit and Compliance Committee has reviewed the audited financial statements of the Company for the fiscal year ended December 31, 2012, and discussed them with Management and the Company's independent auditors, Arnett Foster Toothman, PLLC. The Audit and Compliance Committee also has discussed with the independent auditors the matters required to be discussed by the Auditing Standards Board Statement of Auditing Standards No. 61, as amended.

The Audit and Compliance Committee has received from the independent auditors the written disclosures and letter required by the Independence Standards Board Standard No. 1, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and the Audit and Compliance Committee has discussed with the auditors their independence from the Company and Management.

Based on the review and discussions described above, the Audit and Compliance Committee recommended to the Board of Directors that the Company's audited financial statements for the year ended December 31, 2012, be included in the Company's Annual Report on Form 10-K for 2012.

AUDIT AND COMPLIANCE COMMITTEE

George W. Pace, Chairman  
John W. Crites  
Georgette R. George  
Thomas J. Hawse, III  
Gary L. Hinkle  
Gerald W. Huffman  
Charles S. Piccirillo

Fees To Arnett Foster Toothman, PLLC

The following table presents fees for professional services rendered by Arnett Foster Toothman, PLLC to perform an audit of the Company's annual financial statements for the years ended December 31, 2012 and 2011, and fees for other services rendered by Arnett Foster Toothman, PLLC during those periods:



	2012	2011
Audit Fees(1)	\$165,000	\$165,000
Audit-Related Fees(2)	36,000	36,000
Tax Fees(3)	10,329	32,682
All Other Fees(4)	20,845	25,586
Total Fees	\$232,174	\$ 259,268

(1) Audit Fees — These are fees for professional services performed by Arnett Foster Toothman, PLLC associated with the annual audit of the Company’s consolidated financial statements and the audit of the effectiveness of the Company’s internal control over financial reporting.

(2) Audit-Related Fees — These are for assurance and related services performed by Arnett Foster Toothman, PLLC that are reasonably related to the performance of the audit or review of the Company’s financial statements. This includes a review of the Company’s quarterly reports on Form 10-Q filed with the Securities and Exchange Commission.

(3) Tax Fees — These are fees for professional services performed by Arnett Foster Toothman, PLLC with respect to tax compliance, tax advice and tax planning. This includes review of original and amended tax returns for the Company and its consolidated subsidiaries; refund claims; payment planning; tax audit assistance; and tax work stemming from “Audit-Related” items.

(4) All Other Fees — These are fees for other permissible work performed by Arnett Foster Toothman, PLLC that does not meet the above category descriptions. This includes: employee benefit and compensation plan audits and consulting on financial accounting/reporting standards.

All services rendered by Arnett Foster Toothman, PLLC are permissible under applicable laws and regulations, and pre-approved by the Audit and Compliance Committee.

The Audit and Compliance Committee’s pre-approval policies for audit and non-audit services provided to the Company by Arnett Foster Toothman, PLLC are as follows:

• Any proposed services that would result in fees exceeding 5% of the total audit fees require specific pre-approval by the Audit and Compliance Committee.

• Any proposed services that would result in fees of less than 5% of the total audit fees may be commenced prior to obtaining pre-approval of the Audit and Compliance Committee. However, before any substantial work is completed, Arnett Foster Toothman, PLLC must obtain the approval of such services from the Chairman of the Audit and Compliance Committee.

The spending level and work content of these services are actively monitored by the Audit and Compliance Committee to maintain the appropriate objectivity and independence in auditor’s core work, which are the audits of the Company’s consolidated financial statements and the effectiveness of the Company’s internal control over financial reporting.

The Audit and Compliance Committee has considered and determined that the provision of these additional services is compatible with maintaining Arnett Foster Toothman, PLLC’s independence. For more information concerning the Company’s Audit and Compliance Committee, see page 5 of these annual meeting materials.





---

EXECUTIVE OFFICERS

---

The names of the Executive Officers of Summit Financial Group, Inc. as of March 1, 2013, the present position and business position of such officers and the number of shares of Common Stock and Preferred Stock of the Company beneficially owned by such Executive Officers are set forth in the following table. The number of shares shown as beneficially owned by Executive Officer is determined under the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.

Unless indicated in the following table, to our knowledge, the Executive Officers have sole voting and sole investment power with respect to all shares beneficially owned. Shares of common stock issuable upon exercise of currently exercisable options or upon conversion of Preferred Stock within 60 days of March 1, 2013, are deemed to be outstanding and to be beneficially owned by the Executive Officer holding the options or Preferred Stock for the purpose of computing the percentage ownership of that Executive Officer, but are not treated as outstanding for the purpose of computing the percentage ownership of any other Executive Officer.

Name and Age as of the May 16, 2013 Meeting Date	Position, Principal Occupation and Business Experience	Amount of Beneficial Ownership of Summit's Equity Securities as of March 1, 2013			
		Number of Common Shares	% of Common Stock	Number of Preferred Shares	% of Preferred Stock
H. Charles Maddy, III.(50)	Director of Summit Financial Group since 1993. President and CEO of Summit Financial Group since 1994. Chairman of Board of Directors of Summit Community Bank, the subsidiary of the Company, since September, 2010 and Co-Chairman from 2007-September, 2010. Vice-Chairman and Director of the Federal Home Loan Bank of Pittsburgh ("FHLB") during the time period from 2002 to 2010 and also served as Chairman and a member of the Audit Committee of the Federal Home Loan Bank.	139,486(1)	1.85%	252(1)	1.60%
Robert S. Tissue .....(49)	Senior Vice President and Chief Financial Officer of Summit Financial Group since 1998.	102,179(2)	1.36%	230(2)	1.46%
Patrick N. Frye .....(54)	Senior Vice President and Chief of Credit Administration of Summit Financial Group since December	91,722(3)	1.22%	250(3)	1.59%

2003.						
Scott C. Jennings .....(51)	Senior Vice President and Chief Operating Officer of Summit Financial Group since 2000.	46,134(4)	*	-	-	
Douglas T. Mitchell ..(49)	Senior Vice President and Chief Banking Officer of Summit Financial Group since September 2005; Chief Executive Officer of Summit Community Bank since January, 2012.	12,846(5)	*	-	-	
Bradford E. Ritchie (45)	Senior Vice President of Summit Financial Group and President of Summit Community Bank since January, 2012. Served as President of the West Virginia Market of Summit Community Bank from July 2008 to December 2011. Regional President of United Bank 2007-2008.	20,228(6)	*	100(6)	*	

- (1) Includes 10,075 Common Shares owned by spouse, 24,972 fully vested Common Shares held in Company's ESOP, exercisable stock options for 52,400 Common Shares, 250 Shares of Series 2009 Preferred Stock owned by spouse convertible into 45,455 shares of Common Stock which are pledged as collateral, and 2 Shares of Series 2011 Preferred Stock convertible into 250 shares of Common Stock; 2,768 Common Shares are pledged as collateral.
- (2) Includes 7,247 fully vested Common Shares held in Company's ESOP, exercisable stock options for 33,400 Common Shares, 700 Common Shares held in spouse's self-directed IRA, 200 Shares of Series 2009 Preferred Stock convertible into 36,364 shares of Common Stock, and 30 Shares of Series 2011 Preferred Stock held in a self-directed IRA convertible into 3,750 shares of Common Stock.
- (3) Includes 7,394 fully vested Common Shares held in Company's ESOP, 2,371 fully vested Common Shares held in Company's ESOP by spouse, exercisable stock options for 28,400 Common Shares, 110 Common Shares owned by spouse, and 250 Shares Series 2009 Preferred Stock convertible into 45,455 shares of Common Stock which are pledged as collateral.
- (4) Includes 13,332 fully vested Common Shares held in Company's ESOP and exercisable stock options for 32,600 Common Shares.
- (5) Includes 2,346 fully vested Common Shares held in Company's ESOP and exercisable stock options for 6,500 Common Shares.
- (6) Includes 46 fully vested Common Shares held in Company's ESOP, exercisable stock options for 2,000 Common Shares and 100 shares of Series 2009 Preferred Stock convertible into 18,182 shares of Common Stock.

---

 PRINCIPAL SHAREHOLDER
 

---

The following table lists each shareholder of Summit who is the beneficial owner of more than 5% of Summit's voting securities as of March 1, 2013.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	% of Class
Common Stock	John W. Crites P. O. Box 867 Petersburg, WV 26847	798,816(1)	10.41%

(1) Includes 227,240 shares in eight subtrusts created for the benefit of grandchildren. Mr. Crites and his wife serve as co-trustees of six of the eight subtrusts and also have the power to vote the shares of stock owned by all eight of the subtrusts, including two subtrusts for which they are not acting as co-trustees. Also includes 182,325 shares of Common Stock in the Patricia A. Crites 2010 Grantor Retained Annuity Trust for which Mr. Crites is the trustee and 111,951 shares of Common Stock in the Patricia A. Crites 2012 Grantor Retained Annuity Trust for which Mr. Crites is the trustee. Also includes 2,000 shares of Series 2011 Preferred Stock convertible into 250,000 shares of Common Stock.

---

REQUIREMENTS, INCLUDING DEADLINE FOR SUBMISSION  
OF PROXY PROPOSALS, NOMINATION OF DIRECTORS AND  
OTHER BUSINESS OF SHAREHOLDERS

---

Under our Articles of Incorporation, certain procedures are provided which a shareholder must follow to nominate persons for election as Directors. These procedures provide that nominations for Directors at an annual meeting of shareholders must be submitted in writing to the President of the Company at P. O. Box 179, 300 North Main Street, Moorefield, West Virginia 26836. The nomination must be received no later than:

- thirty (30) days in advance of an annual meeting if at least thirty (30) days prior notice is provided; or
- five (5) days following the day on which the notice of meeting is mailed if less than thirty (30) days' notice is given.

The nomination must contain the following information about the nominee and notifying shareholder:

- name of the nominee;
- address of the nominee;
- principal occupation of the nominee;
- the number of shares of common stock held by the notifying shareholder; and the name and address of the notifying shareholder.

The chairman of the meeting may refuse to acknowledge the nomination of any person, if not in compliance with the foregoing procedures.

The Board is not aware of any matters that are expected to come before the Annual Meeting other than those referred to in this Proxy Statement. If any other matter should come before the Annual Meeting, the persons named in the accompanying proxy intend to exercise their discretionary authority in accordance with applicable federal and state laws and regulations to vote the proxies in accordance with their best judgment.

Under the rules of the SEC, shareholder proposals intended to be presented at the Company's 2014 Annual Meeting of Shareholders must be received by us, Attention: Secretary, at our principal executive offices by December 4, 2013, for inclusion in the proxy statement and form of proxy relating to that meeting. We strongly encourage any shareholder interested in submitting a proposal to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws.

Shareholder proposals to be brought before our 2014 Annual Meeting and submitted outside the processes of Rule 14a-8 must be received by us, Attention: Secretary, at our principal executive offices by February 1, 2014. If notice is not provided by February 17, 2014, the persons named in the Company's proxy for the 2014 Annual Meeting of

Shareholders will be allowed to exercise their discretionary authority to vote upon any such proposal without the matter having been addressed in the proxy statement for the 2014 Annual Meeting of Shareholders.

#### Stock Transfers

Current market quotations for the common stock of Summit Financial Group, Inc. are available on the NASDAQ Capital Market under the symbol "SMMF."

---

ANNUAL REPORT

---

The annual report of the Company for the year ended December 31, 2012, is being mailed concurrently with this Proxy Statement.

The financial statements and other information to be delivered with this Proxy Statement constitute the annual disclosure statement as required by 12 C.F.R. 18.

---

FORM 10-K

---

The Company will furnish without charge to each person whose proxy is being solicited, upon the request of any such person, a copy of the Company's annual report on Form 10-K for 2012. Requests for copies of such report should be directed to Julie R. Cook, Vice President, Chief Accounting Officer, Summit Financial Group, Inc., P. O. Box 179, Moorefield, West Virginia 26836, or e-mail [jcook@summitfgi.com](mailto:jcook@summitfgi.com).

Whether or not you plan to attend the Meeting, please mark, sign, date, and promptly return the enclosed proxy in the enclosed envelope. No postage is required for mailing in the United States.

By Order of the Board of Directors,

April 9, 2013

5018166.11



PROXY SOLICITED BY THE BOARD OF DIRECTORS  
FOR THE ANNUAL MEETING OF SHAREHOLDERS  
OF SUMMIT FINANCIAL GROUP, INC.  
ON MAY 16, 2013

The undersigned shareholder(s) of Summit Financial Group, Inc. (“Summit”) hereby appoints Julie R. Cook and Teresa D. Ely, or either of them, with full power to act alone as attorneys and proxies to vote all the shares of the common stock of Summit held or owned by the undersigned at the Annual Meeting of Shareholders on May 16, 2013, or at any adjournments thereof, for the following purposes and upon any other matters that may come before the meeting or any adjournment thereof, with all the powers the undersigned would possess if personally present, hereby revoking all previous proxies:

1. To elect six (6) Directors of Summit to serve a three year term until the 2016 Annual Meeting or until their successors are elected and qualified:

FOR ALL NOMINEES LISTED

BELOW

WITHHOLD AUTHORITY

(except as TO VOTE FOR ALL NOMINEES marked to the contrary below)

LISTED BELOW

(INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee's name in the list below.)

Oscar M. Bean

Dewey F. Bensenhaver

John W. Crites

James P. Geary

Phoebe F. Heishman

Charles S. Piccirillo

The Board of Directors recommends a vote FOR all of the nominees

2. To adopt a non-binding resolution to approve the compensation of Summit’s named executive officers.

FOR

AGAINST

ABSTAIN

The Board of Directors recommends a vote FOR this proposal

3. To approve a non-binding advisory proposal on the frequency of future votes on the compensation of Summit’s named executive officers.

1 YEAR

2 YEARS

3 YEARS

ABSTAIN

The Board of Directors recommends a vote for every THREE years

4. To ratify the selection of Arnett Foster Toothman, PLLC as Summit's independent registered public accounting firm for the year ended December 31, 2013.

FOR

AGAINST

ABSTAIN

The Board of Directors recommends a vote FOR this proposal

THE SHARES OF COMMON STOCK REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 4, AND FOR EVERY 3 YEARS ON PROPOSAL 3 AS RECOMMENDED BY THE BOARD OF DIRECTORS.

THE PROXIES INTEND TO EXERCISE THEIR DISCRETIONARY VOTING AUTHORITY IN ACCORDANCE WITH APPLICABLE FEDERAL AND STATE LAWS AND REGULATIONS TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY BE BROUGHT BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.

This proxy confers on the proxy holder the power of cumulative voting for the election of Directors and the power to vote cumulatively for less than all of the nominees listed in Proposal 1. This proxy may be revoked at any time prior to its exercise in accordance with the procedure set forth in the proxy materials.

Dated \_\_\_\_\_, 2013

Shareholder Sign Above

Co-holder (if any) Sign Above

Shareholder(s) should sign exactly as name(s) appears on the label. Any person signing in fiduciary capacity should please enclose proof of his appointment unless such proof has already been furnished. All joint owners must sign.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 16, 2013**

The proxy statement, along with our 2012 Annual Report, which includes our Form 10-K for the fiscal year ended December 31, 2012, are available free of charge on the following website: [www.summitfgi.com](http://www.summitfgi.com).