Citi Trends Inc
Form 8-K
December 12, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 11, 2007**

Citi Trends, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**000-51315**	**52-2150697**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

102 Fahm Street, Savannah, Georgia	**31401**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(912) 236-1561**

Former name or former address, if changed since last report: **Not applicable**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2 below):

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

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

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

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

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 11, 2007, George Bellino informed the Company of his decision to retire as President and Chief Merchandising Officer of Citi Trends, Inc. (the Company), to be effective in the spring/summer of 2008. The Company has initiated a search for his replacement. Mr. Bellino will assist in the transition of his duties.

On December 12, 2007, the Company issued a press release announcing these events. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	**Description**
99.1	Press Release dated December 12, 2007

SIGNATURE

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

CITI TRENDS, INC.

Date: December 12, 2007	By:	/s/ Bruce D. Smith	
		Name:	Bruce D. Smith
		Title:	Chief Financial Officer

Exhibit Index

Exhibit No.	**Description**
99.1	Press Release dated December 12, 2007.

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Patrick N. Frye	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(1)	-	$ 9.49	12/06/2017	-	-	-	-
	1,200	-	-	$ 17.79	12/12/2014	-	-	-	-
	1,200	-	-	$ 17.79	12/12/2015	-	-	-	-
	1,200	-	-	$ 17.79	12/12/2016	-	-	-	-
	-	1,200(2)	-	$ 17.79	12/12/2017	-	-	-	-
	-	1,200(3)	-	$ 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	-	-	-	-
C. David Robertson	-	880(1)	-	$ 9.49	12/06/2017	-	-	-	-
	1,200	-	-	$ 17.79	12/12/2014	-	-	-	-
	1,200	-	-	$ 17.79	12/12/2015	-	-	-	-

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	-	1,200(2)	-	$ 17.79	12/12/2017	-	-	-	-
	-	1,200(3)	-	$ 17.79	12/12/2018	-	-	-	-
	1,200	-	-	$ 25.93	12/07/2015	-	-	-	-
	1,200	-	-	$ 25.93	12/07/2016	-	-	-	-
	1,200	-	-	$ 25.93	12/07/2017	-	-	-	-
	1,200	-	-	$ 25.93	12/07/2018	-	-	-	-
	1,200	-	-	$ 25.93	12/07/2019	-	-	-	-
	6,000	-	-	$24.44	12/06/2015	-	-	-	-

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Ronald F. Miller	1,600	-	-	$ 5.21	02/26/2009	-	-	-	-	
	1,600	-	-	$ 5.21	02/26/2010	-	-	-	-	
	1,600	-	-	$ 5.21	02/26/2011	-	-	-	-	
	1,600	-	-	$ 5.21	02/26/2012	-	-	-	-	
	1,600	-	-	$ 5.21	02/26/2013	-	-	-	-	
	800	-	-	$ 5.95	10/26/2012	-	-	-	-	
	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(1)	-	$ 9.49	12/06/2017	-	-	-	-	
	1,200	-	-	$ 17.79	12/12/2014	-	-	-	-	
	1,200	-	-	$ 17.79	12/12/2015	-	-	-	-	
	1,200	-	-	$ 17.79	12/12/2016	-	-	-	-	
	-	1,200(2)	-	$ 17.79	12/12/2017	-	-	-	-	
	-	1,200(3)	-	$ 17.79	12/12/2018	-	-	-	-	
	1,200	-	-	$ 25.93	12/07/2015	-	-	-	-	
	1,200	-	-	$ 25.93	12/07/2016	-	-	-	-	
	1,200	-	-	$ 25.93	12/07/2017	-	-	-	-	
	1,200	-	-	$ 25.93	12/07/2018	-	-	-	-	

	1,200	-	-	$ 25.93	12/07/2019	-	-	-	-
	6,000	-	-	$24.44	12/06/2015	-	-	-	-

The vesting dates of the unexercisable options in the above table are as follows:

	Expiration Date	**Vesting Date**
(1)	12/06/2017	12/06/2007
(2)	12/12/2017	12/12/2007
(3)	12/12/2018	12/12/2008

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Options Exercises and Stock Vested During 2006

The following table summarizes information with respect to stock option awards exercised during 2006 for each of the named executive officers.

	Option Awards		**Stock Awards**	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
H. Charles Maddy, III	-	-	-	-
Robert S. Tissue	-	-	-	-
Patrick N. Frye	-	-	-	-
C. David Robertson	3,360	$ 36,610	-	-
Ronald F. Miller	8,000	$ 122,960	-	-

(1) Value determined by subtracting the exercise price per share from the market value per share of our common stock on the date of exercise.

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Pension Benefits

The following table discloses the years of credited service of, present single-sum value of the accrued benefits for, and payments during the last fiscal year to the named executive officers under the Company's Supplemental Executive Retirement Plan (the "SERP").

Name	Plan Name	Number of Years Credited Service (#)(1)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
H. Charles Maddy, III	SERP	7	$139,000	-
Robert S. Tissue	SERP	4	$58,000	-
Patrick N. Frye	SERP	4	$101,000	-
C. David Robertson	SERP	6	$197,000	-
Ronald F. Miller	SERP	6	$202,000	-

(1) The years of credited service under the Company's Supplemental Executive Retirement Plan begin on the effective date of the individual agreement with each named executive officer. Each individual agreement was executed after the date of each named executive officer's initial employment.

(2) The material assumptions applied in quantifying the present value of the current accrued benefits include the use of a 7% discount rate and an age of death using the 2000 U.S. Life Mortality Table.

The Company and its affiliates have implemented the Supplemental Executive Retirement Plan with an endorsement split dollar life insurance plan for the benefit of certain executives of the Company and its affiliates. The Supplemental Executive Retirement Plan (the "SERP") is 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 Company's obligations under the retirement benefit portion of this plan 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 plan and will, given reasonable actuarial assumptions, offset all of the plan's costs during the life of the executive and provide a complete recovery of all plan costs at the executive's death. The Company is the sole owner of all policies.

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; Robert S. Tissue - $125,000 Patrick N. Frye - $125,000; C. David Robertson - $50,000; and. Ronald F. Miller - $50,000.

Estimated Payments upon Termination

The following tables summarize potential estimated payments to our Named Executive Officers under existing Summit contracts, agreements, plans or arrangements for various scenarios involving termination of employment due to: voluntary resignation, termination for good cause, termination without good cause, death, disability, or change in control of the Company. The below information is as of December 31, 2006, and does not include benefits other Company employees would typically receive in the event of similar circumstances.

	Estimated Payments upon Termination Due to:					
Name	**Voluntary Resignation (1)**	**Termination for Good Cause (2)**	**Termination Not For Good Cause (3)**	**Death (4)**	**Disability (5)**	**Change in Company Control (6)**
H. Charles Maddy, III	$ 136,000	$ -	$ 886,000	$ 2,345,000	$ 1,261,000	$ 1,845,000
Robert S. Tissue	$ 46,000	$ -	$ 394,000	$ 1,055,000	$ 46,000	$ 845,000
Patrick N. Frye	$ 63,000	$ -	$ 430,000	$ 1,201,000	$ 63,000	$ 974,000
C. David Robertson	$ 212,000	$ -	$ 655,000	$ 586,000	$ 212,000	$ 544,000
Ronald F. Miller	$ 212,000	$ -	$ 655,000	$ 636,000	$ 212,000	$ 779,000

(1) Amounts payable upon voluntary resignation consist of lump sum payment equal to the current present value of the vested SERP benefit for each applicable NEO.

(2) With respect to Mr. Maddy, above illustration of termination for good cause assumes an act of “gross negligence”. In the event of an act of “simple negligence”, Mr. Maddy would receive 1 times his current annual base salary ($375,000).

(3) In the event of termination not for good cause, each NEO receives a lump sum payment equal to the current present value of their respective vested SERP benefit. In addition, Mr. Maddy would receive a payment equal to 2 times his current base salary. Mr. Tissue and Mr. Frye would receive a payment equal to the greater of one year’s base salary or the total base salary for the remainder of their respective employment agreements. Mr. Robertson and Mr. Miller would receive a payment equal to the greater of 6 month’s of their base salary or the total base salary for the remainder of their respective employment agreements. Mr. Tissue and Mr. Frye also receive their Company automobile. Conditions and obligations to the receipt of payments not for good cause are described in the Compensation Discussion and Analysis, which begins on page 19.

(4) Upon death, each NEO’s designated beneficiary would receive the NEO’s respective SERP split dollar life insurance death benefit and a lump sum payment equal to the current present value of their vested SERP benefit. In addition, Mr.Maddy’s designated beneficiary would receive 3 times his current annual base salary and his family would receive continuation of their health insurance coverage benefits on the same terms as they previously received for 1 year.

(5)

With respect to termination payments made in the event of disability, Mr. Maddy would receive 3 times his current annual base salary plus a lump sum payment equal to the current present value of his vested SERP benefit. Conditions and obligations to the receipt of this payment are described in the Compensation Discussion and Analysis, Compensation Agreement - Mr. Maddy on page 23. The other NEO's would receive a lump sum payment equal to the current present value of their respective vested SERP benefit.

(6) Illustration of payments in the event of termination due to a change in Company control assumes a scenario whereby the maximum estimated potential payments with respect to each NEO are payable. Such payments would consist of:

	Estimated Payments upon Termination in Event of a Change in Company Control						
Name	**Severance**	**Value of Accelerated Vesting of Stock Options**	**Present Value of Accelerated SERP Benefits**	**Continuation of Health Insurance Benefits (a)**	**Value of Company Automobile**	**Estimated Tax Gross Up (b)**	**Total**
H. Charles Maddy, III (c)	$ 1,125,000	$ 37,000	$ 253,000	$ 27,000	$ -	$ 403,000	$ 1,845,000
Robert S. Tissue (d)	$ 418,000	$ 23,000	$ 184,000	$ 13,000	$ 38,000	$ 169,000	$ 845,000
Patrick N. Frye (d)	$ 433,000	$ 22,000	$ 250,000	$ 18,000	$ 47,000	$ 204,000	$ 974,000
C. David Robertson (e)	$ 381,000	$ 22,000	$ 141,000	$ -	$ -	$ -	$ 544,000
Ronald F. Miller (e)	$ 442,000	$ 22,000	$ 141,000	$ 9,000	$ -	$ 165,000	$ 779,000

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(a) In the event of termination in the event of a change in Company control, each NEO would receive continuation of their health insurance coverage benefits on the same terms as they previously received for the following terms: Mr. Maddy - 3 years; Mr. Tissue and Mr. Frye -- 2 years; and, Mr. Robertson and Mr. Miller - 18 months.

(b) The estimated tax gross up is based on the 20% excise tax, grossed up for taxes, on the amount of severance and other benefits above each NEO’s average five-year W-2 earnings multiplied by 2.99.

(c) There are five (5) scenarios under which Mr. Maddy may be terminated and paid severance under his Change of Control Agreement. The amount disclosed in the severance column in the above table represents the amount of severance under scenarios one, four and five described below. The five scenarios are as follows:

• Under the first scenario, if Mr. Maddy works for the acquiring company for a period of one year (the “Transition Period”), then upon expiration of the Transition Period, he is entitled to 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 second scenario, if Mr. Maddy terminates his employment within six months of a change of control, then he is 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. The amount of severance under this scenario is $281,000.

• Under the third scenario, if Mr. Maddy terminates his employment after the first six months following the change of control, but before completion of the Transition Period, then he is not entitled to a severance payment under the Change in Control Agreement.

• Under the fourth scenario, if Mr. Maddy terminates for Good Reason (as defined in the Compensation Discussion and Analysis, which begins on page 19) or is terminated under circumstances constituting wrongful termination, then he is 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 under the Change in Control Agreement.

• Under the fifth scenario, if Mr. Maddy is terminated as a result of disability or death, Mr. Maddy is 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 under the Change in Control Agreement.

(d) There are two (2) scenarios under which Messrs. Tissue and Frye may be terminated and paid severance under the change of control provisions in each of their Employment Agreements. The two scenarios are as follows:

• If Messrs. Frye or Tissue are terminated for Good Reason (as defined in the Employment Agreement) or are terminated under circumstances constituting Wrongful Termination (as defined in the Employment Agreement), then the terminated executive officer is entitled to a payment equal to his Salary (as defined in the Employment Agreement) multiplied by the number of months between the effective date of termination and the date that is twenty four (24) months after the date of consummation of change of control, provided in no event shall the executive officer receive a lump sum payment that is less than 100% of his Salary. The amount in the severance column in the above table represents the severance amount under this scenario.

• If Messrs. Frye and Tissue terminate within six months of a change of control, the terminated executive officer is entitled to a lump sum payment equal to seventy-five percent (75%) of his Salary in effect immediately prior to the date of consummation of the Change of Control (as defined in the Employment Agreement). The amount of severance under this scenario is $157,000 for Mr. Tissue and $162,000 for Mr. Frye.

(e) If Messrs. Robertson and Miller employment are involuntarily terminated or they voluntarily terminate their employment for the reasons described in the Compensation Discussion and Analysis, which begins on page 19, then they are entitled to severance equal to their monthly base salary in effect on either (i) the date of termination; or (ii) the date immediately preceding the change of control, whichever is higher, multiplied by the number of full months between the date of termination and the date that is eighteen (18) months after the date of consummation of the change of control.

Director Compensation 2006

Name[1]	Fees Earned or Paid in Cash ($)[2]	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[3]	All Other Compensation ($)[4]	Total ($)
Frank A. Baer, III	$ 10,275	-	-	-	-	-	$ 10,275
Oscar M. Bean	$ 32,825	-	-	-	-	-	$ 32,825
Dewey F. Bensenhaver	$ 13,625	-	-	-	-	-	$ 13,625
James M. Cookman	$ 11,450	-	-	-	-	-	$ 11,450
John W. Crites	$ 17,020	-	-	-	-	-	$ 17,020
James P. Geary	$ 7,450	-	-	-	-	-	$ 7,450
Thomas J. Hawse, III	$ 17,375	-	-	-	-	-	$ 17,375
Phoebe F. Heishman	$ 14,600	-	-	-	-	-	$ 14,600
Gary L. Hinkle	$ 17,875	-	-	-	-	-	$ 17,875
Gerald W. Huffman	$ 12,950	-	-	-	-	-	$ 12,950
Duke A. McDaniel	$ 11,875	-	-	-	-	-	$ 11,875
G. R. Ours, Jr.	$ 12,600	-	-	-	-	-	$ 12,600
Charles S. Piccirillo	$ 16,800	-	-	-	-	-	$ 16,800

(1) (1)Harold K. Michael was a director of the Company's Board of Directors until February 10, 2006. Mr. Michael did not receive any fees as a director during 2006 because Mr. Michael did not attend any meetings in 2006.

(2) (2)Directors of the Company received $1,000 per board meeting attended in 2006. 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. Included in Mr. Bean's fees is the fee for serving as Chairman of the

Board of Directors.

Members of the Board of Directors of the subsidiaries of the Company are paid an annual retainer fee based on the asset size of each subsidiary bank as of December 31st of the prior year and receive $125 for each meeting attended and $100 for each committee meeting attended. All of the members of the Board of Directors of the Company are also members of the Board of Directors of a bank subsidiary of the Company except Mr. Geary. Accordingly, all of the Directors of the Company except Mr. Geary receive fees from a bank subsidiary of the Company, which are included in the above table. In addition, Mr. Maddy is a member of the Board of Directors of each subsidiary bank of the Company and as such receives fees from each bank subsidiary. Messrs. Robertson, Frye and Miller are also members of a subsidiary bank of the Company and receive fees for service. The fees received by Messrs. Maddy, Robertson, Frye and Miller 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 any of its subsidiaries 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.

(3) (3)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 and Company stock. Benefits payable to participant directors at retirement under the Plan will equate to the then current value of the individual investments. The Company's subsidiaries have similar deferral plans for their 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.

(4) (4)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 did not exceed $10,000 for any one director.

COMPENSATION AND NOMINATING COMMITTEE REPORT

The Compensation and Nominating Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation and Nominating Committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION AND NOMINATING COMMITTEE

Oscar M. Bean

Dewey F. Bensenhaver

John W. Crites

James P. Geary

Phoebe F. Heishman

Gary L. Hinkle

Thomas J. Hawse, III

Charles S. Piccirillo

EXECUTIVE OFFICERS

The names of the Executive Officers of Summit Financial Group, Inc. as of March 10, 2007, the present position and business position of such officers and the number of shares of Common Stock of the Company beneficially owned by such Executive Officers are as follows:

Name and Age as of the May 17, 2007 Meeting Date	Position, Principal Occupation and Business Experience	Amount of Beneficial Ownership of Shares of Common Stock as of March 10, 2007	
		Shares	%
H. Charles Maddy, III 44	Director of Summit Financial Group since 1993. President and CEO of Summit Financial Group since 1994. Director of the Federal Home Loan Bank of Pittsburgh ("FHLB") since 2002, Chairman of the FHLB Audit Committee. Chairman of Summit Community Bank Board of Directors since 2002.	95,648(1)	1.31%
Robert S. Tissue…………….43	Senior Vice President and Chief Financial Officer of Summit Financial Group since 1998.	67,381(2)	*
Patrick N. Frye...…………..48	Director of Summit Financial Group since 2000. Senior Vice President and Chief Credit Officer of Summit Financial Group, Inc., since December, 2003. President and CEO of Summit Community Bank from 1998 to 2004.	35,999(3)	*
C. David Robertson……....…63	President and Chief Executive Officer of Summit Community Bank since 1999.	41,537(4)	*
Ronald F. Miller ……………63	Director of Summit Financial Group since 1998. President and CEO of Shenandoah Valley National Bank since 1998.	44,768(5)	*
Scott C. Jennings……………45	Senior Vice President and Chief Operating Officer of Summit Financial	38,825(6)	*

		Group since 2000. Vice President and Director of Technology and Loan Administration of Summit Financial Group, 1999 - 2000.		
Douglas T. Mitchell…..…	43	Senior Vice President and Chief Banking Officer of Summit Financial Group since September, 2005. Senior Vice President of SunTrust Bank 2002-2005. Area Vice President of Chevy Chase Bank 2000-2002.	14,000(7)	*

(1) Includes 1,672 shares owned by spouse, 18,144 fully vested shares held in Company's ESOP and exercisable stock options for 69,800 shares; 2,768 shares are pledged as collateral.
(2) Includes 3,593 fully vested shares held in Company's ESOP and exercisable stock options for 51,720 shares.
(3) Includes 3,687 fully vested shares held in Company's ESOP and exercisable stock options for 28,320 shares; 3,992 shares are pledged as collateral.
(4) Includes 1,670 shares owned by spouse, 4,267 fully vested shares held in Company's ESOP and exercisable stock options for 15,600 shares.
(5) Includes 5,178 fully vested shares held in Company's ESOP and exercisable stock options for 31,120 shares.
(6) Includes 8,905 fully vested shares held in Company's ESOP and exercisable stock options for 29,720 shares.
(7) Includes exercisable stock options for 10,000 shares.

PRINCIPAL SHAREHOLDER

The following table lists each shareholder of Summit who is the beneficial owner of more than 5% of Summit's common stock as of March 10, 2007.

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	548,316(1)	7.49%

(1) Includes 191,240 shares owned by Allegheny Wood Products, Inc. of which Mr. Crites is Chairman.

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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 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 2008 Annual Meeting of Shareholders must be received by us, Attention: Secretary, at our principal executive offices by December 10, 2007, for inclusion in the proxy statement and form of proxy relating to that meeting.

Stock Transfers

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

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ANNUAL REPORT

The annual report of the Company for the year ended December 31, 2006, 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 2006. 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.

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 10, 2007

Appendix A

COMPENSATION AND NOMINATING COMMITTEE CHARTER

I. Membership Requirements

The Compensation and Nominating Committee of the Board of Directors of Summit Financial Group, Inc. (the “Company”) shall consist of a minimum of four directors. These should include the chair of the Audit and Executive Committees. Members of the committee shall be appointed and may be removed by the Board of Directors. All members of the committee shall be independent directors as determined by the Company’s Board of Directors in accordance with the applicable rules of The NASDAQ Stock Market, Inc. (“NASDAQ”) and the Securities and Exchange Commission (“SEC”). If the committee is comprised of at least three (3) members, one director who is not independent and who is not a current officer or employee or a Family Member (as such term is defined by NASDAQ in its Marketplace Rules), may be a member of the committee if the Company’s Board of Directors determines that such individual’s membership on the committee is required by the best interests of the Company and its shareholders and the Board of Directors discloses, in the proxy statement for the next annual meeting subsequent to such determination, the nature and relationship and the reasons for the determination. A member appointed under this exception may not serve longer than two (2) years.

II. Purpose and Duties and Responsibilities Relating to Nomination of Directors

One purpose of the committee shall be to assist the Board in identifying qualified individuals to become Board members, in determining the composition of the Board of Directors and its committees, in monitoring a process to assess Board effectiveness and in developing and implementing the Company’s corporate governance guidelines.

In furtherance of this purpose, the committee shall have the following duties and responsibilities:

1. To lead the search for individuals qualified to become members of the Board of Directors and to select director nominees to be presented for share owner approval at the annual meeting. The committee shall select individuals as director nominees who shall have the highest personal and professional integrity, who shall have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other nominees to the board, in collectively serving the long-term interests of the share owners. In identifying first-time nominees for director, or evaluating individuals recommended by stockholders, the Compensation and Nominating Committee shall determine in its sole discretion whether an individual meets the minimum qualifications approved by the Board and may consider the current composition of the Board 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.

2. To review the Board of Directors’ committee structure and to recommend to the Board for its approval directors to serve as members of each committee. The committee shall review and recommend committee slates annually and shall recommend additional committee members to fill vacancies as needed.

3. To develop and recommend to the Board of Directors for its approval an annual self-evaluation process of the Board and its committees. The committee shall oversee the annual self-evaluations.

III. Purpose and Duties and Responsibilities Relating to Compensation

Another purpose of the 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 reporting 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.

In furtherance of this purpose, the committee shall have the following duties and responsibilities:

1. Annually review and approve corporate goals and objectives relevant to CEO compensation 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. In determining base salary and annual incentive compensation for the CEO, the committee will consider base salary information at comparable companies, cash equivalent compensation data at comparable companies, the perquisites provided to the CEO, the complexity of job duties of the CEO as compared to the perceived complexity of the duties of similar executives at other comparable companies, the Company’s financial performance and the CEO’s individual job performance In determining long-term incentive compensation of the CEO, the committee will consider the Company’s financial performance, relative stockholder return, the option adjusted total compensation awarded to CEO’s at comparable companies and the awards given to the CEO in the past years. The CEO may not be present during deliberations or voting concerning the CEO’s compensation.

2. Annually review, approve and report to the Board of Directors all compensation arrangements, including base salary, incentive compensation and long-term compensation, for all Executive Officers.

3. Review, approve and report to the Board of Directors compensation packages for new Executive Officers and termination packages for Executive Officers.

4. 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.

5. 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.

6. Produce an annual report of the committee on executive compensation for the Company’s annual proxy statement in compliance with applicable NASDAQ and SEC rules.

IV. Authority

The committee shall have the authority to delegate any of its responsibilities to subcommittees as the committee may deem appropriate in its sole discretion.

The committee shall have the authority to retain any search firm engaged to assist in identifying director candidates, and to retain outside counsel and any other advisors as the committee may deem appropriate in its sole discretion. The committee shall have sole authority to approve related fees and retention terms.

The committee shall report its actions and recommendations to the Board after each committee meeting. The committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS
OF SUMMIT FINANCIAL GROUP, INC.
on May 17, 2007

The undersigned hereby appoints Russell F. Ratliff, Jr. and Teresa D. Sherman 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 Financial Group, Inc. held or owned by the undersigned at the Annual Meeting of Shareholders on May 17, 2007, and at any adjournments thereof, as follows:

1. Election of Directors to serve a three year term until the 2010 Annual Meeting or until their successors are elected and qualified:

[ ] FOR ALL NOMINEES LISTED BELOW (except as marked to the contrary below) **[ ] WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES 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, II *Phoebe F. Heishman* *Charles S. Piccirillo*

2. To ratify the selection of Arnett & Foster, PLLC as Summit Financial Group Inc.'s independent registered public accounting firm for the year ended December 31, 2007.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

3. In their discretion, upon any other business which may properly come before the meeting or any adjournment thereof.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

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 3.**

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 Item 1. If any other business is presented at said meeting, this proxy shall be voted in accordance with the best judgment of the individuals named in this proxy. This proxy may be revoked at any time prior to its exercise in accordance with the procedure set forth in the proxy materials.

Dated _________________________, 2007

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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.