C & F FINANCIAL CORP
Form DEF 14A
March 15, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

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))**
x Definitive Proxy Statement	
¨ Definitive Additional Materials	
¨ Soliciting Material Pursuant to §240.14a-12	

C & F FINANCIAL CORPORATION

(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):

x 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:

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(2) Aggregate number of securities to which transaction applies:

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

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(4) Proposed maximum aggregate value of transaction:

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(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:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

C&F Financial Corporation
Eighth and Main Streets
P.O. Box 391
West Point, Virginia 23181

Dear Fellow Shareholders:

You are cordially invited to attend the 2005 Annual Meeting of Shareholders of C&F Financial Corporation, the holding company for Citizens and Farmers Bank. The meeting will be held on Tuesday, April 19, 2005, at 3:30 p.m. at the **Holiday Inn, Patriot, 3032 Richmond Road, Williamsburg, Virginia**. The accompanying Notice and Proxy Statement describe the matters to be presented at the meeting. Enclosed is our Annual Report to Shareholders that will be reviewed at the Annual Meeting.

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

We appreciate your continuing loyalty and support of C&F Financial Corporation.

Sincerely,

Larry G. Dillon
Chairman, President &
Chief Executive Officer

West Point, Virginia

March 15, 2005

C&F FINANCIAL CORPORATION

Eighth and Main Streets

P.O. Box 391

West Point, Virginia 23181

NOTICE OF 2005 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 19, 2005

The 2005 Annual Meeting of Shareholders of C&F Financial Corporation (the Company) will be held at the **Holiday Inn, Patriot, 3032 Richmond Road, Williamsburg, Virginia**, on Tuesday, April 19, 2005, at 3:30 p.m. for the following purposes:

1. To elect three Class III directors to the Board of Directors of the Company to serve until the 2008 Annual Meeting of Shareholders, as described in the Proxy Statement accompanying this Notice.

2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on February 15, 2005, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Thomas F. Cherry
Secretary

March 15, 2005

IMPORTANT NOTICE

Please complete, sign, date, and return the enclosed proxy card in the accompanying postage paid envelope so that your shares will be represented at the meeting. Shareholders attending the meeting may personally vote on all matters that are considered, in which event

their signed proxies will be revoked.

C&F FINANCIAL CORPORATION

Eighth and Main Streets

P.O. Box 391

West Point, Virginia 23181

PROXY STATEMENT

2005 ANNUAL MEETING OF SHAREHOLDERS

April 19, 2005

The following information is furnished in connection with the solicitation by and on behalf of the Board of Directors of the enclosed proxy to be used at the 2005 Annual Meeting of Shareholders (the Annual Meeting) of C&F Financial Corporation (the Company) to be held Tuesday, April 19, 2005, at 3:30 p.m. at the **Holiday Inn, Patriot, 3032 Richmond Road, Williamsburg, Virginia**. The approximate mailing date of this Proxy Statement and accompanying proxy is March 15, 2005.

Revocation and Voting of Proxies

Execution of a proxy will not affect a shareholder s right to attend the Annual Meeting and to vote in person. Any shareholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and requesting to vote in person. A shareholder may also revoke his proxy at any time before it is exercised by filing a written notice with the Company or by submitting a proxy bearing a later date. Proxies will extend to, and will be voted at, any properly adjourned session of the Annual Meeting. If a shareholder specifies how the proxy is to be voted with respect to any proposals for which a choice is provided, the proxy will be voted in accordance with such specifications. If a shareholder fails to specify with respect to Proposal One set forth in the accompanying Notice and further described herein, the proxy will be voted **FOR** the director nominees named in Proposal One.

Voting Rights of Shareholders

Only those shareholders of record at the close of business on February 15, 2005, are entitled to notice of and to vote at the Annual Meeting, or any adjournments thereof. The number of shares of Company common stock outstanding and entitled to vote at the Annual Meeting is 3,553,654. The Company has no other class of stock outstanding. A majority of the votes entitled to be cast, represented in person or by proxy, will constitute a quorum for the transaction of business.

Each share of Company common stock entitles the record holder thereof to one vote upon each matter to be voted upon at the Annual Meeting. Shares for which the holder has elected to abstain or to withhold the proxies authority to vote (including broker non-votes) on a matter will count toward a quorum, but will not be included in determining the number of votes cast with respect to such matter.

With regard to the election of directors, votes may be cast in favor or withheld. If a quorum is present, the nominees receiving the greatest number of affirmative votes cast at the Annual Meeting will be elected directors; therefore, votes withheld will have no effect.

Approval of any other matter requires an affirmative vote of a majority of the shares cast on the matter. Thus, although abstentions and broker non-votes (shares held by customers which may not be voted on certain matters because the broker has not received specific instructions from the customers) are counted for purposes of determining the presence or absence of a quorum, they are generally not counted for purposes of determining whether a matter has been approved, and therefore have no effect.

Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Company. Solicitations will be made only by the use of the mail, except that officers and regular employees of the Company and Citizens and Farmers Bank (the Bank) may make solicitations of proxies in person, by telephone or by mail, acting without compensation other than their regular compensation. We anticipate that brokerage houses and other nominees, custodians and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of the stock held of record by such persons, and the Company will reimburse them for their charges and expenses in this connection.

Security Ownership of Certain Beneficial Owners and Management

The following table shows the share ownership as of February 15, 2005, of the shareholders known to the Company to be the beneficial owners of more than 5% of the Company s common stock, par value $1.00 per share, which is the Company s only voting security outstanding.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percent of Class
SunTrust Banks, Inc. 303 Peachtree Street, Suite 1500 Atlanta, Georgia 30308	241,498[2]	6.8%

(1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within sixty days.

(2) Based on Amendment No. 6 to a Schedule 13G filed with the Securities and Exchange Commission on February 16, 2005 by SunTrust Banks, Inc. and certain of its subsidiaries. According to this Amendment No. 6, SunTrust Banks, Inc. and these subsidiaries have sole voting power with respect to 241,498 of these shares, sole investment power with respect to 38,680 of these shares and shared investment power with respect to 202,818 of these shares. The 241,498 shares are held by one or more subsidiaries of SunTrust Banks, Inc. in various fiduciary and agency capacities. SunTrust Banks, Inc. and such subsidiaries disclaim any beneficial interest in any of the shares reported.

The following table shows as of February 15, 2005, the beneficial ownership of the Company s common stock of each director, director nominee, current executive officer and of all directors, director nominees, and current executive officers of the Company as a group.

Name	Amount and Nature of Beneficial Ownership[1]	Percent of Class
Robert L. Bryant		*
J. P. Causey Jr.	41,238[2]	1.2
Barry R. Chernack	6,162[2]	*
Larry G. Dillon	85,665[3]	2.4
James H. Hudson III	10,225[2]	*
Joshua H. Lawson	36,696[2]	1.0
Bryan E. McKernon	9,100[4]	*
William E. O Connell Jr.	10,250[2]	*
Paul C. Robinson	10,692[2]	*
Thomas F. Cherry	8,200[5]	*
All Directors, Nominees and Current Executive Officers as a group (10 persons)	218,228	6.1

* Represents less than 1% of the total outstanding shares of the Company s common stock.

(1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within sixty days. Except as otherwise indicated, each nominee, director or current executive officer has sole voting and investment power with respect to the shares shown.

(2) Includes 8,250 shares each for Mr. Causey, Mr. Hudson, Mr. Lawson, Mr. O Connell and Mr. Robinson and 4,500 shares for Mr. Chernack as to which they hold presently exercisable options. A description of the plan under which these options were issued is set forth below in Directors Compensation. Excludes 1,200 and 240 shares held solely by Mr. Causey s and Mr. Hudson s spouses, respectively, as to which Mr. Causey and Mr. Hudson disclaim beneficial ownership.

(3) Includes 13,400 shares for Mr. Dillon as to which he holds presently exercisable options. A description of the plan under which these options were issued is set forth below in greater detail in Compensation Committee Report on Executive Compensation. Also includes 40,293 shares held by a non-family trust, of which Mr. Dillon is a co-trustee, and with respect to which Mr. Dillon shares voting and investment power. Mr. Dillon disclaims beneficial ownership of the shares held in trust.

(4) Includes 5,000 shares for Mr. McKernon as to which he holds presently exercisable options. A description of the plan under which these options were issued is set forth below in greater detail in Compensation Committee Report on Executive Compensation.

(5) Includes 6,600 shares for Mr. Cherry as to which he holds presently exercisable options. A description of the plan under which these options were issued is set forth below in greater detail in Compensation Committee Report on Executive Compensation.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Company s Board is divided into three classes (I, II and III) of directors. The term of office for Class III directors will expire at the Annual Meeting. The three persons named below, all of whom currently serve as directors of the Company, will be nominated to serve as Class III directors. If elected, the Class III nominees will serve until the 2008 Annual Meeting of Shareholders. The two persons named in the proxy will vote for the election of the nominees named below unless authority is withheld. The Company s Board believes that the nominees will be available and able to serve as directors, but if any of these persons should not be available or able to serve, the proxies may exercise discretionary authority to vote for a substitute proposed by the Company s Board.

Certain information concerning the nominees for election at the Annual Meeting as Class III directors is set forth below, as well as certain information about the Class I and II directors, who will continue in office until the 2006 and 2007 Annual Meetings of Shareholders, respectively.

Name (Age)	Served Since[1]	Principal Occupation During Past Five Years
Class III Directors (Nominees)	**(To Serve Until the 2008 Annual Meeting)**	
J. P. Causey Jr. (61)	1984	Executive Vice President, Secretary & General Counsel of Chesapeake Corporation 2001 to present; Senior Vice President prior to 2001
Barry R. Chernack (57)	2000	Retired January 2000 to present; Managing Partner, Pricewaterhouse-Coopers, LLP, Southern Virginia Practice prior to January 2000
William E. O Connell Jr. (67)	1994	Chessie Professor of Business, Emeritus The College of William and Mary
Class I Directors	**(Serving Until the 2006 Annual Meeting)**	
Larry G. Dillon (52)	1989	Chairman, President and Chief Executive Officer of the Company and the Bank
James H. Hudson III (56)	1997	Attorney-at-Law Hudson & Bondurant, P.C.
Class II Directors	**(Serving Until the 2007 Annual Meeting)**	
Joshua H. Lawson (63)	1993	President, Thrift Insurance Corporation
Paul C. Robinson (47)	1994	President, Francisco, Robinson & Associates, Inc.

(1) Refers to the year in which the director was first elected to the Board of Directors of the Bank.

The Board of Directors of the Bank consists of the seven current members of the Company s Board listed above, as well as Audrey D. Holmes, Bryan E. McKernon, Charles Elis Olsson and Thomas B. Whitmore Jr.

The Board of Directors is not aware of any family relationship between any director, executive officer or person nominated by the Company to become director; nor is the Board of Directors aware of any involvement in legal proceedings that would be material to an evaluation of the ability or integrity of any director, executive officer, or person nominated to become a director. **Unless authority for the above nominees is withheld, the shares represented by the enclosed proxy card, if executed and returned, will be voted FOR the election of the nominees proposed by the Board of Directors.**

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE DIRECTORS NOMINATED TO SERVE AS CLASS III DIRECTORS.

Board Committees and Attendance

During 2004, there were nine meetings of the Board of Directors of the Company. Each director attended at least 75% of all meetings of the Board and Board committees on which he served. Following the Annual Meeting, provided that the nominees, Mr. Causey, Mr. Chernack and Mr. O Connell, are re-elected to the Board of Directors, the Board has determined that all non-employee directors, which comprise a majority of the Company s Board, will satisfy the independence requirements of the NASDAQ Stock Market (NASDAQ) listing standards. The Board has affirmatively determined that directors (or nominees) Causey, Chernack, Hudson, Lawson, O Connell and Robinson are independent within the meaning of the NASDAQ listing standards. During 2004, the Board of Directors held two regularly-scheduled executive session meetings attended solely by these independent directors.

The Company has not adopted a formal policy on Board members attendance at its annual meeting of shareholders, although all Board members are encouraged to attend and historically most have done so. All Board members attended the Company s 2004 Annual Meeting of Shareholders.

The Board of Directors of the Company has an Audit Committee and a Compensation Committee, and the Board of Directors of the Bank has an Executive Committee. Pursuant to a Board resolution, the independent members of the Board of Directors of the Company act as the Nominating Committee for selecting candidates to be nominated for election as directors.

The Company s Board of Directors does not have a standing Nominating Committee. The Board of Directors does not believe that it is necessary to have a Nominating Committee because it believes that the functions of a Nominating Committee can be adequately performed by its independent members.

In their capacity as the Nominating Committee, the independent members of the Board of Directors will accept for consideration shareholders nominations for directors if made in writing. In accordance with the Company s bylaws, a shareholder nomination must include the nominee s written consent to the nomination, sufficient background information with respect to the nominee, sufficient identification of the nominating shareholder and a representation by the shareholder of his or her intention to appear at the Annual Meeting (in person or by proxy) to nominate the individual specified in the notice. Nominations must be received by the Company s Secretary at the Company s principal office in West Point, Virginia, no later than February 13, 2006 in order to be considered for the annual election of directors in 2006. Any candidates submitted by a shareholder or shareholder group are reviewed and considered in the same manner as all other candidates based on the qualifications described below.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing board composition. However, minimum qualifications include high level leadership experience in business activities, breadth of knowledge about issues affecting the Company and time available for meetings and consultation on Company matters. The independent directors seek a diverse group of candidates who possess the background, skills and expertise to make a significant contribution to the Board, to the Company and its shareholders. The independent directors, along with other board members as appropriate, evaluate potential nominees, whether proposed by shareholders or otherwise, by reviewing their qualifications, reviewing results of personal and reference interviews and reviewing other relevant information. Candidates whose evaluations are favorable are then chosen by a majority of the independent directors to be recommended for nomination by the full Board. The full Board then selects and nominates candidates for election as directors by the shareholders at the annual meeting.

Current members of the Company s Compensation Committee are Messrs. Causey, Chernack and Hudson, each of whom is independent for this purpose according to the listing standards of NASDAQ. The Compensation Committee recommends the level of compensation to be paid to the executive officers of the Company and certain key officers of the Bank and its subsidiaries. It also administers all incentive and equity compensation plans for the benefit of such officers and directors eligible to participate in such plans. The Compensation Committee met four times during 2004. See Compensation Committee Report on Executive Compensation on pages 11 through 14.

Current members of the Company s Audit Committee are Messrs. Causey, Chernack and O Connell, each of whom is independent for this purpose according to the listing standards of NASDAQ and the regulations of the Securities and Exchange Commission. The Audit Committee engages the Company s independent registered public accounting firm, approves the scope of the independent registered public accounting firm s audit, reviews the report of examination by the regulatory agencies, the independent registered public accountants and the internal auditor and issues its report to the Board of Directors annually. The Audit Committee met eleven times during 2004. See Report of the Audit Committee on pages 14 through 15.

Members of the Bank s Executive Committee are Messrs. Causey, Dillon, Hudson and O Connell. The Executive Committee reviews various matters and submits proposals or recommendations to the Company s Board of Directors. The Executive Committee did not meet in 2004.

Shareholder Communications with the Company s Board of Directors

The Company provides an informal process for shareholders to send communications to the Board of Directors. Shareholders who wish to contact the Board of Directors or any of its members may do so by addressing their written correspondence to C&F Financial Corporation, Board of Directors, c/o Corporate Secretary, P.O. Box 391, West Point, Virginia 23181. Correspondence directed to an individual Board member will be referred, unopened, to that member. Correspondence not directed to a particular Board member will be referred, unopened, to the Chairman of the Board.

Directors Compensation

Mr. Causey, as Chairman of the Company s Compensation Committee, and Mr. Chernack, as Chairman of the Company s Audit Committee, each receive an annual retainer of $7,600. The remaining non-employee members of the Board of Directors of the Company each receive an annual retainer of $6,000. The retainers are payable in quarterly installments. In addition, all non-employee members of the Board of Directors of the Company receive a base meeting fee of $500 per day for Company, Bank or committee meeting attendance and a fee of $250 for secondary meeting attendance for each additional Company Board, Bank Board or committee meeting of either board held on the same day as a meeting for which the base meeting fee is paid.

In addition to cash compensation, non-employee members of the Board of Directors of the Company participate in the 1998 Non-Employee Director Stock Compensation Plan. Under this plan, directors are granted a minimum of 1,000 and a maximum of 2,000 options to purchase the Company s common stock at a price equal to the fair market value of the stock at the date of grant. Options become exercisable twelve months after the date of grant and expire ten years from the date of grant. On May 1, 2004, each non-employee member of the Board of Directors of the Company was granted 1,500 options with an exercise price of $37.50 per share.

Interest of Management in Certain Transactions

As of December 31, 2004, the total maximum extensions of credit (including used and unused lines of credit) to policy-making officers, directors and their associates amounted to $1,844,049, or 2.64% of total year-end capital. The maximum aggregate amount of such indebtedness outstanding during 2004 was $1,509,524, or 2.16% of total year-end capital. These loans were made in the ordinary course of the Bank s business, on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others, and do not involve more than the normal risks of collectibility or present other unfavorable features. The Bank expects to have in the future similar banking transactions with the Company s officers, directors and their associates.

Executive Compensation

Summary of Cash and Certain Other Compensation. The following table shows the cash compensation paid to Mr. Dillon, Chairman, President and Chief Executive Officer of the Company and to Thomas F. Cherry, Executive Vice President, Chief Financial Officer and Secretary of the Company (the named executive officers) during 2004, 2003 and 2002. Robert L. Bryant, Executive Vice President and Chief Operating Officer of the Company and Bryan E. McKernon, President and Chief Executive Officer of C&F Mortgage Corporation became executive officers in 2005 and they are included in the following table for informational purposes. There are no other current executive officers of the Company.

Summary Compensation Table

	Annual Compensation				Long-Term Compensation	
Name and Principal Position	**Year**	**Salary**	**Bonus**[1]	**Other Annual Compensation**[4]	**Securities Underlying Options**[5]	**All Other Compensation**[6]
Larry G. Dillon Chairman/President/ Chief Executive Officer	2004 2003 2002	$ 202,000 198,000 180,000	$ 100,000 75,000 65,000		7,500 6,000 4,500	$ 43,410 21,092 27,877
Thomas F. Cherry Executive Vice President/Chief Financial Officer/ Secretary	2004 2003 2002	144,000 134,000 120,000	64,800 45,000 45,000		6,000 3,500 3,500	29,676 31,258 25,067
Robert L. Bryant [3] Executive Vice President/Chief Operating Officer	2004	92,019	48,900		6,000	17,484
Bryan E. McKernon President and Chief Executive Officer of C&F Mortgage	2004	150,000	869,235[2]		6,000	5,399

(1) With the exception of Mr. McKernon s bonus, which is addressed in note (2) below, all bonuses were paid in accordance with the management incentive bonus policy adopted by the Bank effective January 1, 1987.

(2) Bonus was paid in accordance with the Employment Agreement by and between C&F Mortgage Corporation and Mr. McKernon originally dated November 30, 1995 and amended in 1998 and 2002.

(3) Mr. Bryant was hired on May 1, 2004 as Chief Operating Officer of the Bank. Mr. Bryant was appointed Chief Operating Officer of the Company on February 25, 2005.

(4) The amount of compensation in the form of perquisites or other personal benefits properly categorized in this column according to the disclosure rules adopted by the Securities and Exchange Commission did not exceed the lesser of either $50,000 or 10% of the total annual salary and bonus reported for Messrs. Dillon, Cherry, Bryant and McKernon, respectively, in any of the years reported.

(5) Year 2004 options were granted at an exercise price of $39.29 per share; year 2003 options were granted at an exercise price of $42.00 per share; year 2002 options were granted at an exercise price of $22.75 per share.

(6) $6,000, $6,000 and $8,000 were contributed for Mr. Dillon and $5,826, $5,383 and $5,817 were contributed for Mr. Cherry under the Bank s Profit-Sharing Plan for 2004, 2003 and 2002, respectively. $1,311 was contributed for Mr. Bryant under the Bank s Profit-Sharing Plan for 2004. $6,218 was contributed for Mr. Dillon under the Bank s Split-Dollar Insurance Program for the year 2002. Mr. Dillon s participation in the Split-Dollar Insurance Program was terminated in 2003, and Mr. Dillon reimbursed the Bank for all premiums previously paid by the Bank. $10,250, $10,000 and $8,707 were contributed for Mr. Dillon and $9,450, $8,950 and $7,250 were contributed for Mr. Cherry under the Bank s 401(k) Plan for 2004, 2003 and 2002, respectively. An additional $3,525 was contributed in 2003 for Mr. Cherry under the Bank s 401(k) Plan for an underpayment of previous years contributions. $1,673 was contributed for Mr. Bryant under the Bank s 401(k) Plan for 2004. $5,399 was contributed for Mr. McKernon under C&F Mortgage Corporation s 401(k) Plan for 2004. $27,160, $5,092 and $4,952 were contributed for Mr. Dillon and $14,400, $13,400 and $12,000 were contributed for Mr. Cherry under the Company s Executive s Deferred Compensation Plan for 2004, 2003 and 2002, respectively. $14,500 was contributed for Mr. Bryant under the Company s Executive s Deferred Compensation Plan for 2004.

Stock Option Grants in 2004. The following table shows all grants of options in 2004 to the current named executive officers:

Option Grants in 2004

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
Name	**Number of Securities Underlying Options Granted (#)(1)**	**% of Total Options Granted to Employees in Fiscal Year**	**Exercise or Base Price ($/Sh)**	**Expiration Date**	**5% ($)**	**10% ($)**
Larry G. Dillon	7,500	7.71%	$ 39.29	12/21/14	$ 185,320	$ 469,636
Thomas F. Cherry	6,000	6.17%	39.29	12/21/14	148,256	375,709
Robert L. Bryant	6,000	6.17%	39.29	12/21/14	148,256	375,709
Bryan E. McKernon	6,000	6.17%	39.29	12/21/14	148,256	375,709

(1) Vesting is as follows: 100% on June 21, 2005.

(2) Potential realizable value at the assumed annual rates of stock price appreciation indicated, based on actual option term (10 years) and annual compounding, less cost of shares at exercise price.

Stock Option Exercises in 2004 and Year-End Option Values. The following table shows certain information with respect to the number of shares acquired on exercise and the number and value of unexercised options at December 31, 2004 for the current named executive officers.

Aggregated Option Exercises in 2004 and Year-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at December 31, 2004 (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2004 ($) Exercisable/ Unexercisable
Larry G. Dillon	1,400	$38,850	16,400/25,000	$436,303/$247,800
Thomas F. Cherry	600	18,307	6,600/18,000	157,248/182,710
Robert L. Bryant			-/6,000	-/6,360
Bryan E. McKernon			8,200/18,500	206,533/193,360

Employment and Change in Control Agreements

Mr. McKernon is employed by C&F Mortgage Corporation (the Mortgage Company) under an employment agreement originally dated November 30, 1995 and amended in 1998 and 2002. Under the agreement, the Mortgage Company has employed Mr. McKernon as its president and chief executive officer under a three-year evergreen contract which remains in effect at all times unless and until terminated as permitted by the agreement. Either party, by notice to the other at any time and for any reason, may give notice of an intention to terminate the agreement three years from the date notice is received by the other. Additionally, either party may terminate the agreement in the event the Mortgage Company fails to meet certain specified financial performance criteria for a stipulated period or of a stipulated amount within a prescribed time period. The agreement terminates upon the death or disability of Mr. McKernon, or upon the failure of either party to fulfill its obligations under the agreement.

Under the agreement, the Mortgage Company will pay Mr. McKernon an annual base salary of $150,000, payable monthly. The Mortgage Company also is obligated to pay Mr. McKernon a bonus, computed and paid on a monthly basis, based upon a variable percentage of the Mortgage Company s financial performance for the preceding month, subject to adjustment annually in order that the total bonus for a fiscal year will be equal to the specified percentage as determined by the year-end financial performance amount on which the bonus is based.

The Mortgage Company has the right, at any time and at its option, to buy out Mr. McKernon s agreement based upon the Mortgage Company s financial performance. In the event of a buy out of the agreement, the Mortgage Company also may purchase a limited non-competition commitment from Mr. McKernon.

The agreement also provides that Mr. McKernon will be entitled, during his employment, to benefits commensurate with those furnished to other employees, and with life insurance equal to three times his base salary. The agreement also contains provisions requiring confidentiality of information regarding the Mortgage Company.

The agreement provides for change in control benefits for Mr. McKernon as described below. Mr. McKernon may terminate his employment agreement upon an event of covered termination as defined in his change in control agreement. Any termination of the employment agreement also will terminate Mr. McKernon s change in control agreement except a termination of his employment agreement as described in the preceding sentence.

The Company has entered into change in control agreements with Messrs. Dillon, Cherry, Bryant and McKernon. The agreement for Mr. Dillon provides certain payments and benefits in the event of a termination of his employment by the Company without cause, or by Mr. Dillon for good reason, during the period beginning on the occurrence of a change in control (as defined in the agreement) of the Company and ending sixty-one days after the second anniversary of the change in control date. In such event, Mr. Dillon would be entitled (i) to receive in 12 consecutive quarterly installments, or in a lump sum, two and one-half times the sum of his highest annual base salary during the 24 month period preceding the change in control date and his highest annual bonus for the three fiscal years preceding the change in control date; (ii) for a period of three years following termination, to receive continuing health insurance, life insurance, and similar benefits under the Company s welfare benefit plans and to have the three year period credited as service towards completion of any service requirement for retiree coverage under the Company s welfare benefit plans; and (iii) if Mr. Dillon requests within one year after his termination, to have the Company acquire his residence for its appraised fair market value.

The agreements for Messrs. Cherry, Bryant and McKernon provide certain payments and benefits in the event of a termination of their employment by the Company without cause, or by Messrs. Cherry, Bryant or McKernon for good reason, during the period beginning on the occurrence of a change in control (as defined in the agreement) of the Company and ending sixty-one days after the first anniversary of the change in control date. In such event, Messrs. Cherry, Bryant and McKernon would each be entitled (i) to receive in eight consecutive quarterly installments, or in a lump sum, two times his highest annual base salary during the 24 month period preceding the change in control date and (ii) for a period of two years following termination, to receive continuing health insurance, life insurance, and similar benefits under the Company s welfare benefit plans and to have the two-year period credited as service towards completion of any service requirement for retiree coverage under the Company s welfare benefit plans. In addition, Messrs. Cherry and Bryant would each be entitled to his highest annual bonus for the three fiscal years preceding the change in control date.

During the term of the agreements following a change in control, Messrs. Dillon, Cherry, Bryant and McKernon may voluntarily terminate their employment and become entitled to these payments and benefits under certain circumstances. These circumstances include, but are not limited to, a material adverse change in position, authority or responsibilities, or a reduction in rate of annual base salary, benefits (including incentives, bonuses, stock compensation, and retirement and welfare plan coverage) or other perquisites as in effect immediately prior to the change in control date.

If any payments to or benefits under (collectively, payments) these change in control agreements would be subject to excise tax as an excess parachute payment under federal income tax rules, the Company has agreed to pay Messrs. Dillon, Cherry, Bryant and McKernon additional amounts (gross-up payments) to adjust for the incremental tax costs of such payments. However, if such payments and gross-up payments do not provide a net after-tax benefit of at least $25,000, as compared to the net after-tax proceeds resulting from an elimination of the gross-up payments and a reduction of the payments such that the receipt of payments would not give rise to any excise tax, then payments and benefits provided under the agreements will be reduced, so that Messrs. Dillon, Cherry, Bryant and McKernon will not be subject to a federal excise tax.

Employee Benefit Plans

The Bank has a non-contributory defined benefit retirement plan (the Retirement Plan) covering substantially all employees who have reached the age of 21 and have been fully employed for at least one year. The Retirement Plan provides participants with retirement benefits related to salary and years of credited service. Employees become vested after five plan years of service, and the normal retirement date is the plan anniversary date nearest the employee s 65th birthday. The Retirement Plan does not cover directors who are not active employees. The amount expensed for the Retirement Plan during the year ended December 31, 2004, was $481,389.

The following table shows the estimated annual retirement benefits payable to employees in the average annual salary and years of service classifications set forth below assuming retirement at the normal retirement age of 65.

Consecutive Five-Year Average Salary	Years of Credited Service 15	20	25	30	35
$25,000	$4,688	$6,250	$7,813	$8,750	$9,688
40,000	7,500	10,000	12,500	14,000	15,500
55,000	11,228	14,970	18,713	21,080	23,448
75,000	17,078	22,770	28,463	32,280	36,098
100,000	24,390	32,520	40,650	46,280	51,910
125,000	31,703	42,270			