

SUMMIT FINANCIAL GROUP INC

Form 8-K

February 12, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

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CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 7, 2019

Summit Financial Group, Inc.

(Exact name of registrant as specified in its charter)

West Virginia

0-16587

55-0672148

(State or other jurisdiction of  
incorporation or organization)

(Commission File Number)

(I.R.S. Employer  
Identification No.)

300

North

Main

Street

Moorefield,

West

Virginia

(Address

of

principal

executive

offices)

Registrant's telephone number, including area code: (304) 530-1000

Not Applicable

(Former name or address, if changed since last report)

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

☐ Written

communications

pursuant to Rule

425 under the

Securities Act (17  
CFR 230.425)

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined by Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.  
Emerging growth company ☐

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

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## Section 5 - Corporate Governance and Management

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

On February 7, 2019, the Compensation and Nominating Committee of the Board of Directors of Summit Financial Group, Inc. (the “Company”) (the “Committee”) approved the Tenth Amendment to the Amended and Restated Employment Agreement of H. Charles Maddy, III, the Company’s Chief Executive Officer, to extend the term of Mr. Maddy’s Employment Agreement dated March 4, 2005, for an additional year until March 4, 2022. A copy of the Tenth Amendment to the Amended and Restated Employment Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

On February 7, 2019, the Committee adopted the Executive Officer Management Incentive Plan for 2019. The Executive Officer Management Incentive Plan for 2019 provides executive officers of the Company, with the opportunity to earn a bonus equal to 25% of the executive officer’s base salary as of January 1, 2019 multiplied by a multiplier based on the Company’s return on average tangible equity (“ROATE”) for 2019. The targeted range for the Company’s ROATE for 2019 is 11.50 to 12.49 percent. If the Company’s actual ROATE for 2019 is within this targeted range, each executive officer will receive an incentive payment equal to 25% of their respective annual base salary as of January 1, 2019 (the “Targeted Incentive”).

If the Company’s actual ROATE for 2019 is greater than the targeted range, executive officers will be eligible to receive an incentive that is greater than the Targeted Incentive; conversely, if the Company’s actual ROATE for 2019 is less than the targeted range, executive officers will be eligible to receive an incentive that is less than the Targeted Incentive. No incentive payments will be made if the Company’s actual ROATE is less than 9.50%.

No incentives may be made under the Executive Officer Management Incentive Plan for 2019 if at December 31, 2019 through the time of payment of the incentive in 2020, the Company or any affiliate is subject to any active or pending, formal or informal, agreement or enforcement action to which any bank regulatory authority is a party, including, but not limited to a memorandum of understanding, written agreement, or order of cease and desist.

A copy of the Executive Officer Management Incentive Plan for 2019 is included as Exhibit 10.2 and is incorporated herein by reference. The above summary is qualified in its entirety by reference to the Executive Officer Management Incentive Plan for 2019 attached as Exhibit 10.2.

On February 7, 2019, the Committee approved awards of stock-settled stock appreciation rights to the following named executive officers and other executive officers of the Company in accordance with the terms of the Summit Financial Group, Inc. 2014 Long-Term Incentive Plan (“Plan”). Below is the number of stock appreciation rights granted to these individuals on February 7, 2019:



Name	Title	Stock Appreciation Rights
H. Charles Maddy, III	President and Chief Executive Officer	31,597
Robert S. Tissue	Senior Vice President and Chief Financial Officer	17,052
Scott C. Jennings	Senior Vice President and Chief Operating Officer	17,052
Patrick N. Frye	Senior Vice President and Chief of Credit Administration	11,515
Bradford E. Ritchie	Senior Vice President and President of Summit Community Bank	11,281

The stock-settled stock appreciation rights have a strike price equal to \$23.94, the fair market value, as defined in the Plan, for the Company's common stock on the date of grant (February 7, 2019), and expire ten years from the date of grant. The stock-settled stock appreciation rights granted are time-based, with 20% vesting on each of the first five anniversaries of the grant date. The stock-settled stock appreciation rights will be settled in shares of the Company's common stock.

In the event of a change of control, as defined in the Plan, if the successor or surviving corporation so agrees, some or all of the outstanding stock-settled stock appreciation rights will be assumed, or replaced with the same type of award with similar terms or conditions. Any stock-settled stock appreciation rights that are not fully vested at the time a recipient terminates employment due to a change of control will become fully vested upon such termination and remain exercisable, throughout the original term of the award.

If the recipient's employment with the Company is terminated due to death or disability, then the recipient will vest in the additional percentage of stock-settled stock appreciation rights, if any, that would have vested at the vesting date which falls after the date of death or date of termination of employment of recipient due to disability, but within the calendar year in which the recipient died or terminated employment due to disability, as if, for purposes of vesting percentage only, the recipient had not died or terminated employment due to disability, and had continued employment to such vesting date. All vested stock-settled stock appreciation rights will be exercisable for a period of two years from the date of death or termination of employment due to disability; all vested stock-settled stock appreciation rights not exercised within said two year period will be forfeited in their entirety.

If the recipient is terminated by the Company for cause, then the stock-settled stock appreciation rights will immediately terminate and no stock-settled stock appreciation rights will be exercisable as of the date of such termination, regardless of whether any stock-settled stock appreciation right was vested and exercisable prior to date of such termination.

Upon termination of the recipient's employment by the Company or by the recipient other than under for death, disability or termination for cause, the stock-settled stock appreciation rights, to the extent vested and exercisable as of the date of such termination, will thereafter be exercisable only for a period of ninety (90) days from the date of such termination, and any stock-settled stock appreciation right that was not exercisable as of the date of such termination will be forfeited.

If, at any time within (A) the ten-year term of award agreement; (B) two years after the termination of employment; or (C) two years after the recipient exercises any portion of the grant of stock-settled stock appreciation rights, whichever is the latest, the recipient, in the determination of the Compensation and Nominating Committee of the Board of Directors of the Company, engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including, but not limited to those circumstances set forth in the award agreement, then any award of stock-settled stock appreciation rights held by the recipient will terminate effective as of the date on which the recipient enters into such activity, unless terminated sooner by operation of another term or condition of the award agreement or the Plan, and any gain realized by the recipient from the exercise of all or a portion of any grant of stock appreciation rights will be repaid by the recipient to the Company. Such gain will be calculated based on the spread multiplied by the number of shares subject to the stock-settled stock appreciation rights exercised on such date, plus interest measured from the first date the recipient engaged in any of the prohibited activities set forth above at the highest rate allowable under West Virginia law.

The form of the Summit Financial Group, Inc. 2014 Long-Term Incentive Plan Stock-Settled Stock Appreciation Rights Agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

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Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) The following exhibits are filed as part of this Form 8-K.

Exhibit No. Description

10.1 Tenth  
Amendment  
to the  
Amended and  
Restated  
Employment  
Agreement  
between  
Summit  
Financial  
Group, Inc.  
and H.  
Charles  
Maddy, III

10.2 Executive  
Officer  
Management  
Incentive  
Plan for 2019

10.3 Form of  
Summit  
Financial  
Group, Inc.  
2014  
Long-Term  
Incentive  
Plan  
Stock-Settled  
Stock  
Appreciation  
Rights  
Agreement

SIGNATURE

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

SUMMIT  
FINANCIAL  
GROUP, INC.

Date: By: /s/ Julie R.  
February Markwood  
12, 2019  
Julie R.  
Markwood  
Vice President &  
Chief Accounting  
Officer