Maxsimic David D
Form 4
October 30, 2007

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
| Estimated average burden hours per response... | 0.5 |

(Print or Type Responses)

1. Name and Address of Reporting Person *
Maxsimic David D

(Last) (First) (Middle)

C/O WRIGHT EXPRESS CORPORATION, 97 DARLING AVENUE

(Street)

SOUTH PORTLAND, ME 04106

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Wright Express CORP [WXS]

3. Date of Earliest Transaction (Month/Day/Year)
10/28/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, Sales & Marketing

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 10/28/2007 | | M | | 13,459 | A | $ 0 | 21,739 | D | |
| Common Stock | 10/28/2007 | | F (1) | | 5,579 | D | $ 37.72 | 16,160 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. I De Sec (In |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Restricted Stock Units | $ 0 | 10/28/2007 | | M | | | 13,459 | (2) | (2) | Common Stock | 13,459 | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Maxsimic David D<br>C/O WRIGHT EXPRESS CORPORATION<br>97 DARLING AVENUE<br>SOUTH PORTLAND, ME 04106 | | | SVP, Sales & Marketing | |

# Signatures

| | |
|---|---|
| /s/ Hilary A. Rapkin, as attorney-in-fact for David D. Maxsimic | 10/30/2007 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Represents tax withholding in connection with the vesting of restricted stock units ("RSUs") on 10/28/2007.

**(2)** Restricted Stock Units vested on 10/28/2007 and each RSU converted into one share of common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. LEFT: 0px; TEXT-INDENT: 0px; LINE-HEIGHT: 1.25; MARGIN-RIGHT: 0px">$
7,476

**Net yield on interest earning assets**

3.39
%

3.39
%

3.59

%

(1) - Interest income on tax-exempt securities has been adjusted assuming an effective tax rate of 34% for all periods presented.

The tax equivalent adjustment resulted in an increase in interest income of $305,000, $309,000 and $320,000 for the periods ended

March 31, 2006, December 31, 2005, and March 31, 2005, respectively.

Summit Financial Group, Inc. and Subsidiaries

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Table II - Changes in Interest Margin Attributable to Rate and Volume**

(Dollars in thousands)

| | For the Quarter Ended March 31, 2006 versus March 31, 2005 Increase (Decrease) Due to Change in: | | | For the Quarter Ended March 31, 2006 versus December 31, 2005 Increase (Decrease) Due to Change in: | | |
|---|---|---|---|---|---|---|
| | **Volume** | **Rate** | **Net** | **Volume** | **Rate** | **Net** |
| **Interest earned on:** | | | | | | |
| Loans | | | | | | |
| Taxable | $ 3,631 | $ 1,860 | $ 5,491 | $ 822 | $ 410 | $ 1,232 |
| Tax-exempt | (16) | 2 | (14) | - | - | - |
| Securities | | | | | | |
| Taxable | 272 | 133 | 405 | 163 | 125 | 288 |
| Tax-exempt | (65) | 38 | (27) | (46) | 35 | (11) |
| Federal funds sold and interest bearing deposits with other banks | (4) | 3 | (1) | (7) | (1) | (8) |
| Total interest earned on interest earning assets | 3,818 | 2,036 | 5,854 | 932 | 569 | 1,501 |
| | | | | | | |
| **Interest paid on:** | | | | | | |
| Interest bearing demand deposits | 356 | 762 | 1,118 | 150 | 141 | 291 |
| Savings deposits | (13) | 7 | (6) | (4) | - | (4) |
| Time deposits | 589 | 935 | 1,524 | 170 | 245 | 415 |
| Short-term borrowings | 463 | 747 | 1,210 | 116 | 148 | 264 |
| Long-term borrowings and capital trust securities | 161 | 387 | 548 | 86 | 59 | 145 |
| Total interest paid on interest bearing liabilities | 1,556 | 2,838 | 4,394 | 518 | 593 | 1,111 |
| | | | | | | |
| **Net interest income** | $ 2,262 | $ (802) | $ 1,460 | $ 414 | $ (24) | $ 390 |

**Noninterest Income**

Total noninterest income increased to $7,587,000 for the first quarter of 2006, compared to $6,667,000 for the same period of 2005. Service fee income and other income combined increased $112,000 for the first quarter 2006 while mortgage origination revenue increased $728,000 for the first quarter of 2006. Further detail regarding noninterest income is reflected in the following table. Also, refer to Note 12 of the accompanying consolidated financial statements for our segment information.

27

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Noninterest Income**

| *Dollars in thousands* | For the Quarter Ended March 31, 2006 | 2005 |
|---|---|---|
| Insurance commissions | $ 230 | $ 148 |
| Service fees | 631 | 546 |
| Mortgage origination revenue | 6,584 | 5,856 |
| (Loss) on sale of assets | (4) | (2) |
| Other | 146 | 119 |
| Total | $ 7,587 | $ 6,667 |

*Insurance commissions:* These commissions increased 55.4% for first quarter 2006 over first quarter 2005 primarily due to commissions received by Summit Insurance Services, LLC, which offers both commercial and personal lines of insurance.

*Service fees:* Total service fees increased 15.6% for the first quarter of 2006 compared to the same period of 2005. These increases were primarily attributable to an increase in overdraft and nonsufficient funds (NSF) fees due to increased overdrafts by customers.

*Mortgage origination revenue:* The following table shows our mortgage origination segment's loan activity:

| *Dollars in thousands* | For the Quarter Ended March 31, 2006 | 2005 |
|---|---|---|
| **Loans originated** | | |
| Amount | $ 72,967 | $ 68,929 |
| Number | 1,386 | 1,308 |
| | | |
| **Loans sold** | | |
| Amount | $ 76,375 | $ 66,761 |
| Number | 1,421 | 1,295 |

Summit Mortgage originates loans solely for the purpose of selling them. We do not service these loans, therefore there is no servicing intangible associated with this segment. Our mortgage banking revenue consists entirely of two components: 1) fees collected at the time of origination and 2) the gains we receive when selling the loans. The breakout of these fees and gains follows:

**Mortgage origination revenue**

| *Dollars in thousands* | For the Quarter Ended March 31, 2006 | 2005 |
|---|---|---|
| Origination fees, net | **$ 3,847** | $ 3,550 |
| Gains | **2,737** | 2,306 |
| | | |
| **Total** | **$ 6,584** | $ 5,856 |

28

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

Mortgage origination revenue increased for the first three months of 2006, and is impacted by changes in the mix of loans originated. During the first three months of 2006, 15.2% of the total dollar amount of loan originations were first mortgage loans as compared to 20.8% during the first three months of 2005. Sales of first mortgage loans typically result in smaller margins than sales of second mortgage loans.

*Other:* Other income increased 22.7% for the first quarter of 2006. The major components of this increase were increases in debit card and ATM income due to increased card usage by customers.

**Noninterest Expense**

Total noninterest expense increased approximately $1,463,000, or 14.5% to $11,518,000 during the first three months of 2006 as compared to the same period in 2005. Salaries and employee benefits expense represented the largest category of expense growth. This growth was due to the staffing requirements as a result of our growth. Another major contributor to the increase in total noninterest expense for the three months ended March 31, 2006 was net occupancy expense. This increase was due to expenses related to our new Virginia market offices and the relocation of Summit Mortgage. Table III below shows the breakdown of these increases by segment. Also, refer to Note 12 of the accompanying consolidated financial statements for our segment information.

Summit Financial Group, Inc. and Subsidiaries

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Table III - Noninterest Expense**

*Dollars in thousands*

| | For the Quarter Ended March 31, | Change | | |
|---|---|---|---|---|
| **Community Banking and Other** | **2006** | $ | % | **2005** |
| Salaries and employee benefits | **$ 3,055** | **$ 541** | **21.5%** | $ 2,514 |
| Net occupancy expense | **401** | **88** | **28.1%** | 313 |
| Equipment expense | **450** | **2** | **0.4%** | 448 |
| Supplies | **166** | **27** | **19.4%** | 139 |
| Professional fees | **207** | **31** | **17.6%** | 176 |
| Postage | **55** | **(9)** | **-14.1%** | 64 |
| Advertising | **49** | **(23)** | **-31.9%** | 72 |
| Amortization of intangibles | **38** | **-** | **0.0%** | 38 |
| Other | **865** | **171** | **24.6%** | 694 |
| **Total** | **$ 5,286** | **$ 828** | **18.6%** | $ 4,458 |

| | | Change | | |
|---|---|---|---|---|
| **Mortgage Banking** | **2006** | $ | % | 2005 |
| Salaries and employee benefits | **$ 2,103** | **$ 75** | **3.7%** | $ 2,028 |
| Net occupancy expense | **170** | **54** | **46.6%** | 116 |
| Equipment expense | **70** | **25** | **55.6%** | 45 |
| Supplies | **39** | **20** | **105.3%** | 19 |
| Professional fees | **78** | **27** | **52.9%** | 51 |
| Postage | **1,736** | **233** | **15.5%** | 1,503 |
| Advertising | **1,290** | **37** | **3.0%** | 1,253 |
| Other | **746** | **164** | **28.2%** | 582 |
| **Total** | **$ 6,232** | **$ 635** | **11.3%** | $ 5,597 |

| | | Change | | |
|---|---|---|---|---|
| **Consolidated** | **2006** | $ | % | 2005 |
| Salaries and employee benefits | **$ 5,158** | **$ 616** | **13.6%** | $ 4,542 |
| Net occupancy expense | **571** | **142** | **33.1%** | 429 |

| | | | | |
|---|---|---|---|---|
| Equipment expense | **520** | **27** | **5.5%** | 493 |
| Supplies | **205** | **47** | **29.7%** | 158 |
| Professional fees | **285** | **58** | **25.6%** | 227 |
| Postage | **1,791** | **224** | **14.3%** | 1,567 |
| Advertising | **1,339** | **14** | **1.1%** | 1,325 |
| Amortization of intangibles | **38** | **-** | **0.0%** | 38 |
| Other | **1,611** | **335** | **26.3%** | 1,276 |
| **Total** | **$ 11,518** | **$ 1,463** | **14.5%** | $ 10,055 |

*Community Banking, Parent and Other Segments*

Total noninterest expense for our community banking, parent, and other segment increased $828,000, or 18.6% for the first quarter of 2006, compared to the same period of 2005. The major factors contributing to these increases follow.

30

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Salaries and employee benefits:* Salaries and employee benefits expense increased 21.5% for the quarter ended March 31, 2006, due to additional staffing requirements needed as a result of our growth, including opening a new community banking office in Warrenton, Virginia, in July of 2005. Also included in this increase are general merit raises.

*Net occupancy expense:* The quarterly increase in net occupancy expense is primarily attributed to the cost of occupying the new Warrenton, Virginia office.

*Other:* Other expenses increased 24.6% for first quarter 2006 compared to first quarter 2005. This increase includes $52,000 of losses in fraudulent checks.

*Mortgage Banking Segment*

Total noninterest expense for our mortgage banking segment increased $635,000, or 11.3% for the first quarter of 2006 compared to the same period of 2005.

*Salaries and employee benefits:* The increase of $75,000 in salaries and employee benefits for the quarter ended March 31, 2006 compared to first quarter 2005 was primarily the result of an increase in profitability based incentive compensation paid to Summit Mortgage management.

*Net occupancy expense:* Net occupancy expense increased 46.6% for the first quarter of 2006 compared to the same period of 2005 due to the relocation of our Summit Mortgage headquarters to Chesapeake, Virginia in late 2005.

*Postage:* The increase in postage expense of $233,000 for the first quarter 2006, compared to first quarter 2005, is attributable to the increase in postage rates by the US Postal Service. Also, the number of mailers mailed during first quarter 2006 was slightly higher than first quarter 2005.

**Credit Experience**

The provision for loan losses represents charges to earnings necessary to maintain an adequate allowance for potential future loan losses. Our determination of the appropriate level of the allowance is based on an ongoing analysis of credit quality and loss potential in the loan portfolio, change in the composition and risk characteristics of the loan portfolio, and the anticipated influence of national and local economic conditions. The adequacy of the allowance for loan losses is reviewed quarterly and adjustments are made as considered necessary.

We recorded a $395,000 provision for loan losses for the first three months of 2006, compared to $330,000 for the same period in 2005. Net loan charge offs for the first three months of 2006 were $62,000, as compared to $87,000 over the same period of 2005. At March 31, 2006, the allowance for loan losses totaled $6,485,000 or 0.77% of loans, net of unearned income, compared to $6,152,000 or 0.75% of loans, net of unearned income at December 31, 2005.

Our asset quality remains sound. As illustrated in Table IV below, our non-performing assets and loans past due 90 days or more and still accruing interest have increased during the past 12 months, but still remain at a historically moderate level.

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Table IV - Summary of Past Due Loans and Non-Performing Assets**
(Dollars in thousands)

| | March 31, 2006 | March 31, 2005 | December 31, 2005 |
|---|---|---|---|
| Accruing loans past due 90 days or more | $ 1,046 | $ 423 | $ 799 |
| Nonperforming assets: | | | |
| Nonaccrual loans | 926 | 413 | 583 |
| Nonaccrual securities | - | 334 | - |
| Foreclosed properties | 343 | 593 | 378 |
| Repossessed assets | 3 | 15 | 17 |
| Total | $ 2,318 | $ 1,778 | $ 1,777 |
| Total nonperforming loans as a percentage of total loans | 0.23% | 0.13% | 0.17% |
| Total nonperforming assets as a percentage of total assets | 0.20% | 0.20% | 0.16% |

**FINANCIAL CONDITION**

Our total assets were $1,137,692,000 at March 31, 2006, compared to $1,109,532,000 at December 31, 2005, representing a 2.5% increase. Table V below serves to illustrate significant changes in our financial position between December 31, 2005 and March 31, 2006.

**Table V - Summary of Significant Changes in Financial Position**
**(Dollars in thousands)**

| | Balance December 31, 2005 | Increase (Decrease) Amount | Increase (Decrease) Percentage | Balance March 31, 2006 |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities available for sale | $ 223,772 | 10,033 | 4.5% | $ 233,805 |
| Loans, net of unearned income | 793,767 | 31,255 | 3.9% | 825,022 |
| | | | | |
| **Liabilities** | | | | |
| Deposits | $ 673,901 | $ 56,835 | 8.4% | $ 730,736 |
| Short-term borrowings | 182,028 | (45,545) | -25.0% | 136,483 |
| Long-term borrowings and subordinated debentures | 170,501 | 12,635 | 7.4% | 183,136 |

Loan growth during the first three months of 2006, occurring principally in the commercial and real estate portfolios, was funded both by borrowings from the FHLB and deposits, including brokered certificates of deposit.

Deposits increased nearly $57 million during the first quarter of 2006. This increase was primarily in brokered deposits, which in turn were used to pay down FHLB short-term borrowings. We also borrowed FHLB long-term borrowings, and used those proceeds to pay on the FHLB overnight borrowings.

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

Refer to Notes 3, 4, 7, and 8 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of our securities, loans, deposits and borrowings between March 31, 2006 and December 31, 2005.

**LIQUIDITY**

Liquidity reflects our ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks, Federal funds sold, non-pledged securities, and available lines of credit with the FHLB, the total of which approximated $180 million, or 15.9% of total assets at March 31, 2006 versus $125 million, or 11.3% of total assets at December 31, 2005.

Our liquidity position is monitored continuously to ensure that day-to-day as well as anticipated funding needs are met. We are not aware of any trends, commitments, events or uncertainties that have resulted in or are reasonably likely to result in a material change to our liquidity.

**CAPITAL RESOURCES**

One of our continuous goals is maintenance of a strong capital position. Through management of our capital resources, we seek to provide an attractive financial return to our shareholders while retaining sufficient capital to support future growth. Shareholders' equity at March 31, 2006 totaled $75,816,000 compared to $73,803,000 at December 31, 2005.

Refer to Note 11 of the notes to the accompanying consolidated financial statements for information regarding regulatory restrictions on our capital as well as our subsidiaries' capital.

**CONTRACTUAL CASH OBLIGATIONS**

During our normal course of business, we incur contractual cash obligations. The following table summarizes our contractual cash obligations at March 31, 2006.

| | Long Term Debt | Capital Trust Securities | Operating Leases |
|---|---|---|---|
| 2006 | $ 20,051,398 | $ - | $ 838,402 |
| 2007 | 23,318,204 | - | 1,030,983 |
| 2008 | 26,085,851 | - | 982,772 |
| 2009 | 2,110,094 | - | 431,349 |
| 2010 | 62,263,419 | - | 116,263 |
| Thereafter | 29,718,402 | 19,589,000 | 257,140 |
| **Total** | $ 163,547,368 | $ 19,589,000 | $ 3,656,909 |

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

## OFF-BALANCE SHEET ARRANGEMENTS

We are involved with some off-balance sheet arrangements that have or are reasonably likely to have an effect on our financial condition, liquidity, or capital. These arrangements at March 31, 2006 are presented in the following table.

| | | March 31, 2006 |
|---|---|---|
| **Commitments to extend credit:** | | |
| Revolving home equity and credit card lines | $ | 29,721,912 |
| Construction loans | | 93,553,614 |
| Other loans | | 36,181,376 |
| **Standby letters of credit** | | 12,772,599 |
| **Total** | $ | 172,229,501 |

## MARKET RISK MANAGEMENT

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates and equity prices. Interest rate risk is our primary market risk and results from timing differences in the repricing of assets, liabilities and off-balance sheet instruments, changes in relationships between rate indices and the potential exercise of imbedded options. The principal objective of asset/liability management is to minimize interest rate risk and our actions in this regard are taken under the guidance of our Asset/Liability Management Committee ("ALCO"), which is comprised of members of senior management and members of the Board of Directors. The ALCO actively formulates the economic assumptions that we use in our financial planning and budgeting process and establishes policies which control and monitor our sources, uses and prices of funds.

Some amount of interest rate risk is inherent and appropriate to the banking business. Our net income is affected by changes in the absolute level of interest rates. Our interest rate risk position is moderately liability sensitive in the short term, and asset sensitive beyond two years. That is, in the short term, liabilities are likely to reprice faster than assets, resulting in a decrease in net income in a rising rate environment. Our net income would increase modestly in a falling interest rate environment. Over the long term, assets are likely to reprice faster than liabilities, resulting in an increase in net income in a rising rate environment while a falling interest rate environment would produce a decrease in net income. Net income is also subject to changes in the shape of the yield curve. In general, a flattening yield curve would result in a decline in our earnings due to the compression of earning asset yields and funding rates, while a steepening would result in increased earnings as margins widen.

Several techniques are available to monitor and control the level of interest rate risk. We primarily use earnings simulations modeling to monitor interest rate risk. The earnings simulation model forecasts the effects on net interest income under a variety of interest rate scenarios that incorporate changes in the absolute level of interest rates and changes in the shape of the yield curve. Each increase or decrease in interest rates is assumed to take place over the next 12 months, and then remain stable. Assumptions used to project yields and rates for new loans and deposits are derived from historical analysis. Securities portfolio maturities and prepayments are reinvested in like instruments. Mortgage loan prepayment assumptions are developed from industry estimates of prepayment speeds. Noncontractual deposit repricings are modeled on historical patterns.

Summit Financial Group, Inc. and Subsidiaries
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following table shows our projected earnings sensitivity as of March 31, 2006 which is well within our ALCO policy limit of +/- 10%:

| Change in Interest Rates | Estimated % Change in Net Interest Income Over: | |
|---|---|---|
| (basis points) | 12 Months | 24 Months |
| Down 200 (1) | 0.08% | -1.08% |
| Down 200, steepening yield curve (2) | 0.96% | 4.60% |
| Up 100 (1) | -0.95% | -0.61% |
| Up 200 (1) | -2.60% | -7.45% |

(1) assumes a parallel shift in the yield curve
(2) assumes steepening curve whereby short term rates decline by
200 basis points, while long term rates decline by 50 basis points

**CONTROLS AND PROCEDURES**

Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted as of March 31, 2006, an evaluation of the effectiveness of disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of March 31, 2006 were effective. There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Summit Financial Group, Inc. and Subsidiaries

**Part II. Other Information**

**Item 1. Legal Proceedings**

We are involved in various legal actions arising in the ordinary course of business. In the opinion of counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

On December 26, 2003, two of our subsidiaries, Summit Financial, LLC and Shenandoah Valley National Bank, and various employees of Summit Financial, LLC were served with a Petition for Temporary Injunction and a Bill of Complaint filed in the Circuit Court of Fairfax County, Virginia by Corinthian Mortgage Corporation. The filings allege various claims against Summit Financial, LLC and Shenandoah Valley National Bank arising out of the hiring of former employees of Corinthian Mortgage Corporation and the alleged use of trade secrets. The individual defendants have also been sued based on allegations arising out of their former employment relationship with Corinthian Mortgage and their employment with Summit Financial, LLC. Summit Financial, LLC now operates as Summit Mortgage, a division of Shenandoah Valley National Bank.

The plaintiff seeks damages in the amount proven at trial on each claim and punitive damages in the amount of $350,000 on each claim. Plaintiff also seeks permanent and temporary injunctive relief prohibiting the alleged use of trade secrets by Summit Financial and the alleged solicitation of Corinthian’s employees.

On January 22, 2004, we successfully defeated the Petition for Temporary Injunction brought against us by Corinthian Mortgage Corporation. The Circuit Court of Fairfax County, Virginia denied Corinthian’s petition.

We, after consultation with legal counsel, believe that Corinthian’s claims made in its lawsuit arising out of the hiring of former employees of Corinthian Mortgage Corporation and the alleged use of trade secrets are without foundation and that meritorious defenses exist as to all the claims. We will continue to evaluate the claims in the Corinthian lawsuit and intend to vigorously defend against them. We believe that the lawsuit is without merit and will have no material adverse effect on us. Management, at the present time, is unable to estimate the impact, if any, an adverse decision may have on our results of operations or financial condition.

On January 4, 2006, Mary Forrest, an individual, filed suit in the United States District Court for the Eastern District of Wisconsin, Milwaukee Division, against our subsidiary, Shenandoah Valley National Bank. The plaintiff claims that Shenandoah violated the Federal Fair Credit Reporting Act (“FCRA”) alleging that Shenandoah used information contained in her consumer report, without extending a “firm offer of credit” within the meaning of the FCRA. Plaintiff requests statutory damages. This case is a purported class action. Presently, we do not have final information as to the size of the alleged class. Responsive pleadings have been filed, and discovery will be initiated shortly. We will continue to evaluate the claim in this lawsuit and intend to vigorously defend against it. Management, at the present time, is unable to estimate the impact, if any, an adverse decision may have on our results of operations or financial condition.

**Item 1A. Risk Factors**

See Part I, Item 1A of our 2005 Annual Report on Form 10-K.

36

**Part II. Other Information**

**Item 5. Other Information**

As previously discussed in our filing on Form 8-K filed by us on December 9, 2005, effective December 6, 2005, we accelerated the vesting of the options we granted to eligible officers in 2004 and imposed restrictions on the sale of the stock underlying these accelerated options. For the accelerated options, an employee may not sell the underlying stock until the original date on which the option would have vested had we not accelerated vesting. A copy of the Form of First Amendment to Non Qualified Stock Option Grant Agreement is attached hereto as Exhibit 10.4.

**SIGNATURES**

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.

**SUMMIT FINANCIAL GROUP, INC.**
(registrant)

By: /s/ H. Charles Maddy, III
H. Charles Maddy, III,
President and Chief Executive Officer

By: /s/ Robert S. Tissue
Robert S. Tissue,
Senior Vice President and Chief Financial Officer

By: /s/ Julie R. Cook
Julie R. Cook,
Vice President and Chief Accounting Officer

Date: May 10, 2006

Explanation of Responses: