

OLD POINT FINANCIAL CORP  
Form DEF 14A  
March 28, 2007

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**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**  
**(Amendment No. \_\_)**

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

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Old Point Financial Corporation**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(3) Per unit price or other underlying value of the 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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(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:

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**R. F. Shuford**

**Chairman & President**

March 28, 2007

Dear Fellow Stockholders:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of Old Point Financial Corporation, the holding company for The Old Point National Bank of Phoebus and Old Point Trust & Financial Services, N.A. The meeting will be held on Tuesday, April 24, 2007 at 6:00 p.m. at the The Hampton Roads Convention Center, 1610 Coliseum Drive, Hampton, Virginia. The accompanying Notice and Proxy Statement describe the matters to be presented at the meeting. Enclosed is our Annual Report to Stockholders 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 any time before it is voted at the Annual Meeting. You may also follow the instructions on your proxy card to vote by telephone or over the internet.

We appreciate your continuing loyalty and support of Old Point Financial Corporation.

Sincerely,

/s/ Robert F. Shuford  
Robert F. Shuford  
*Chairman of the Board and President*

OLD POINT FINANCIAL CORPORATION

1 West Mellen Street, P.O. Box 3392, Hampton, Virginia 23663

**OLD POINT FINANCIAL CORPORATION**

**1 West Mellen Street**

**Hampton, Virginia 23663**

**NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD APRIL 24, 2007**

The 2007 Annual Meeting of Stockholders of Old Point Financial Corporation (the Company ) will be held at The Hampton Roads Convention Center, 1610 Coliseum Drive, Hampton, Virginia, on Tuesday, April 24, 2007, at 6:00 p.m. for the following purposes:

1. To elect 14 directors to the Board of Directors of the Company to serve until the 2008 Annual Meeting of Stockholders, 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.

Stockholders of record at the close of business on February 15, 2007 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors

/s/ Louis G. Morris  
Louis G. Morris  
*Secretary to the Board*

March 28, 2007

**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. Stockholders attending the meeting may personally vote on all matters that are considered, in which event their signed proxies are revoked. You may also follow the instructions on your proxy card to vote by telephone or over the internet. If you vote by internet or telephone, please do not mail your proxy card.

**OLD POINT FINANCIAL CORPORATION**

**1 West Mellen Street**

**Hampton, Virginia 23663**

**PROXY STATEMENT**

**2007 ANNUAL MEETING OF STOCKHOLDERS**

**To be held on April 24, 2007**

**General**

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 2007 Annual Meeting of Stockholders (the "Annual Meeting") of Old Point Financial Corporation (the "Company") to be held Tuesday, April 24, 2007, at 6:00 p.m. at The Hampton Roads Convention Center, 1610 Coliseum Drive, Hampton, Virginia. The approximate mailing date of this Proxy Statement and accompanying proxy is March 28, 2007.

**Revocation and Voting of Proxies**

Execution of a proxy will not affect a stockholder's right to attend the Annual Meeting and to vote in person. Any stockholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and requesting to vote in person. A stockholder 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 stockholder 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 stockholder fails to specify with respect to such proposals, the proxy will be voted **FOR** the election of the director nominees in proposal 1 set forth in the accompanying notice and further described herein.

**Voting Rights of Stockholders**

Only those stockholders of record at the close of business on February 15, 2007, are entitled to notice of and to vote at the Annual Meeting, or any adjournments thereof. The number of shares of common stock of the Company outstanding and entitled to vote at the Annual Meeting is 3,991,014. The Company has no other class of stock outstanding. The presence of a majority of the shares entitled to be voted, 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 for each matter to be voted upon at the Annual Meeting, except that in the election of directors cumulative voting entitles a stockholder to give one nominee as many votes as is equal to the number of directors to be elected, multiplied by the number of shares owned by such stockholder or to distribute his or her votes on the same principle between two or more nominees as he or she sees fit. The Board of Directors will instruct the proxies to use cumulative voting, if necessary, to elect all or as many of the nominees as possible. 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 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 that 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 if a proposal 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, The Old Point National Bank of Phoebus (the Bank) and Old Point Trust & Financial Services, N.A. (the Trust Company) may make solicitations of proxies in person or by telephone or 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, 2007, of the stockholders known to the Company to be the beneficial owners of more than 5% of the outstanding shares of the Company's common stock, with the exception of Old Point Trust & Financial Services, N.A., which shows the share ownership as of January 31, 2007.

Name and Address of	Amount and Nature of	
Beneficial Owner	Beneficial Ownership <sup>(1)</sup>	Percent of Class
Old Point Trust & Financial Services, N.A. 11780 Jefferson Avenue, Suite D Newport News, Virginia 23606	720,720 <sup>(2)</sup>	18.1 % <sup>(2)</sup>
James Reade Chisman 609 Washington Street Hampton, Virginia 23669	317,392 <sup>(3) (4)</sup>	8.0%
Robert F. Shuford 1 West Mellen Street P.O. Box 3392 Hampton, Virginia 23663	504,050 <sup>(3) (5)</sup>	12.6%
VuBay Foundation P.O. Box 3552 Hampton, Virginia 23663	255,642 <sup>(6)</sup>	6.4%
Ann DeVenny Wallace 2636 South Lynn Street Arlington, Virginia 22202-2264	261,738 <sup>(3)</sup>	6.6%

- (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) According to information provided to the Company by Old Point Trust & Financial Services, N.A. (the Trust Company ), as of January 31, 2007, the Trust Company had sole voting power with respect to 417,468 of these shares, sole dispositive power with respect to 434,624 of these shares and shared dispositive power with respect to 20,876 of these shares, but as a matter of state law, the Trust Company must refrain from voting any of these shares unless a co-fiduciary is appointed for the sole purpose of voting the shares. The Trust Company has no voting power (sole or shared) with respect to 303,252 of these shares and has no dispositive power (sole or shared) with respect to 265,220 of these shares. The 720,720 shares are held by the Trust Company as trustee of various trust accounts, of which no single trust account holds more than 5% of the Company's outstanding shares.
- (3) According to information provided to the Company by VuBay Foundation, James Reade Chisman, Robert F. Shuford and Ann DeVenny Wallace (the VuBay information ), as of February 15, 2007, Mr. Chisman has sole voting and dispositive power with respect to 34,600 shares and shared voting and dispositive power with respect to 282,792 shares. Mr. Shuford has sole voting and dispositive power with respect to 135,023 shares and shared voting and dispositive power with respect to 369,027 shares. Ms. Wallace has sole voting and dispositive power with respect to 6,096 shares and shared voting and dispositive power with respect to 255,642 shares. Mr. Chisman, Mr. Shuford and Ms. Wallace each disclaim any beneficial interest in 255,642 of the shares that he or she may be deemed to beneficially own by virtue of his or her position as a director of VuBay Foundation, the holder of record of 255,642 shares. In their capacities as directors of VuBay Foundation, Mr. Chisman, Mr. Shuford and Ms. Wallace each share with the other two directors voting and dispositive power with respect to the shares held by VuBay Foundation.
- (4) See also footnotes 2 and 3 on page 5.
- (5) See also footnotes 2 and 14 on page 5.
- (6) According to the VuBay information, as of February 15, 2007, VuBay Foundation has sole voting and sole dispositive power with respect to these 255,642 shares. VuBay Foundation's decision with respect to a vote or disposition of these 255,642 shares is dictated by the majority vote of the three directors of VuBay Foundation, who share voting and dispositive power with respect to the shares owned by VuBay Foundation, as described in footnote 3 to this chart.



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The following table shows, as of February 15, 2007, the beneficial ownership of the Company's common stock by each director, director nominee, certain executive officers and by all directors, director nominees, and executive officers of the Company as a group.

Name	Amount and Nature of Beneficial Ownership <sup>(1) (2) (3)</sup>	Percent of Class
James Reade Chisman	317,392 <sup>(3) (4)</sup>	8.0%
Dr. Richard F. Clark	102,758 <sup>(5)</sup>	2.6%
Russell Smith Evans, Jr.	9,875 <sup>(6)</sup>	0.2%
Dr. Arthur D. Greene	11,372 <sup>(7)</sup>	0.3%
Gerald E. Hansen	10,261 <sup>(8)</sup>	0.3%
Stephen D. Harris	23,929 <sup>(9)</sup>	0.6%
John Cabot Ishon	31,890 <sup>(10)</sup>	0.8%
Eugene M. Jordan	24,484 <sup>(11)</sup>	0.6%
John B. Morgan, II	9,864 <sup>(12)</sup>	0.2%
Louis G. Morris	51,178	1.3%
Robert L. Riddle	5,505	0.1%
Dr. H. Robert Schappert	140,110 <sup>(13)</sup>	3.5%
Robert F. Shuford	504,050 <sup>(3) (14) (20)</sup>	12.6%
Ellen Clark Thacker	2,403 <sup>(15)</sup>	0.1%
Melvin R. Zimm	3,152	0.1%
Cary B. Epes	23,726 <sup>(16)</sup>	0.6%
Margaret P. Causby	23,791 <sup>(17)</sup>	0.6%
Laurie D. Grabow	6,431 <sup>(18)</sup>	0.2%
All directors & executive officers as a group (20) persons	1,080,679 <sup>(19)</sup>	26.3%

- (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) Includes shares that may be acquired within sixty days of February 15, 2007 pursuant to the exercise of stock options granted under the 1989 and 1998 Old Point Stock Option Plans Mr. Chisman, 1,000 shares; Dr. Clark, 5,500 shares; Mr. Evans, 5,500 shares; Dr. Greene, 5,500 shares; Mr. Hansen, 1,000 shares; Mr. Harris, 5,500 shares; Mr. Ishon, 5,500 shares; Mr. Jordan, 1,000 shares; Mr. Morgan, 4,000 shares; Mr. Morris, 26,061 shares; Dr. Schappert, 2,500 shares; Mr. Shuford Sr., 22,521 shares; Mrs. Thacker, 1,000 shares; Mr. Zimm, 1,000 shares; Mr. Epes, 10,000 shares; Mrs. Causby, 13,750 shares; Mrs. Grabow, 4,465 shares; Mr. Shuford Jr., 6,250 shares; and Mr. Jordan, II, 2,500 shares.
- (3) See footnote 3 on page 3.
- (4) Includes 27,150 shares held by Mr. Chisman's spouse, as to which Mr. Chisman shares voting and investment power through a power of attorney.
- (5) Includes 300 shares held by Dr. Clark's spouse, as to which Dr. Clark has no voting or investment power, and 96,958.3693 shares held by a trust for which he serves as trustee.
- (6) Includes 1,175 shares held by Mr. Evans's spouse, as to which Mr. Evans has no voting or investment power.
- (7) Includes 2,202 shares as to which Dr. Greene has no voting power and 500 shares held by Dr. Greene as custodian.
- (8) Includes 1,498 shares held by Mr. Hansen's spouse, as to which Mr. Hansen has no voting or investment power.
- (9) Includes 692.7660 shares as to which Mr. Harris shares voting and investment power and 2,331 shares held by Mr. Harris's mother as trustee, as to which shares Mr. Harris shares voting and investment power through a power of attorney.
- (10) Includes 6,000 shares as to which Mr. Ishon shares voting and investment power, and 3,970 shares held by Mr. Ishon's spouse and 621.5446 shares held by Mr. Ishon's dependent children, as to which Mr. Ishon has no voting or investment power. Also includes 1,243.0884 shares held by Mr. Ishon as custodian for his children under the Uniform Transfer to Minors Act.
- (11) Includes 23,184 shares held by a trust for which Mr. Jordan serves as trustee.
- (12) Includes 300 shares held by Mr. Morgan's spouse, as to which Mr. Morgan has no voting or investment power, 2,100 shares held by a trust for which Mr. Morgan serves as trustee, and 3,463.8282 shares held by Morgan Marrow Insurance Company, of which Mr. Morgan is President and as to which Mr. Morgan has shared voting and investment power.
- (13) Includes 2,340 shares as to which Dr. Schappert shares voting and investment power, and 581 shares held by Dr. Schappert's spouse and 91,134 shares held by a trust for which Dr. Schappert's spouse serves as trustee as to which Dr. Schappert has no voting or investment power. Also includes 40,410 shares held by a trust for which Dr. Schappert serves as trustee.
- (14) Includes 113,385 shares as to which Mr. Shuford shares voting and investment power.
- (15) Includes 450 shares as to which Mrs. Thacker shares voting and investment power, and 377 shares as to which Mrs. Thacker has no voting power.
- (16) Includes 60 shares as to which Mr. Epes shares voting and investment power.

- (17) Includes 10,041 shares as to which Mrs. Causby shares voting and investment power.
- (18) Includes 1,887.3387 shares as to which Mrs. Grabow shares voting and investment power.
- (19) Includes 16,053 (0.4%) shares beneficially owned by Eugene M. Jordan, II, President & CEO of the Trust Company, including 6,000 shares as to which Mr. Jordan II shares voting and investment power, 850 shares held by Mr. Jordan II's spouse, as to which Mr. Jordan II has no voting or investment power, and 1,130.7362 shares held by Mr. Jordan II as custodian for his children under the Uniform Transfer to Minors Act; and 18,096 (0.5%) shares beneficially owned by Robert F. Shuford, Jr., Executive Vice President & Chief Operating Officer of the Bank, including 341.3773 shares held by Mr. Shuford Jr.'s spouse as custodian for their children under the Uniform Transfer to Minors Act as to which Mr. Shuford Jr. has no voting or investment power.
- (20) Mr. Shuford Sr. has 23,856 shares reported in the beneficial ownership table that are pledged as collateral. No other Director or Executive Officer have shares pledged as collateral.

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

The fourteen persons named below, all of whom currently serve as directors of the Company, will be nominated to serve as directors until the 2008 Annual Meeting, or until their successors have been duly elected and have qualified. Gerald E. Hansen, a current director who has served as a director of the Company since 2000, has determined not to stand for re-election. The 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.

<b>Name (Age)</b>	<b>Director Since <sup>(1)</sup></b>	<b>Principal Occupation For Past Five Years</b>
James Reade Chisman (63)	2003	President, J. R. Chisman Development Company
Dr. Richard F. Clark (74)	1981	Pathologist (retired), Sentara Hampton General Hospital
Russell Smith Evans, Jr. (64)	1993	Assistant Treasurer and Corporate Fleet Manager Ferguson Enterprises
Dr. Arthur D. Greene (62)	1994	Surgeon Partner Tidewater Orthopaedic Associates
Stephen D. Harris (65)	1988	Attorney-at-Law Partner  Geddy, Harris, Franck & Hickman, L.L.P.
John Cabot Ishon (60)	1989	President, Hampton Stationery
Eugene M. Jordan (83)	1964	Attorney-at-Law (retired)
John B. Morgan, II (60)	1994	President, Morgan-Marrow Insurance
Louis G. Morris (52)	2000	President & CEO, Old Point National Bank

Robert L. Riddle, CCIM (53)	2006	President, Riddle Associates, Inc.
Dr. H. Robert Schappert (68)	1996	Retired President, Beechmont Veterinary Associates, Ltd.
Robert F. Shuford (69)	1965	Chairman of the Board, President & CEO, Old Point Financial Corporation; Chairman of the Board, Old Point National Bank
Ellen Clark Thacker (45)	2006	General Manager BFI Waste Services, L.L.C.
Melvin R. Zimm (53)	2003	Attorney-at-Law Member Glasser & Glasser P.L.C.

(1) If prior to 1984, refers to the year in which the individual first became a director of the Bank. All present directors of the Company are also directors of the Bank. Dr. Clark, Dr. Greene, Mr. Ishon, Mr. Shuford and Mrs. Thacker are also directors of the Trust Company. None of the directors serve as directors of any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

There are five family relationships among the directors and executive officers. Mr. Jordan is the father of Mr. Jordan, II, and the father-in-law of Mr. Ishon. Mr. Shuford, Sr. and Dr. Schappert are married to sisters. Mr. Shuford, Sr. is the father of Mr. Shuford, Jr. Dr. Clark is the father of Mrs. Thacker. The Board does not believe that these family relationships are material to an evaluation of the ability or integrity of these individuals. The Board is not aware of any involvement in legal proceedings by any of the Company's directors or executive officers that would be material to an evaluation of the ability or integrity of any director or executive officer.

**The Board of Directors recommends that stockholders vote FOR the individuals nominated above to serve as Directors.**

#### Corporate Governance

The Board of Directors is elected by the Company's stockholders; the Board, in turn, is the Company's governing body, responsible for hiring, overseeing and evaluating management; management is charged with the day to day operations of the Company and its affiliates.

The Board's primary responsibility is to provide oversight, counseling and direction to management in their efforts to fulfill the corporate strategy in maximizing opportunities, while addressing related business risks. The Board has delegated various responsibilities and authority to different board committees, which include the Audit Committee, Directors Loan Committee, and Directors Loan Review Committee.

Management has been delegated the authority and responsibility for managing the Company's lines of businesses in a manner consistent with the Company's Strategic Plan and Code of Ethics, and in accordance with any specific plan, instructions or direction of the Board of Directors or one of the Board's committees. The Chief Executive Officer and management are required to seek the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company.

## Board Committees and Attendance

The Board of Directors is comprised of a majority of independent directors, as defined by the listing standards of the NASDAQ Stock Market. Independent directors do not receive consulting, legal or other fees from the Company other than Board and committee compensation. Although companies affiliated with certain of these directors provide goods and services to the Company, the Board of Directors has determined in accordance with the NASDAQ listing standards that these independent directors have no relationships with the Company that would interfere with the exercise of their independent judgment in carrying out the responsibilities of a director. The independent directors are Messrs. Chisman, Evans, Greene, Hansen, Harris, Morgan, Riddle, Zimm, Dr. Clark and Mrs. Thacker.

The Board reviews each director's independence status on an annual basis to ensure compliance with NASDAQ listing standards.

In reviewing the independence of John B. Morgan, II, a Company Director, Management considered the relationship between the Company and Morgan Marrow Insurance of which Mr. Morgan is President, which received fees of less than \$105,000 for providing insurance for the Company's subsidiaries in 2006. In reviewing the independence of Melvin R. Zimm, a Company Director, Management considered the relationship between the Company and the law firm of Glasser & Glasser, of which Mr. Zimm is a member of the law firm, which law firm received fees of less than \$20,000 for performance of legal services for one of the Company's subsidiaries in 2006. In both of these relationships the Board determined that the relationship did not interfere with the Director's ability to act in an independent manner.

The Board of Directors of the Company has adopted an Insider Policy: Conflict of Interest/Code of Ethics ( Code of Ethics ) which details principles and responsibilities governing ethical conduct for all Company directors, officers, employees and principal stockholders. The Code of Ethics was filed as Exhibit 14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

During 2006, there were 13 meetings of the Board of Directors of the Company. Each director attended at least 75% of all meetings of the Board and committees on which he/she served.

The independent directors also met in regularly scheduled executive sessions in March, June, September and December of 2006.

The Company has not adopted a formal policy on Board members' attendance at its annual meetings of stockholders, although all Board members are invited and encouraged to attend and, historically, most have done so. All Board members attended the Company's 2006 Annual Meeting of Stockholders.

The Board of Directors of the Company has standing Executive, Audit and Compensation Committees.

*Executive Committee.* Current members of the Executive Committee are Messrs. Shuford (Chairman), Hansen, Harris, Morris and Dr. Clark. The Executive Committee serves in an advisory capacity, reviewing matters and making recommendations to the Board of Directors. The Executive Committee met 4 times in 2006.

*Compensation Committee.* The Compensation Committee consists of four non-employee directors, Mr. Morgan (Chairman), Dr. Clark, and Messrs. Evans, and Zimm. The Committee does not operate under a written charter. The Board of Directors has determined that the members of the Committee are non-employee directors (within the meaning of Rule 16b-3 of the Exchange Act), outside directors (within the meaning of Section 162(m) of the Internal Revenue Code) and independent directors (within the meaning of Rule 4200(15) of the NASDAQ Marketplace Rules and the independence standards of the Company's Corporate Governance Guidelines). In addition, no Committee member is a current or former employee of the Company or any subsidiary or affiliate. While the Committee members are not required to have certain qualifications or special knowledge, they have held/hold high-level management and employee supervisory positions in their respective fields that include duties relating to compensation of employees at multiple levels.

The Committee reviews and recommends compensation adjustments for all exempt employees to include senior management. The Committee submits their recommendations to the full Board for final approval. The Committee met two (2) times in 2006. The dates, meeting times and agenda items for committee meetings are set in accordance with the subject matter to be discussed and are determined by the Committee Chairman and the Human Resources Director.

*Audit Committee.* Current members of the Audit Committee are Messrs. Hansen, (Chairman), Evans, Greene, Harris and Mrs. Thacker. The Board of Directors has determined that all of the members of the Audit Committee satisfy the independence and financial literacy requirements for audit committee members under the NASDAQ listing standards and applicable SEC regulations. In addition, at least one member of the Audit Committee has past employment experience in finance or accounting or comparable experience which results in the individual's financial sophistication. The Board of Directors has also determined that Mr. Evans qualifies as an audit committee financial expert within the meaning of applicable regulations of the SEC, promulgated pursuant to the Sarbanes-Oxley Act of 2002.

The Audit Committee assists the Board in its financial reporting oversight duties, internal controls, audit function, whistleblower policy, approval of related party transactions, and other matters relating to corporate governance. The Audit Committee is responsible for the appointment, compensation, and oversight of the work of the Company's independent accountants. The Audit Committee reviews on a regular basis the work of the Company's internal audit department. It also reviews and approves the scope and detail of the continuous audit program, which is conducted by the internal audit staff to protect against improper and unsound practices and to furnish adequate protection for all assets and records. During 2006, the Audit Committee met 4 times.

The Committee operates under a written charter adopted by the Board of Directors. The Committee reviews and reassesses the charter annually and recommends any changes to the Board for approval. The Audit Committee Charter is attached as Appendix A to this proxy statement. It has not been posted on the Company's website.

*Nominations.* The Board of Directors does not have a standing nominating committee or nominating committee charter because it believes it can have an independent nominating process without a separate nominating committee. Pursuant to a resolution passed by the Board of Directors and consistent with NASDAQ Marketplace Rules, director nominees are selected and recommended for consideration to the full Board of Directors by a majority of the directors who are independent according to the NASDAQ listing standards. For this purpose, the following directors are independent: Messrs. Chisman, Evans, Greene, Hansen, Harris, Morgan, Riddle, Zimm, Dr. Clark and Mrs. Thacker.

In addition to recommending to the full Board whether or not current directors should be nominated for reelection, the independent directors also identify new candidates in the event of a vacancy on the Board. The independent directors identify potential director candidates from a variety of sources, including management, consultants and other individuals likely to possess an understanding of the Company's business and knowledge of suitable candidates. The independent directors evaluate the qualifications of candidates for membership to the Board of Directors. Following this evaluation process, candidates are selected by a majority of the independent directors to be recommended for nomination by the full Board of Directors. The full Board then selects nominees to recommend to the Company's stockholders in the annual election process or appoints new directors to serve until the next annual election.

Qualifications for consideration as a Board nominee may vary according to the particular areas of expertise being sought to complement the existing Board composition. However, in making their nomination recommendations to the Board of Directors, the independent directors consider, among other things, an individual's business experience, industry experience, financial background,

geographic representation, breadth of knowledge about issues affecting the Company, time available for meetings and consultation regarding Company matters and other particular skills and experience possessed by the individual. In addition, the independent directors seek director candidates that will result in the Board of Directors consisting of more than a majority of independent directors at all times.

While there are no formal procedures for stockholders to submit director candidate recommendations, the independent directors will consider candidates recommended in writing by stockholders entitled to vote in the election of directors. Such written submissions should include the name, address, and telephone number of the recommended candidate, along with a brief statement of the candidate's qualifications to serve as a director. All such stockholder recommendations should be submitted to the attention of the Company's Secretary at the Company's principal office located at 1 West Mellen Street, Hampton, Virginia 23663; and must be received by January 1, 2008 in order to be considered by the independent directors for the next annual election of directors. Any director candidate recommended by a stockholder will be reviewed and considered by the independent directors in the same manner as all other director candidates based on the qualifications described above.

In addition, in accordance with the Company's bylaws, any stockholder entitled to vote in the election of directors may nominate an individual for director. Any such stockholder nomination must be in writing and must include sufficient background information with respect to the nominee, including his or her name, address and principal occupation, sufficient identification of the nominating stockholder, including his or her name, address and principal occupation and a representation by the stockholder of his or her eligibility and intention to appear at the annual meeting (in person or by proxy) to nominate the individual specified in the notice, a description of any arrangements or understandings between the stockholder and the nominee or others regarding the nomination, an indication of the total number of shares expected to be voted for the nominee, and the nominee's written consent to the nomination. Stockholder nominations must be received by the Company's President at the Company's principal office in Hampton, Virginia, not more than 50 days and not less than 14 days prior to the date of the 2008 Annual Meeting in order to be considered for the 2008 annual election of directors, provided that if less than 21 days' notice of the meeting is given, such nominations must be mailed or delivered to the President not later than the seventh day following the date notice of the meeting was mailed.

#### **Compensation Committee Interlocks and Insider Participation**

Current members of the Compensation Committee are Messrs. Morgan (Chairman), Evans, Zimm and Dr. Clark. No member of the Compensation Committee is or has been an officer or employee of the Company or any of its affiliates. Furthermore, none of the Company's executive officers has served on the board of directors of any company of which a Compensation Committee member is an employee.

During 2006 and through the present time, there have been transactions between the Company's banking subsidiary and certain members of the Compensation Committee or their associates, all consisting of extensions of credit by the Bank in the ordinary course of business. Each transaction was made on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with the general public. In the opinion of management, none of the transactions involved more than the normal risk of collectibility or presented other unfavorable features.

#### **Stockholder Communications with the Board of Directors**

The Company provides an informal process for stockholders to send communications to the Board of Directors. Stockholders who wish to contact the Board of Directors or any of its members may do so by addressing their written correspondence to Old Point Financial Corporation, Board of Directors, c/o Corporate Secretary, P.O. Box 3392, Hampton, Virginia 23663 or [lmorris@oldpoint.com](mailto:lmorris@oldpoint.com). 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.

### **Interest of Management in Certain Transactions**

Some of the Company's directors, executive officers, and members of their immediate families, and corporations, partnerships and other entities of which such persons are officers, directors, partners, trustees, executors or beneficiaries, are customers of the Bank. All loans and commitments to lend to such individuals were made in the ordinary course of business, upon substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility or present other unfavorable features. Pursuant to our Insider Policy, all directors and executive officers (including our NEOs), who have any direct or indirect financial or other participation in any business that competes with, supplies goods or services to, or is a customer of the Company or the Bank, in an amount involving \$25,000 or more, are required to disclose to and receive approval from our Board of Directors prior to transacting such business. Directors and executive officers are expected to make reasoned and impartial decisions in the workplace. As a result, approval of the business is denied if the Company believes that the director's or executive officer's interest in such business could influence decisions relative to the Company's business, or have the potential to adversely affect the Company's business or the objective performance of the director's function or executive officer's work. The Board of Directors is responsible for overseeing compliance with the Insider Policy.

A related party transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we were, are or will be a participant and the amount involved exceeds \$120,000 and in which any related party had, has or will have a direct or indirect material interest. For purposes of determining whether a transaction is a related party transaction the Board of Directors relies upon Item 404 of Regulation S-K, promulgated under the Exchange Act.

A related party is (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director, (ii) any person who is known to be the beneficial owner of more than 5% of any class of our voting securities, (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner, and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

Other than the two relationships mentioned under Board Committees and Attendance, the Company transacts business with Hampton Stationery of which John C. Ishon is President. The Company paid under \$50,000 in 2006 for stationery and supplies, which exceeds the policy limit of \$25,000.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### **Overview of Compensation Program**

The Compensation Committee (for purposes of this discussion, the Committee) of the Board of Directors has responsibility for establishing, implementing and monitoring adherence with the Company's compensation philosophy. The Committee ensures that the total compensation paid to the Company's senior management is fair, reasonable and competitive.

Throughout this proxy statement, the individuals who served as the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) during 2006, as well as the other executive officers included in the Summary Compensation Table on page 15, are referred to as the named executive officers. The Company's senior management includes its named executive officers.



### **General Philosophy**

The Company compensates its senior management through a mix of base salary, bonus and, in some years, equity compensation, designed to be competitive with comparably-sized financial institutions in its geographic market and to align management's incentives with the long-term interests of stockholders. The compensation setting process consists of establishing targeted overall compensation of each senior manager and then allocating that compensation among base salary and incentive compensation. At the officer level, the Committee designs the incentive compensation to reward company-wide performance through tying awards primarily to earnings, asset and deposit growth. Currently the Committee does not tie individual performance to incentive compensation. Generally, the types of compensation and benefits provided to the Company's senior management are similar to those provided to other executive officers in comparable institutions.

### **Board Process**

Compensation adjustments and monetary awards to executive officers are recommended by the Committee for approval by the full Board of Directors, which makes the final decisions. Mr. Shuford, Sr. and Mr. Morris, who both serve on the Board of Directors, are not present during deliberations or voting with respect to their compensation.

Generally, on its own initiative the Committee reviews the individual performance for Mr. Shuford, CEO (Company), Mr. Morris, President & CEO (Bank), and Mr. Jordan, President & CEO (Trust) and following discussions with those individuals, recommends their compensation levels to the full Board of Directors (excluding Mr. Shuford, and Mr. Morris). For the remaining named executive officers, the CEO, President & CEO (Bank), President & CEO (Trust) and Senior Vice President of Human Resources make recommendations to the Committee that generally, with minor adjustments, are accepted by the Committee and presented to the full Board of Directors for approval.

Although the Committee has not granted equity compensation to executive officers in the last few years, historically, the Committee recommends to the full Board of Directors stock option grants to the CEO based on its own evaluation of his performance and to other executive officers based on the recommendation of the CEO.

The Committee has not used a compensation consultant for establishing executive compensation.

### **Targeted Overall Compensation**

To assist in establishing the aggregate level of compensation that the Company will pay, it utilizes a peer group analysis of the southeastern states, primarily the SNL Executive Compensation Review for banks and thrifts of assets greater than \$400 million. Specifically, the nineteen SEC reporting Banking Institutions in Virginia with assets ranging from \$400 million to \$1 billion are considered in the peer group. Generally, targeted overall compensation correlates to what the marketplace would offer individuals to fill senior management positions with similar skills and backgrounds to those the Company employs. Additionally, total compensation is established relative to company performance goals and internal/external equity.

Based on peer compensation analysis and review of Company and individual performance during 2005, the targeted overall compensation of the CEO in 2006 was established at \$275,880. This compensation is below the compensation levels of the Company's peer institutions. This has been the case for several years, and the Company is slowly closing the gap between the total compensation level, especially base salary, of its CEO and the total compensation levels of CEO's of peer institutions.

The same process is followed with respect to establishing targeted overall compensation for the other named executive officers. While the Committee considered the peer compensation analysis, the responsibilities of the Company's named executive officers vary widely and the direct comparisons are less helpful. Based upon the Committee's review of the peer compensation analysis and review of Company and individual performance during 2005, we set the overall targeted compensation for the other named executive officers at levels that are in the mid-range for positions among peer group with similar scope of responsibility and required skill level.

#### Allocation Among Components

Under the Company's current compensation structure, which does not include equity compensation, the mix of base salary and bonus compensation is as follows:

	Typical Base Salary	Typical Bonus Target
Chief Executive Officer	87%	13%
Executive Vice Presidents	87%	13%
Senior Vice Presidents	87%	13%

In allocating compensation among base salary and annual bonus compensation, the Committee believes that the compensation of senior-most levels of management begins with a base level and bonuses should be awarded based on Company performance. Base salaries generally represent a large portion of the executive officers' total cash compensation and are considered to be average relative to comparably-sized financial institutions. Base salaries are based on individual performance components.

The Committee believes that the top levels of management have the greatest ability to influence Company performance. Therefore, the Committee bases annual bonus compensation on Company performance. When the Company's performance is above budget, the top levels of management are rewarded. Likewise when the Company's performance does not meet expectations, the top levels of management receive a lower bonus. In 2006, the target bonus for the above mentioned officer group was 14% of base salary. However, Company goals were not met and the bonuses actually paid for 2006 were 5% of base salary.

Although in prior years overall compensation for executives also included stock option awards, the Committee has not granted equity compensation to executive officers in the past few years. The Company still has in place a stock option plan pursuant to which stock option awards can be granted and the Committee may choose to resume granting stock options in the future. The cost associated with offering equity compensation has escalated due to new financial reporting requirements outlined in the Statement of Financial Accounting Standards (SFAS) No. 123 R, "Share-Based Payment". Therefore, no equity compensation was offered in 2006.

#### Base Salaries

The Committee wants to provide senior management with a level of assured cash compensation in the form of base salary that facilitates an appropriate lifestyle given their professional status and accomplishments. The Company has a compensation structure with salary ranges for management including the CEO and other senior managers. These ranges are based on peer compensation analysis discussed above. The last adjustments to the ranges were made effective January 2005 in an effort to remain competitive in our market place. The structure is designed to recruit and retain qualified personnel and is reviewed on an annual basis by the Committee. For 2006, the base salary ranges used for setting salaries were \$150 thousand to \$300 thousand for the CEO and ranged from \$100 thousand to \$300 thousand for the other named executive officers.

Each February, the Committee recommends the base salary of the CEO within the established range to the Board of Directors. The CEO's base salary is determined using the peer compensation analysis in addition to the CEO's individual and Company performance during the prior year. The base salary of the CEO as of March 1, 2006 was \$242,000, which reflected a 7.5% increase in base salary from 2005. A portion (\$8,200 or 3.6%) of this increase was to account for a change in the Company's Board compensation practices such that effective March 2006 employee directors no longer receive separate compensation for s