

Virginia National Bankshares Corp  
Form DEF 14A  
April 11, 2018

## SCHEDULE 14A

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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

#### Virginia National Bankshares 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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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| (1) | Title of each class of securities to which transaction applies:   |
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Fee paid previously with preliminary materials.

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  - (3) Filing Party:
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-

**Virginia National Bankshares Corporation**  
**404 People Place**  
**Charlottesville, Virginia 22911**

April 6, 2018

***To All of Our Shareholders:***

We are pleased to invite you to attend the 2018 Annual Meeting of Shareholders of Virginia National Bankshares Corporation. The meeting will be held on Friday, May 18, 2018, at 11:00 a.m., local time, at the Hilton Garden Inn, 1793 Richmond Road, Charlottesville, VA 22911.

Enclosed are the notice of the meeting and the proxy materials setting forth information about our Company and the business to be transacted at the meeting. We also are including Virginia National Bankshares Corporation's 2017 Annual Report on Form 10-K.

The formal meeting will be followed by a brief discussion of our plans and priorities.

**Whether or not you plan to attend the meeting, it is important your shares be represented and voted. Please complete and return the enclosed proxy card as soon as possible in the postage-paid envelope provided. You can also vote your shares via the internet by following the instructions on your proxy card.**

We appreciate your support as a shareholder and hope to see you on May 18<sup>th</sup>.

Very truly yours,  
Glenn W. Rust  
President and Chief Executive Officer

**If your shares are held by a broker, bank or other custodian, you will need to vote using the instruction form provided by your broker in order for your vote to be counted. You will only be able to vote in person at the meeting if you obtain a legal proxy from your broker. Please see page 2 of the proxy statement for more details.**

**Your Vote is Important.**

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**VIRGINIA NATIONAL BANKSHARES CORPORATION**

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held on May 18, 2018**

The Annual Meeting of Shareholders of Virginia National Bankshares Corporation (the “Company”) will be held at the Hilton Garden Inn, 1793 Richmond Road, Charlottesville, VA 22911 at 11:00 a.m., local time, on Friday, May 18, 2018, to consider and vote upon the following matters:

1. Election of nine (9) directors of Virginia National Bankshares Corporation to serve until the 2019 Annual Meeting of Shareholders of the Company.
2. Advisory (non-binding) vote to approve the Company’s executive compensation.
3. Ratification of the appointment of Yount, Hyde & Barbour, P.C. as the Company’s independent auditors for 2018.
4. Transaction of such other business as may properly come before the meeting or any adjournments or postponements.

The Board of Directors has fixed March 26, 2018 as the record date for determination of shareholders entitled to notice of and to vote at the 2018 annual meeting and any adjournments or postponements thereof.

It is important your shares are represented at the meeting. **Please mark, sign, date and return your proxy card promptly, whether or not you plan to attend the meeting. If you are a registered shareholder and attend the meeting, you may vote in person even if you have already returned your proxy card.**

By Order of the Board of Directors:

April 6, 2018 *Donna G. Shewmake*  
*Corporate Secretary*

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders’ Meeting to Be Held on May 18, 2018**

Proxy materials are available at [www.vnb.com](http://www.vnb.com) in the “Investors” section under “Proxy Materials.” The materials available include this notice of the annual meeting of shareholders, the proxy statement, the form of proxy and the Annual Report on Form 10-K for the year ended December 31, 2017.

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**QUESTIONS AND ANSWERS ABOUT THE MEETING**

**Q: Where and when is the shareholders' meeting?**

A: The 2018 Annual Meeting of Shareholders (the "Annual Meeting") will be held at the Hilton Garden Inn, 1793 Richmond Road, Charlottesville, VA 22911, on Friday, May 18, 2018 at 11:00 a.m., local time.

**Q: What am I being asked to vote on?**

A: At the Annual Meeting, you will be asked to vote on the following proposals:  
to elect 9 directors of the Company to serve until the 2019 Annual Meeting of Shareholders of the Company;  
to approve, on an advisory (non-binding) basis, the Company's executive compensation; and  
to ratify the appointment of Yount, Hyde & Barbour, P.C. as the Company's independent auditors for 2018.  
We will also vote on any other matters which may properly come before the Annual Meeting.

**Q: What do I need to do now?**

Just indicate on your proxy card how you want to vote, and sign, date and return it as soon as possible. You may also vote online using the instructions on your proxy card. If you sign and send in your proxy, or submit your vote online, and do not indicate how you want to vote, your proxy will be voted for the election of the director nominees named in this proxy statement as directors of the Company to serve until the Company's 2019 Annual Meeting, for the approval of the Company's executive compensation, and for the ratification of the appointment of Yount, Hyde & Barbour, P.C. as the Company's independent auditors for 2018.  
If you are a registered shareholder, you can choose to attend the Annual Meeting and vote your shares in person instead of returning your completed proxy card. If you do return a proxy card, you may attend the meeting and change your vote. See "Voting and Revocation of Proxies" on page 2 of the proxy statement.

**Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?**

If you own shares that are held in street name, meaning through a broker, bank or other custodian (each, a "broker"), and you do not provide the broker holding the shares with specific voting instructions then, under applicable rules, the broker holding the shares may generally vote on "routine" matters but cannot vote on "non-routine" matters. If the broker holding such shares does not receive instructions from you on how to vote your shares on a non-routine matter, that broker will inform the inspector of election that it does not have the authority to vote on the matter with respect to the shares. This is generally referred to as a "broker non-vote."  
The election of directors (Proposal 1) and the approval of the Company's executive compensation (Proposal 2) are matters that are considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore broker non-votes may exist in connection with Proposals 1 and 2. The ratification of the appointment of Yount, Hyde & Barbour, P.C. as the Company's independent auditors for 2018 (Proposal 3) is a matter considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal 3.  
*Please provide instructions to your broker on how you want your shares voted by completing the voting instruction form you receive from your broker.*

**Q: How do I vote in person at the meeting if I hold shares in street name?**

A: You may only vote shares held in street name in person at the meeting if you obtain a "legal proxy" from the broker holding your shares. There should be a section of the voting instruction form sent to you that states "Place 'X' Here If You Plan to Attend and Vote Your Shares at the Meeting" or words of similar effect. If you place an "X" in the box provided and return your voting instruction form, you should receive a legal proxy from your broker, which you can bring to the meeting to vote your shares in person. You should contact your broker for more complete information.

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## VIRGINIA NATIONAL BANKSHARES CORPORATION

### PROXY STATEMENT

#### ANNUAL MEETING OF SHAREHOLDERS MAY 18, 2018

#### GENERAL

This proxy statement is being furnished to you as part of the solicitation of proxies by the Board of Directors of Virginia National Bankshares Corporation (the "Company") for use at the Annual Meeting of Shareholders of the Company to be held on Friday, May 18, 2018 at 11:00 a.m., local time, at the Hilton Garden Inn, 1793 Richmond Road, Charlottesville, VA 22911, and at any adjournment or postponement of the meeting (the "Annual Meeting"). The Annual Meeting will be held for the purposes set forth below and in the Notice of the Annual Meeting of Shareholders. The date of this proxy statement is April 6, 2018. The approximate mailing date of this proxy statement, the Notice of the Annual Meeting and accompanying proxy is April 12, 2018.

#### Reorganization; Affiliated Banks

On December 16, 2013, Virginia National Bank (the "Bank") reorganized into a holding company form of ownership pursuant to a Reorganization Agreement and Plan of Share Exchange (the "Reorganization") which was approved by the Bank's shareholders on June 19, 2013. As a result of this Reorganization, the Bank became a wholly-owned subsidiary of the Company, and each share of the Bank's common stock was automatically converted to one share of the Company's common stock. References to the Company in this proxy statement will generally include references to the Bank for any applicable periods prior to the Reorganization.

The Bank has one wholly-owned subsidiary, VNBTrust, National Association ("VNBTrust"), which is a national trust bank. References to the Company's affiliated banks or subsidiaries include the Bank and/or VNBTrust.

#### Record Date and Voting Rights of Shareholders

Only shareholders of record of the Company's common stock as of the close of business on March 26, 2018, the record date fixed for the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. As of the close of business on the record date, there were 2,416,584 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting. The Company has no other class of stock outstanding. Each share of common stock entitles the record holder thereof to one vote for each matter to be voted upon at the Annual Meeting.

#### Quorum

A majority of the outstanding shares entitled to vote, represented in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Shares for which the holder has elected to abstain or to withhold the proxy's authority to vote (including broker non-votes as discussed below) 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. Shares held by brokers, banks or other custodians ("broker shares") that are voted on any matter are included in the quorum. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

#### Vote Required

The vote required for approval varies based on the proposal. Directors are elected by plurality; therefore, the 9 nominees receiving the greatest number of affirmative votes cast will be elected. Approval of all other proposals and any other business that may properly come before the shareholders at the Annual Meeting at which a quorum is present will be approved if the votes cast in favor of the proposal or other action at the Annual Meeting exceed the votes cast against the proposal or other action.

## Voting and Revocation of Proxies

Execution of a proxy will not affect a registered shareholder's right to attend the Annual Meeting and vote in person. Any registered shareholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and voting in person. A registered shareholder may also revoke his or her proxy at any time before it is exercised by filing a written notice with the Corporate Secretary of the Company or by submitting a proxy bearing a later date. Proxies will extend to, and will be voted at, any adjourned session of the Annual Meeting.

## Voting Shares Held in Accounts with Brokers, Banks and Other Custodians; Broker Non-Votes

If your shares are held in an account with a broker, bank or other custodian (each, a "broker"), then your shares are held in "street name." The broker holding your shares, or its nominee, is the shareholder for purposes of voting at the Annual Meeting, and you are considered the beneficial owner. As beneficial owner, you have the right to direct the broker how to vote the shares held for you, and you must follow the instructions of that broker in order to vote your shares or to change a previously submitted voting instruction. **Since you are not the registered owner, you may not vote the shares in person at the Annual Meeting unless you obtain a legal proxy from the broker holding your shares giving you the right to vote shares registered in its name at the Annual Meeting. Please note that this legal proxy is different from the proxy card or voting instructions you generally receive in the mail. If you wish to vote your shares in person, please contact the broker holding your shares for a legal proxy.**

If the broker holding your shares does not receive instructions from you on how to vote your shares on a non-routine matter, that broker does not have the authority to vote on that matter with respect to your shares. This is generally referred to as a "broker non-vote." The election of directors (Proposal 1) and the approval of the Company's executive compensation (Proposal 2) are matters that are considered non-routine under applicable rules; therefore, broker non-votes may exist in connection with those proposals. The ratification of the appointment of Yount, Hyde & Barbour, P.C. as the Company's independent auditors for 2018 (Proposal 3) is a matter considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, so no broker non-votes are expected to exist in connection with Proposal 3.

## How Shares will be Voted

Shares represented by proxies will be voted at the Annual Meeting as follows:

*Properly Completed Proxies* – Shares represented by a properly-completed proxy that contains voting instructions will be voted in accordance with the voting instructions specified in the proxy.

*Proxies Without Voting Instructions* – Shares represented by proxies that are properly signed and dated but which do not contain voting instructions will be voted in accordance with the recommendations of the Company's Board of Directors (the "Board").

*Abstentions* – A properly executed proxy marked "ABSTAIN" will be counted for purposes of determining whether there is a quorum present at the Annual Meeting, but the shares represented by that proxy will not be voted at the Annual Meeting.

*Broker Non-votes* – Other than with respect to the ratification of the Company's independent auditors, your broker may not vote your shares for you unless you provide instructions to your broker on how to vote them. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you do not do this, your broker may not vote your shares (known as a "broker non-vote").

## Solicitation of Proxies

The Company is soliciting the proxies associated with this proxy statement and will bear all costs of the solicitation, including the cost of reimbursing brokers, bank and other custodians for forwarding proxy materials to beneficial owners of shares they hold. Solicitation of proxies is being made by mail. The Company may also solicit proxies in person or by telephone, facsimile, electronic mail or special letter. Solicitations may be made by directors, officers and other employees of the Company or any subsidiary, none of whom will receive any separate or additional compensation for such solicitations.

**PROPOSAL 1 –ELECTION OF DIRECTORS****General**

Nine directors will be elected at the Annual Meeting to serve until the 2019 Annual Meeting of Shareholders of the Company and until their successors are elected and qualified. The Company’s Board of Directors currently consists of 9 directors serving a one-year term which expires at the Annual Meeting.

Directors will be elected by a plurality of the votes cast by shares entitled to vote in the election of directors at a meeting at which a quorum is present, which means the 9 nominees receiving the highest number of votes will be elected, even though such 9 individuals may not receive “for” votes from a majority of the votes cast.

**Nominations for Directors**

The Board of Directors has nominated the 9 individuals named below for election to the Board at the Annual Meeting, all of whom are currently serving as director. Each person nominated has consented to being named as a nominee in this proxy statement and has indicated he or she is willing to serve as a director if elected. If, at the time of the Annual Meeting, any nominee is unable or unwilling to serve, shares represented by proxies will be voted at the discretion of the named proxies for such other person as the Board of Directors may nominate.

The following table sets forth certain information concerning the persons who have been nominated for election as directors by the Board of Directors.

**The Board of Directors of the Company recommends that shareholders vote “FOR” the election of each of the nominees set forth below as the Company’s directors. Unless otherwise indicated on the proxy, the persons named therein will vote “FOR” the election of the following nominees.**

<b>Name (Age)</b>	<b>Principal Occupation</b>	<b>Director Since*</b>
H. K. Benham, III (78)	Retired Attorney	2015** (2)
Steven W. Blaine (60)	Attorney	1998 (2) (3)
William D. Dittmar, Jr. (65)	Entrepreneur, Investor and Developer Business Consultant and Author, former President and Chief Executive Officer of O’Sullivan Corporation	1998 (1) (3)
James T. Holland (77)	Retired. Former Managing Director/Division Executive for Merrill Lynch/Bank of America Corporation	2013 (1) (3)
Linda M. Houston (60)	Communications Consultant	2018 (2) (3)
Susan K. Payne (69)	President and Chief Executive Officer, Virginia National Bankshares Corporation and its subsidiary banks	2015** (3)
Glenn W. Rust (62)	Chief Executive Officer of ACAC Fitness & Wellness Centers	2006
Gregory L. Wells (61)	Attorney	2012 (1) (2)
Bryan D. Wright (65)		2015** (1)

(1) Currently a member of the Audit and Compliance Committee.

(2) Currently a member of the Compensation Committee.

(3) Currently a member of the Corporate Governance Committee.

\* Includes continuous service on the Board of the Bank prior to the Reorganization into a holding company form of ownership.

\*\* Before their election to the Company’s Board of Directors in 2015, these nominees have served on the board of directors of the Bank as follows: Mr. Benham, since 2002; Ms. Payne, since 1998; and Mr. Wright, since 2012.

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The following biographies of the nominees standing for election contain information regarding the person's business experience, public company director positions held currently or at any time during the last five years, and the experiences, qualifications, attributes and/or skills that caused the Board of Directors to determine the person should serve as a director of the Company. Unless otherwise noted, the person has held their current position for at least five years. All nominees also serve on the board of directors of both Virginia National Bank and VNBTrust.

**H. K. Benham, III**, retired, practiced law with the firm of Harrison and Johnston in Winchester, Virginia for 50 years, specializing in corporate, tax, trust and real estate law. He is a co-administrator of several entities involving residential and commercial real estate and is a director of Plasticard-Locktech International (PLI), a gift card and hotel keycard company. Mr. Benham has extensive experience with bank trust departments, both personally, as trustee, and as legal counsel for clients. In addition to his legal expertise, Mr. Benham also has knowledge of the Winchester marketplace.

**Steven W. Blaine** is a partner in the Charlottesville, Virginia office of the law firm of LeClairRyan, A Professional Corporation, primarily practicing in business and real estate law. Prior to joining LeClairRyan in 1999, Mr. Blaine was a partner in the Charlottesville office of McGuireWoods LLP. As a practicing attorney, Mr. Blaine provides 34 years of experience as a corporate and transactional attorney. In addition, he provides valuable insight into the local real estate economy and brings his legal perspective to bear in matters related to the Company.

**William D. Dittmar, Jr.** serves as the non-executive Chairman of the Board of the Company, Virginia National Bank and VNBTrust, N.A. Mr. Dittmar is the managing member of Enterprise Properties, LLC in Charlottesville, Virginia, which is the parent company for various real estate and commercial property subsidiaries, as well as other investments. Mr. Dittmar has an extensive business background as a corporate executive, real estate executive and project manager and is well-versed in economic issues.

**James T. Holland**, a consultant, author and civic volunteer, was the president, chief executive officer and a director of O'Sullivan Corporation, a manufacturing company based in Winchester, Virginia, before retiring in 1999. Prior to that, Mr. Holland was a financial consultant and project manager for a consulting firm and served in junior management positions in a bank. Mr. Holland has executive management and board experience, including prior service on bank boards, and is a civic leader in the Winchester community.

**Linda M. Houston**, retired, was employed with Merrill Lynch/Bank of America Corporation from 1987 to May 2017. From 2011 to 2017, Ms. Houston served as Managing Director/Division Executive. Her prior roles with Merrill Lynch included Head of Global Wealth and Investment Management Diversity and Inclusion Council, Regional Managing Director, National Marketing and Sales Manager, and Managing Director/Market Executive. Ms. Houston has extensive experience in wealth and investment management, compliance and compensation practices.

**Susan K. Payne** is President and owner of Blue Ridge Group, a communications consulting firm in Charlottesville, Virginia. Prior to 2017, Ms. Payne was the President of Payne, Ross & Associates Advertising, Inc., a marketing, public relations and advertising firm located in Charlottesville. She currently serves as the chair of the board of directors of Virginia Tourism Corporation. Ms. Payne has an extensive understanding of the markets and communities served by the Company and provides marketing and public relations knowledge, better enabling the Company to communicate with existing customers, reach new customers and expand the Company's brand.

**Glenn W. Rust** is President and Chief Executive Officer of the Company, Virginia National Bank and VNBTrust. Prior to joining the Bank in 2006, he held various executive management positions at Sterling Bank in Houston, Texas, including executive vice president, chief operations officer, chief information officer, and president of the Bankruptcy Trustee Division. Mr. Rust serves on the board of, and provides advice and strategic counsel to, several charitable organizations in the Charlottesville and Washington, D.C. areas. Mr. Rust brings wide-ranging executive bank management experience to the Company and expertise in successfully managing growth opportunities.

**Gregory L. Wells** is Chief Executive Officer of ACAC Fitness and Wellness Centers, which has centers in Charlottesville and Richmond, Virginia, in West Chester, Pennsylvania, and in Baltimore and Germantown, Maryland. He also serves as a board member of PT@ACAC, a joint venture between Legacy Management, Inc. and Martha Jefferson Sentara. Prior to joining ACAC in 2006, he was the Chief Executive Officer and an owner of Mailing Services of Virginia in Charlottesville and held executive positions with the former Centel Corporation. Mr. Wells has experience in leading companies of various sizes, including responsibilities for finance, strategic planning, operations, business development, marketing and human resources.

**Bryan D. Wright** is an attorney in Charlottesville, Virginia, where he serves as corporate, intellectual property and litigation counsel to entrepreneurs, businesses and public institutions. Mr. Wright has provided legal services to several Texas banks and served, for 15 years, as the legal member on a team that took over, restructured, operated and worked out business, real estate, and oil and gas ventures for Bankers Trust Company. He is active in civic and community affairs. A frequent speaker on intellectual property, business and litigation law matters, Mr. Wright's legal experience provides him with valuable insight on business and risk management issues.

**PROPOSAL 2 –ADVISORY (NON-BINDING) VOTE  
TO APPROVE EXECUTIVE COMPENSATION**

Shareholders are being given the opportunity to vote on an advisory (non-binding) resolution to approve the compensation of the named executive officers pursuant to requirements of the Dodd-Frank Act and rules of the Securities and Exchange Commission. The named executive officers of the Company are set forth in the "Executive Compensation" section starting on page 8 of this proxy statement. This proposal, commonly known as a "say on pay" proposal, gives shareholders the opportunity to endorse or not endorse the Company's executive pay program, which is outlined in the "Executive Compensation" section. Accordingly, shareholders of the Company are being asked to approve the following resolution:

*"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the Executive Compensation section of this proxy statement."*

As stated above, this is an advisory vote only. Approval of the proposed resolution requires that the votes cast "for" the resolution exceed the votes cast "against" the resolution.

The Company believes its compensation policies and procedures are aligned with the long term interests of its shareholders. Because your vote is advisory, it will not be binding upon the Board of Directors. However, the Compensation Committee of the Board of Directors will take into account the outcome of the vote when considering future executive compensation recommendations and decisions.

**The Board of Directors recommends that shareholders vote "FOR" approval of the named executive officers' compensation. Unless otherwise indicated on the proxy, the persons named therein will vote "FOR" approval of this proposal.**

**PROPOSAL 3 –RATIFICATION OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit and Compliance Committee of the Board of Directors (the "Audit Committee"), under Rule 10A-3 of the Securities and Exchange Act of 1934 and the committee's charter, has the sole authority to appoint or replace the Company's independent auditors. The Audit Committee has appointed Yount, Hyde & Barbour, P.C. as the independent auditors to audit the Company's consolidated financial statements for the year ending December 31, 2018. The Audit Committee seeks shareholder ratification of this appointment. Yount, Hyde & Barbour, P.C. has acted as the Company's external auditors and has reported on consolidated financial statements since 1998. Representatives from Yount, Hyde & Barbour, P.C. are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

The appointment of independent auditors will be ratified if the votes cast "for" ratification exceeds votes cast "against" ratification.

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Should the shareholders not ratify the selection of Yount, Hyde & Barbour, P.C., it is contemplated that the appointment of Yount, Hyde & Barbour, P.C. will be permitted to stand unless the Audit and Compliance Committee finds other compelling reasons for making a change. Disapproval by the shareholders will be taken into consideration for the selection of the independent registered public accounting firm for the coming year.

**The Board of Directors recommends that shareholders vote “FOR” ratification of Yount, Hyde & Barbour, P.C. as the Company’s independent auditors for the fiscal year ending December 31, 2018. Unless otherwise indicated on the proxy, the persons named therein will vote “FOR” ratification.**

### **INFORMATION ABOUT THE BOARD OF DIRECTORS AND BOARD COMMITTEES**

#### **Compensation of Directors**

The following table provides information concerning the compensation of non-employee directors of the Company who served at any time during 2017. Mr. Rust is an employee director and does not receive separate compensation for serving on the Board.

<b>Name</b>	<b>Fees Earned or Paid in Cash (1)</b>	<b>All Other Compensation</b>	<b>Total</b>
H. K. Benham, III	\$25,000	-	\$25,000
Steven W. Blaine	\$25,000	-	\$25,000
William D. Dittmar, Jr.	\$25,000	-	\$25,000
James T. Holland	\$25,000	\$36,000 (2)	\$61,000
Susan K. Payne	\$25,000	-	\$25,000
Gregory L. Wells	\$25,000	-	\$25,000
Bryan D. Wright	\$25,000	-	\$25,000

(1) Fees paid to directors as compensation for service on the boards and board committees of the Company and its subsidiaries.

(2) During 2017, Mr. Holland received \$36,000 from the Company’s affiliate(s) as an independent contractor to assist with business development efforts in the Winchester market.

#### **Meetings of the Board of Directors; Director Attendance**

There were 9 meetings of the Board of Directors in 2017. Each incumbent director attended at least 75% of the meetings of the Board of Directors and of the committees of the Board on which he or she served during 2017 except Ms. Payne. Board members are encouraged to attend the Annual Meeting of Shareholders, and 7 of the 8 directors serving on the Company’s Board at the time of the 2017 Annual Meeting of Shareholders attended that meeting.

#### **Independence of Directors**

SEC rules require a company like Virginia National Bankshares Corporation, whose securities are not listed on a national securities exchange or inter-dealer quotation system, to disclose in its proxy statement whether each director, nominee for director and member of its compensation, nominating or audit committee is “independent” using definition of independence under the rules of a national securities exchange or inter-dealer quotation system. The Board has selected to use the independence definitions under the corporate governance standards established by the NYSE for purposes of disclosure in this proxy, even though those standards are not directly applicable to the Company. For the purpose of determining the independence of any individual for service on the Board of Directors of the Company, the Board has made a reasonable good faith determination, after taking into account all relevant facts and circumstances, that the individual has no material relationship with, or conflict with the interests of, the Company that would interfere with or impair the exercise of that individual’s independent business judgment.

The Board has determined that the following 8 of the 9 current directors, all of whom are also nominees, are independent within the meaning and guidance of Section 303A.02 of the NYSE Listed Company Manual: Ms. Houston, Ms. Payne, and Messrs. Benham, Blaine, Dittmar, Holland, Wells and Wright. Mr. Rust, as an executive officer of the Company, is the only director or nominee who is not independent.

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In addition, the Board has determined that: (a) each current member of the Compensation Committee is independent; (b) each current member of the Corporate Governance Committee is independent; and (c) each member of the Audit and Compliance Committee is independent except Mr. Holland, who is independent for purposes of serving on the Board but is not independent under the NYSE requirement that audit committee members meet the additional independence requirements of Securities and Exchange Commission Rule 10A-3 because Mr. Holland, as an independent contractor, accepts consulting fees from the Company's affiliates for assisting with business development. The amount of such fees is disclosed above under the heading "Compensation of Directors."

### Committees of the Board

The Board of Directors has standing audit, compensation and corporate governance committees.

*Audit and Compliance Committee.* The directors currently serving on the Audit and Compliance Committee are Messrs. Dittmar (chair), Holland, Wells and Wright. The primary function of the Audit and Compliance Committee is to direct and monitor the internal audit and control functions and to select the Company's independent auditing firm. The Board of Directors has determined that Messrs. Mr. Dittmar, Holland, Wells and Wright are each an "audit committee financial expert" and that each member of the Committee except Mr. Holland is "independent" within the corporate governance standards for audit committees established by the New York Stock Exchange ("NYSE"), as described in more detail above under "Independence of Directors. The Audit and Compliance Committee met 4 times during 2017. The charter of the Audit and Compliance Committee is on the Company's Investor Relations website at [www.vnbcorp.com](http://www.vnbcorp.com) in the "Corporate Overview" section under "Governance Documents."

*Compensation Committee.* The directors currently serving on the Compensation Committee are Mr. Blaine (chair), Mr. Benham, Ms. Houston and Mr. Wells. Each current member of this Committee is "independent" using independence definitions under the corporate governance standards established by the NYSE. The primary function of the Compensation Committee is to review and make recommendations to the Board of Directors with respect to the Company's executive compensation policies and compensation for directors and to administer the Company's stock incentive plans. The Compensation Committee met 3 times during 2017. The charter of the Compensation Committee is on the Company's Investor Relations website at [www.vnbcorp.com](http://www.vnbcorp.com) in the "Corporate Overview" section under "Governance Documents."

*Corporate Governance Committee.* The directors currently serving on the Corporate Governance Committee are Mr. Holland (chair), Mr. Blaine, Mr. Dittmar, Ms. Houston and Ms. Payne. Each current member of the Committee is "independent" using independence definitions under the corporate governance standards established by the NYSE. The primary function of the Corporate Governance Committee is to make recommendations to the full Board of Directors on matters of corporate governance, including the independence of directors and nominees. This committee has no regular meeting schedule, but generally meets in the first quarter of each year to review and make recommendations to the Board regarding independence of directors, and is otherwise available to address corporate governance matters with respect to which the full Board requests guidance. The Corporate Governance Committee met 3 times during 2017. The charter of the Corporate Governance Committee is on the Company's Investor Relations website at [www.vnbcorp.com](http://www.vnbcorp.com) in the "Corporate Overview" section under "Governance Documents."

### Nominating Procedures

The Company's Board of Directors does not currently have a standing nominating committee. Since January 2012, nominations are made and considered by the full Board based on the Board's desire that all directors be actively involved in the nominating process.

The entire Board is involved in identifying and evaluating nominee candidates, and the Corporate Governance Committee assists with determining independence and/or performing other duties as may be requested. In terms of the qualifications for nominees, the Board considers a number of factors, based on a matrix developed by the Board, in the context of the perceived needs of the Board at that point in time to complement the existing board composition. Although the Board has not adopted a formal policy relating to diversity, the Board considers a

number of diverse attributes, characteristics, experiences and skills including, but not limited to: board and management experience; business and professional expertise; geographic representation and community involvement in the Company’s market area; business and other relationships with the Company and its subsidiaries; independence; potential competition or other conflicts with the Company’s business; gender; race; and availability to attend Board meetings. A nominee candidate must also complete a questionnaire designed to gather information required to be disclosed in the proxy statement as a nominee and other information about the candidate’s background and experience. After completing their evaluation, the full Board then determines whether to recommend candidates for nomination as directors for shareholders to consider and vote upon at an annual meeting.

While the Board has not established any formal policies for consideration of director candidates recommended by shareholders, nominations of persons for election to the Board may be made at an annual meeting by a shareholder in accordance with the Company’s Bylaws. See “Shareholder Nominations and Proposals” on page 6 of this proxy statement.

**Board Leadership Structure and Role in Risk Oversight**

Since 2007, the positions of Chief Executive Officer and Chairman of the Board have been separated. The current leadership structure, which allows the non-executive Chairman to maintain a more objective role in management of Board functions and the Board’s oversight of management, is deemed appropriate and effective by the Board at this time. While the Company’s management has responsibility for direct, day-to-day management of the Company, the Board has a significant role in oversight of risk. Officers are generally ratified by the Board annually, upon the recommendation of the Chief Executive Officer. The Board approves all significant policies which guide the Company’s officers and other employees in the discharge of their duties. Programs are established to monitor compliance with the policies, and compliance reviews and audits are reported to the Audit and Compliance Committee. While the Board committees outlined above generally perform a more direct role in overseeing specific areas of risk, each committee provides full reports to the Board on any significant or material findings.

**EXECUTIVE COMPENSATION**

**Executive Officers**

The following table sets forth the name and position of each of the current executive officers of the Company. These individuals are referred to throughout this document as “executive officers. The executive officers identified in the Summary Compensation Table on page 12 are referred to as “named executive officers. Unless otherwise indicated, each of these officers has served as an executive officer of the Company, or the Bank prior to the Reorganization, for at least five years:

Name (Age)	Information about Executive Officers
Glenn W. Rust (62)	President and Chief Executive Officer of the Company and its subsidiary banks. He has been President of Virginia National Bank since November 1, 2006 and Chief Executive Officer since July 15, 2007.
Virginia R. Bayes (57)	Chief Credit Officer and Executive Vice President of Virginia National Bank. Ms. Bayes joined the Bank in 1998 and was named an executive officer in January 2011.
Donna G. Shewmake (57)	General Counsel, Executive Vice President and Corporate Secretary of the Company and Virginia National Bank. Ms. Shewmake joined the Bank in June 2008 as General Counsel and Executive Vice President, and was named Secretary and an executive officer in May 2009.

**Name (Age)**

**Information about Executive Officers**

Tara Y. Harrison (49)

Chief Financial Officer and Executive Vice President of the Company and Virginia National Bank. Ms. Harrison joined the Bank in October 2016 as an accounting/financial internal consultant for the Bank and was named Chief Financial Officer and Executive Vice President in February 2017. From January 2015 to October 2016, Ms. Harrison was an independent consultant, providing accounting, auditing, risk management and financial reporting advice. She served as Director of Internal Audit for StellarOne Corporation and its subsidiary banks from 2004 to 2014. Ms. Harrison's other experience includes serving as Chief Financial Officer of Guaranty Financial Corporation and Guaranty Bank, as Director of Finance and Controller for Comdial Corporation, and as Senior Audit Manager for Deloitte & Touche, LLP.

**Compensation Discussion**

*Philosophy and Objectives of the Company's Compensation Program.* The Board believes compensation of its executive officers should reflect and support the Company's strategic and financial performance goals, the primary goal being the creation of long-term value for the shareholders of the Company, while protecting the interests of the depositors of the Bank.

The Compensation Committee has adopted a committee charter, which was subsequently ratified by the entire Board of Directors, pursuant to which the Compensation Committee is tasked with reviewing and making recommendations regarding the Company's executive compensation policies to ensure they are (i) competitive, (ii) performance-based, and (iii) consistent with the Company's annual and long-term business objectives. The Compensation Committee is also responsible for administering the Company's stock incentive plans.

The Compensation Committee specifically reviews and, subject to approval by the Board, establishes the compensation of the President and Chief Executive Officer ("CEO") of the Company and its affiliated banks based on reasonableness, competitiveness and relationship to performance. In determining the compensation to recommend for the CEO, the Compensation Committee reviews the overall financial performance of the Company relative to the performance of peer and comparable banks and bank holding companies, as well as the CEO's performance against standards previously established by the Compensation Committee. The Compensation Committee considers whether the CEO's cash compensation and the stock incentive awards made to him bear a reasonable relationship to the compensation paid to the chief executive officers of comparable banks and bank holding companies and is consistent with the desire of the Compensation Committee to offer appropriate performance incentives to the CEO and to motivate him to remain at the Company. In 2016, the Compensation Committee recommended that the CEO's salary be increased to \$310,000 and that he be given a \$75,000 bonus based on performance for 2015. In 2017, the Compensation Committee recommended that the CEO's salary be increased to \$325,000 and that he be given a \$90,000 bonus based on performance in 2016. The Board approved the Compensation Committee's recommendations in both 2016 and 2017, and the salary increases were effective during those years.

The CEO of the Company specifically reviews and establishes the compensation of the other executive officers of the Company. The compensation of the Company's named executive officers is designed to be competitive with the Company's peers and reflective of the level of responsibility and performance of the executive officer. The philosophy behind the compensation program is to provide both cash compensation, in the form of salaries and short-term incentive compensation, and stock incentives, in an effort to promote an ownership mentality among the executive officers and other key individuals within the Company and its affiliated banks.

During 2016 and 2017, no compensation consultants were engaged or used by the Compensation Committee, the Board of Directors or management with respect to executive compensation. The Compensation Committee and management do use certain compensation surveys available from various organizations.

## Edgar Filing: Virginia National Bankshares Corp - Form DEF 14A

*Composition of Compensation.* There are four primary components of executive compensation, as follows: base salary; short-term incentive compensation and bonuses; long-term stock option grants or other awards under the Company's stock incentive plans; and benefits.

*Base Salary.* Base salary provides competitive levels of compensation to executives, in accordance with their experience, duties and responsibilities. Base salaries are necessary to recruit and retain executives, and base salary adjustments are reflective of an individual's performance or changed responsibilities.

*Short-Term Incentive Compensation: Bonuses.* Short-term incentive compensation is designed to align the interests of staff with the Company's shareholders by rewarding executive officers and other eligible employees based on the performance of the Company. In addition to the bonuses paid to the CEO in 2016 and 2017 as approved by the Board and discussed above, (a) Ms. Bayes also received a bonus of \$21,000 in 2016 for her role in purchasing shared national credits and student loan portfolios and (b) Ms. Bayes and Ms. Shewmake each received a bonus of \$1,500 in 2017. Management continues to consider a formal short-term incentive compensation program. Executive officers may be eligible to participate in the Company's incentive programs; however, any incentive compensation or bonus paid to Mr. Rust is subject to review by the Compensation Committee and approval by the Board.

*Long-Term Stock Option Grants and Other Stock Incentive Awards.* Periodically, stock option grants, restricted stock or other awards under the Company's stock incentive plans may be awarded to executive officers and others within the Company and its affiliated banks whose performance is critical to the ongoing success of the Company. Stock options that have been granted have a ten-year term, and typically vest evenly over a four-year period. All outstanding options have an exercise price equal to the closing price of Company common stock on the date of the grant. The actual value that may be realized by an option holder is tied to the appreciation of Company common stock, thereby aligning the option holders' interests with those of the Company's other shareholders. Outstanding stock options granted to the named executive officers are included below under the heading "Outstanding Equity Awards at Fiscal Year-End 2017."

### Benefits.

*401(k) Profit Sharing Plan.* The Company has a 401(k) plan available to all employees who are at least 18 years of age. Employees are able to elect the amount to contribute, not to exceed a maximum amount as determined by IRS regulations. The Company matches 100% of the first 6% of employee contributions. "Vesting" refers to the rights of ownership to the assets in the 401(k) accounts. Matching contributions, as well as employee contributions, are fully vested immediately.

*Health and Welfare Benefits.* The Company also offers health and welfare benefits to the executive officers and others within the Company, including medical, dental and vision insurance, group term life insurance, disability insurance and flexible spending accounts.

*Split-Dollar Life Insurance.* The Company has certain split-dollar insurance, or bank-owned life insurance ("BOLI") arrangements with each executive officer and certain other senior officers of the Company and/or its subsidiaries. Under these BOLI arrangements, the Company is the owner of, and pays all premiums for, insurance policies on an officer's life. Upon the death of the insured officer, a portion of the death benefit will be paid to beneficiary(ies) designated by the officer, subject to the terms and restrictions of the split-dollar endorsement agreement between the officer and the Company, and the balance is paid to the Company.

*Perquisites.* Perquisites may be granted to executive officers and other employees, after proper consideration of the business need. Perquisites may include memberships in local clubs and the provision of a bank-owned automobile, or limited reimbursement toward the purchase of a personal automobile, that will be primarily used for Company business. All perquisites represent a very small portion of the Company's compensation program, and those for the named executive officers are disclosed according to regulation in the "Summary Compensation Table" on page 12 of this proxy statement.

### *Executive and Change in Control Arrangements*

The Company recognizes that, as a publicly-held financial services company, it is essential to maintain stability and continuity of its executive management in order to protect the interests of the shareholders and the Company, to promote continuity in the event of a change in control and to minimize uncertainty among executive management.

## Edgar Filing: Virginia National Bankshares Corp - Form DEF 14A

The Company's Board of Directors began discussions in 2015 regarding the need for, and benefits of, change in control and other management agreements in order to attract and retain talented members of executive management. The Board's Compensation Committee was charged with reviewing and making recommendations regarding such agreements. In 2016, based on the recommendation of the Compensation Committee, the Board approved the parameters for change in control and other agreements with certain members of management of the Company and its subsidiary. In early 2017, the Company entered into a management continuity agreement (the "CIC Agreement") with each of its executive officers and certain other members of executive management of the Company's subsidiary (the "CIC Executives"). In connection with the CIC Agreements, the Bank also entered into a non-disclosure, non-solicitation and non-competition agreement (the "Non-Competition Agreement") with each of the CIC Executives.

Each CIC Agreement is for an initial term that expires on December 31, 2019, provided on December 31, 2018 and each December 31<sup>st</sup> thereafter (each a "Renewal Date"), the CIC Agreement will automatically extend for an additional calendar year, so as to terminate two years from such date, unless the Company gives written notice of non-renewal before the Renewal Date. The CIC Agreement provides for the employment of the CIC Executive following a "change in control," as defined in the CIC Agreement, for a period of two years with the same position, position title, authority, reporting structure, duties and responsibilities as those held during the twelve-month period preceding the change in control, to be performed either at the location where the CIC Executive was located immediately prior to the change in control or at the location that was the headquarters of the Company prior to the change of control that is within 30 miles of such CIC Executive's location. During such two-year period, the CIC Executive will (i) receive a base salary that is at least equal to the highest base annualized salary that the CIC Executive received during the 12 months before the change in control, (ii) receive an annual bonus equal to the average annual bonus paid or payable for the two years preceding the change of control, and (iii) be entitled to participate in incentive, savings, retirement welfare benefit plans, fringe benefits, and paid time off at the same level as other peer executives and at least at the level of the CIC Executive's participation in such plans during the twelve months prior to the change in control.

The CIC Agreement provides for specified payments to the CIC Executive under certain termination scenarios during the two-year employment period. If the CIC Executive is terminated "without cause" or the CIC Executive terminates his/her employment for "good reason," each as defined in the CIC Agreement, the CIC Executive will receive (i) a salary continuation benefit payable in a lump equal to two times the sum of the CIC Executive's annual base salary in effect at the date of termination and the average annual bonus paid or payable for the two most recently completed years, (ii) continuation of welfare benefits received prior to termination for up to 18 months following termination to the extent permissible; and (iii) a lump sum payment equal to the contributions made by the Company to the CIC Executive's account in the Company sponsored 401(k) retirement savings plan during the two-year period prior to termination of employment. The CIC Agreement provides that the amounts and benefits payable to the CIC Executive will be reduced as necessary until no amount of benefit payable to the CIC Executive will be subject to t