

FIRST NATIONAL CORP /VA/  
Form DEF 14A  
April 05, 2011

---

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

FIRST NATIONAL 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)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:
  - Fee paid previously with preliminary materials.
  - Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

---

---

---

April 5, 2011

Dear Fellow Shareholder:

You are cordially invited to attend First National Corporation's 2011 Annual Meeting of Shareholders. The meeting will be held on Tuesday, May 10, 2011 at 11 a.m., at Millwood Station, 252 Costello Drive, Winchester, Virginia. The accompanying notice and proxy statement describe the matters to be presented at the meeting.

Whether or not you plan to attend in person, it is important that your shares be represented and your vote recorded. Please complete, sign, date and return promptly the proxy card that is enclosed in the envelope provided in this mailing. You may also choose to vote your shares by phone or using the Internet, as explained on the proxy card. If you later decide to attend the meeting and vote in person, or if you wish to revoke your proxy for any reason prior to the vote at the meeting, you may do so and your proxy will have no further effect.

The Board of Directors and management of the Company appreciate your continued support and look forward to seeing you at the meeting.

Sincerely,  
Dennis A. Dysart  
Interim Chief Executive Officer

---

FIRST NATIONAL CORPORATION  
112 West King Street  
Strasburg, Virginia 22657  
April 5, 2011

NOTICE OF 2011 ANNUAL MEETING AND PROXY STATEMENT

The 2011 Annual Meeting of Shareholders of First National Corporation will be held at the Millwood Station, 252 Costello Drive, Winchester, Virginia, on Tuesday, May 10, 2011, beginning at 11:00 a.m. The items of business are:

1. To elect 10 directors, each for a term of one year;
2. To consider and approve a non-binding advisory resolution approving the compensation of our executive officers;
3. To ratify the appointment of Yount, Hyde & Barbour, P.C. as our independent registered public accounting firm for the year ending December 31, 2011; and
4. To transact such other business as may properly come before the Annual Meeting. Management is not aware of any other business, other than procedural matters incident to the conduct of the Annual Meeting.

Shareholders of record of First National Corporation common stock (OTCBB: FXNC) at the close of business on March 18, 2011, are entitled to vote at the meeting and any postponements or adjournments of the meeting. A list of these shareholders is available at the offices of First National Corporation in Strasburg, Virginia.

Byron A. Brill  
Vice Chairman and Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING TO BE HELD ON MAY 10, 2011:

The proxy statement and annual report are available at [www.cfpproxy.com/4148](http://www.cfpproxy.com/4148).

Your Vote is Important

Please vote as promptly as possible by completing, signing, dating and returning the enclosed Proxy Card. You may also vote online at <https://www.proxyvoteweb.com/fxnc.ob> or by calling 1-866-598-8917.

Table of Contents

	Page
General Information	
Voting	3
Delivery of Proxy Materials for the Annual Meeting	4
Executive Officers Who Are Not Directors	4
PROPOSAL ONE: Election of Directors	5
Stock Ownership	
Stock Ownership of Directors and Executive Officers	6
Stock Ownership of Certain Beneficial Owners	7
Section 16(a) Beneficial Ownership Reporting Compliance	8
Corporate Governance and Other Matters	
General	8
Code of Conduct and Ethics	8
Board and Committee Meeting Attendance	9
Director Independence	9
Committees	9
Director Selection Process	11
Leadership Structure of the Board	14
Board's Role in Risk Oversight	14
Attendance at the Annual Meeting of Shareholders	14
Communications with Directors	14
Executive Compensation	
Capital Purchase Program	15
Summary Compensation Table	16
Potential Payments Upon Termination or Change of Control	18
Other Compensation	19
Director Compensation	19
	20

Certain Relationships and Related Party  
Transactions

PROPOSAL TWO: Non-Binding Vote on Executive Compensation 21

Audit-Related Matters

Audit and Compliance Committee 22

Report

Policy for Approval of Audit and 23

Permitted Non-Audit Services

Auditor Fees and Services 23

PROPOSAL THREE: Ratification of Appointment of Independent

Registered Public Accounting Firm 24

Other Information

Shareholder Communications 24

Annual Report to Shareholders 25

Other Matters 25

## GENERAL INFORMATION

This Proxy Statement is furnished to holders of common stock, \$1.25 par value per share (“Common Stock”), of First National Corporation (the “Company”) in connection with the solicitation of proxies on behalf of the Company by the Board of Directors (the “Board”) of the Company to be used at the Annual Meeting of Shareholders to be held on May 10, 2011 at 11:00 a.m. at the Millwood Station, 252 Costello Drive, Winchester, Virginia, and any adjournment thereof (the “Annual Meeting”).

The principal executive offices of the Company are located at 112 West King Street, Strasburg, Virginia. The approximate date on which this Proxy Statement, the accompanying proxy card and Annual Report to Shareholders (which is not part of the Company’s soliciting materials) are being mailed to the Company’s shareholders is April 5, 2011. The cost of soliciting proxies will be borne by the Company.

Only shareholders of record at the close of business on March 18, 2011 (the “Record Date”) will be entitled to vote at the Annual Meeting. On the Record Date, there were 2,948,901 shares of Common Stock issued and outstanding and 667 shareholders of record and approximately 549 additional beneficial owners of shares of Common Stock.

### Voting

Each share of Common Stock is entitled to one vote at the Annual Meeting. A majority of the shares of Common Stock entitled to vote, represented in person or by proxy, constitutes a quorum for the transaction of business at the Annual Meeting.

Shareholders are encouraged to vote using any of several available methods, including by returning a traditional proxy card. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. “Street name” shareholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares. The Company is pleased to offer its shareholders the convenience of voting by phone and online via the Internet. Please check your proxy card for instructions. Please be aware that if you vote your shares by phone or over the Internet, you may incur costs or charges from your phone service or Internet access provider for which you are responsible.

The proxy solicited hereby, if properly signed and returned to the Company and not revoked prior to its use, will be voted in accordance with the instructions contained thereon. If no contrary instructions are given, each proxy received will be voted “for” the proposal described herein. Any shareholder giving a proxy has the power to revoke it at any time before it is exercised by (i) filing written notice thereof with the Secretary of the Company (Secretary, First National Corporation, c/o Registrar and Transfer Company, P.O. Box 1010, Cranford, New Jersey 07016); (ii) submitting a duly executed proxy bearing a later date; or (iii) appearing at the Annual Meeting or at any adjournment thereof and giving the Secretary notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment thereof and will not be used for any other meeting.

A shareholder may abstain or (only with respect to the election of directors) withhold his or her vote (collectively, “Abstentions”) with respect to each item submitted for shareholder approval. Abstentions will be counted for purposes of determining the existence of a quorum. Abstentions will not be counted as voting in favor of or against the relevant item.

A broker who holds shares in “street name” has the authority to vote on certain items when it has not received instructions from the beneficial owner. Except for certain items for which brokers are prohibited from exercising their

discretion, a broker is entitled to vote on matters presented to shareholders without instructions from the beneficial owner. "Broker shares" that are voted on at least one matter will be counted for purposes of determining the existence of a quorum for the transaction of business at the Annual Meeting. Where brokers do not have or do not exercise such discretion, the inability or failure to vote is referred to as

3

---



a “broker nonvote.” Under the circumstances where the broker is not permitted to, or does not, exercise its discretion, assuming proper disclosure to the Company of such inability to vote, broker nonvotes will not be counted as voting in favor of or against the particular matter. A broker is prohibited from voting on the election of directors and the non-binding resolution on executive compensation without instructions from the beneficial owner; therefore, there may be broker nonvotes on Proposals One and Two. We expect that brokers will be allowed to exercise discretionary authority for beneficial owners who have not provided voting instructions with respect to Proposal Three; therefore, no broker nonvotes are expected to exist in connection with this proposal.

Unless authority is withheld in the proxy, each proxy executed and returned by a shareholder will be voted for the election of the nominees described in this Proxy Statement and for Proposals Two and Three. The proxy also confers discretionary authority upon the persons named therein, or their substitutes, with respect to any other matter that may properly come before the Annual Meeting.

#### Delivery of Proxy Materials for the Annual Meeting

The Company has taken advantage of the householding rules of the Securities and Exchange Commission (the “SEC”) that permit the delivery of one set of the proxy materials to shareholders who have the same address, to conserve resources and achieve the benefit of reduced printing and mailing costs. Shareholders residing at a shared address will continue to receive separate proxy cards. If you wish to receive a separate set of materials, or if you are currently receiving multiple copies of materials and wish to receive a single set, please write or call the Secretary of the Company at 112 West King Street, Strasburg, VA 22657, telephone number (540) 465-9121, and the Company will promptly mail it to you at no charge. If a bank, broker or other nominee holds your shares, please contact your bank, broker or nominee directly.

#### Executive Officers Who Are Not Directors

Executive Officer	Age	Position
M. Shane Bell	38	Mr. Bell has served as Executive Vice President and Chief Financial Officer of the Company and the Bank since March 2005. He had previously served as Senior Vice President and Chief Financial Officer of the Company and the Bank from 2003 to 2005, Senior Vice President – Risk Management of the Bank in 2003 and Vice President – Risk Management of the Bank from 2002 to 2003. Prior to joining the Bank, Mr. Bell was employed from 1994 to 2002 as a Manager at the accounting firm of Yount, Hyde & Barbour, P.C.
Marshall J. Beverley, Jr.	59	Mr. Beverley has served as Executive Vice President – Senior Trust Officer of the Bank since December 2004. Prior to his employment with the Bank, Mr. Beverley had previously served as Senior Vice President/Team Director of BB&T Wealth Management (“BB&T”) in 2004, Senior Vice President - Senior Trust Officer of BB&T from 2002 to 2004 and Senior Vice President - Senior Trust Officer of F&M Trust Company from 1998 to 2002. Mr. Beverley has over 34 years of experience providing trust and investment services.



- Jeffrey S. Boppe 47 Mr. Boppe has served as Executive Vice President – Senior Loan Administrator of the Bank since January 2011. Prior to that, Mr. Boppe served as Senior Vice President – Senior Loan Administrator of the Bank from September 2010 to January 2011, Senior Vice President – Senior Business Advisor of the Bank from April 2010 to September 2010 and Vice President – Credit Administration of the Bank from June 2009 to April 2010. Prior to his employment with the Bank, Mr. Boppe had previously served as Senior Vice President – Senior Loan Officer of Bank of Clarke County. Mr. Boppe has been in the banking industry for over 24 years.
- Dennis A. Dysart 39 Mr. Dysart has served as interim Chief Executive Officer of the Company and the Bank since January 2011. Prior to that, he served as Executive Vice President and Chief Administrative Officer of the Bank since March 2005. Prior to that, Mr. Dysart had previously served as Executive Vice President – Administration of the Bank from 2003 to 2005 and Senior Vice President – Administration of the Bank from 1999 to 2003. Mr. Dysart has been employed by the Bank since 1993.
- Christopher T. Martin 42 Mr. Martin has served as Executive Vice President – Operations of the Bank since March 2005. He had previously served as Senior Vice President – Operations of the Bank from 2003 to 2005 and Vice President - Information Technology of the Bank from 2002 to 2003. Prior to joining the Bank, Mr. Martin owned and operated Complete Computer, Inc., an information technology service company, from 1986 through 2002.

#### PROPOSAL ONE:

#### ELECTION OF DIRECTORS

There are currently 10 directors serving on the Board, all of whom are standing for reelection at the Annual Meeting to serve for a one-year term and until the election and qualification of their respective successors.

Unless authority is withheld in the proxy, each proxy executed and returned by a shareholder will be voted for the election of the nominees listed below.

Proxies distributed in conjunction herewith may not be voted for persons other than the nominees named thereon. If any person named as nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxy holders will nominate and vote for a replacement nominee or nominees recommended by the Board. At this time, the Board knows no reason why any of the nominees listed below may not be able to serve as a director if elected. In the election of directors, those receiving the greatest number of votes will be elected even if they do not receive a majority.

Set forth below is the name of each nominee and, as to each of the nominees, certain information including age and principal occupation. The date shown as the year in which the director was first elected to the Board represents the year in which the nominee or continuing director was first elected to the Board of the Company, or previously to the Board of First Bank (the "Bank"). Additional information regarding the specific experience and skill of each nominee that led to the conclusion that the person should serve as a director of the Company is set forth under "Corporate Governance and Other Matters – Director Selection Process" below.

Unless otherwise indicated, the business experience and principal occupations shown for each nominee has extended five or more years.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” EACH OF THE FOLLOWING PERSONS NOMINATED BY THE BOARD.

Nominee	Age	Nominees	
		Year Named Director	Principal Occupation
Douglas C. Arthur	68	1972	Chairman of the Board of the Company and the Bank; Managing partner of Arthur & Brown, Attorneys at Law
Dr. Byron A. Brill	63	1980	Vice Chairman and Secretary of the Board of the Company and the Bank; Periodontist
Elizabeth H. Cottrell	60	1992	Owner of RiverwoodWriter, LLC
Dr. James A. Davis	65	1998	Senior Consultant of Academic Search, Inc.; President Emeritus of Shenandoah University
Christopher E. French	53	1996	President of Shenandoah Telecommunications Company
John K. Marlow	71	2001	Owner and President of Marlow Motor Co., Inc., Tri-State Nissan and Marlow Ford
W. Allen Nicholls	64	1987	President of Nicholls Construction, Inc.
Henry L. Shirkey	68	1994	Customer service representative with Holtzman Oil Corporation
Gerald F. Smith, Jr.	49	2007	President of Valley Proteins, Inc.
James R. Wilkins, III	42	2001	President of Silver Lake Properties, Inc. and General Partner of Wilkins Investments, L.P. and Wilkins Enterprises, L.P.

#### STOCK OWNERSHIP

##### Stock Ownership of Directors and Executive Officers

The following table sets forth information as of March 18, 2011, regarding the number of shares of Common Stock beneficially owned by all directors (who are also all of the director nominees), by the executive officers named in the Summary Compensation Table and by all directors and executive officers as a group. Beneficial ownership includes

shares, if any, held in the name of the spouse, minor children or other relatives of the director or executive officer living in such person's home, as well as shares, if any, held in the name of another person under an arrangement whereby the director or executive officer can vest title in himself at once or at some future time, plus shares held in certain trust relationships that may be deemed to be beneficially owned by the nominees under the rules and regulations of the SEC; however, the inclusion of such shares does not constitute an admission of beneficial ownership.

The address for each of the following individuals is First National Corporation, 112 West King Street, Strasburg, Virginia 22657.

## Stock Ownership Table

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class (%)
Douglas C. Arthur	19,909(2)	*
M. Shane Bell	103	*
Byron A. Brill	62,418 (2)	2.12%
Elizabeth H. Cottrell	57,213(3)	1.94%
James A. Davis	6,424(2)	*
Dennis A. Dysart	2,210	*
Christopher E. French	26,677(2)(4)	*
John K. Marlow	73,851(2)(3)	2.50%
W. Allen Nicholls	25,938	*
Henry L. Shirkey	1,660	*
Gerald F. Smith, Jr.	86,585(2)	2.94%
Harry S. Smith	2,821	*
James R. Wilkins, III	217,610(2)	7.38%
All executive officers and directors as a group (16 persons)	539,294(2)(3)	18.29%

\* Indicates that holdings amount to less than 1% of the issued and outstanding Common Stock.

(1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), under which, in general, a person is deemed to be the beneficial owner of a security if he 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 has the right to acquire beneficial ownership of the security within 60 days. There were no shares for which any director or named executive officer had the right to acquire beneficial ownership within 60 days.

(2) Amounts presented include shares of Common Stock that the individuals beneficially own indirectly through family members and affiliated companies and other entities, as follows: Mr. Arthur, 268; Dr. Brill, 12,609; Dr. Davis, 1,841; Mr. French, 20,305; Mr. Marlow, 14,384; Mr. Smith, 4,000; and Mr. Wilkins, 106,648.

(3) Amounts presented include 53,167 shares of Common Stock held in the First National Corporation Employee Stock Ownership Plan and Trust (the "ESOP"). Mrs. Cottrell and Mr. Marlow serve as trustees of the ESOP and have certain voting and dispositive powers with respect to such shares.

(4) Mr. French has disclaimed Beneficial Ownership of 3,680 shares owned directly by his spouse.