

NEW PEOPLES BANKSHARES INC
Form DEF 14A
April 10, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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 under § 240.14a-12

NEW PEOPLES BANKSHARES, INC.

(Name of Registrant as Specified In Its Charter)

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

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No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NEW PEOPLES BANKSHARES, INC.

67 Commerce Drive

Honaker, Virginia 24260

Dear Shareholder:

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of New Peoples Bankshares, Inc. (the Company) to be held on Tuesday, May 21, 2013, at 6:00 p.m. at the Abingdon office of New Peoples Bank, 350 West Main Street, Abingdon, Virginia 24210. At the Annual Meeting, you will be asked to vote on three proposals. Enclosed with this letter are a formal notice of the Annual Meeting, a Proxy Statement and a proxy.

Whether or not you plan to attend the Annual Meeting, ***it is important that your shares be represented and voted.*** Please read this Proxy Statement and submit your Proxy via the Internet, or by using the toll-free telephone number or by completing, signing, dating and returning your Proxy promptly using the enclosed postage-paid envelope. Your Proxy may be revoked at any time before it has been voted.

We hope you will participate in the Annual Meeting, either in person or by proxy.

Sincerely,

/s/ Jonathan H. Mullins

Jonathan H. Mullins
President and Chief Executive Officer

Honaker, Virginia

April 9, 2013

NEW PEOPLES BANKSHARES, INC.

67 Commerce Drive

Honaker, Virginia 24260

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders (the "Annual Meeting") of New Peoples Bankshares, Inc. (the "Company") will be held on Tuesday, May 21, 2013 at 6:00 p.m. at the Abingdon office of New Peoples Bank, 350 West Main Street, Abingdon, Virginia 24210, for the following purposes:

1. To elect four directors to serve for terms of three years each expiring at the 2016 annual meeting of shareholders; and
2. To approve a non-binding resolution to approve the compensation of the named executive officers disclosed in this proxy statement.
3. To ratify the Audit Committee's appointment of Elliott Davis, LLC as the Company's independent registered public accounting firm for the year ending December 31, 2013.
4. Act upon such other matters as may properly come before the Annual Meeting.

Only holders of shares of Common Stock of record at the close of business on March 28, 2013, the record date fixed by our Board of Directors, are entitled to notice of, and to vote at, the Annual Meeting.

It is important that as many shares as possible be represented at the Annual Meeting. Please read this Proxy Statement and submit your Proxy via the Internet, or by using the toll-free telephone number or by completing, signing, dating and returning your Proxy promptly using the enclosed postage-paid envelope. Your Proxy may be revoked at any time before it has been voted.

By Order of the Board of Directors

/s/ C. Todd Asbury

C. Todd Asbury
Secretary

April 9, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 21, 2013.

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The Proxy Statement, proxy card and the 2012 Annual Report to stockholders on Form 10-K are available at

<http://www.cfpproxy.com/6987>.

NEW PEOPLES BANKSHARES, INC.

67 Commerce Drive

Honaker, Virginia 24260

PROXY STATEMENT

2013 ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished to holders of the common stock, par value \$2.00 per share (Common Stock), of New Peoples Bankshares, Inc., in connection with the solicitation of proxies by our Board of Directors to be used at the 2013 Annual Meeting of Shareholders (the Annual Meeting) to be held on Tuesday, May 21, 2013 at 6:00 p.m. at the Abingdon office of New Peoples Bank, 350 West Main Street, Abingdon, Virginia 24210, and any duly reconvened meeting after adjournment thereof.

Your vote is very important, regardless of the number of shares you own. You are urged to submit your vote as soon as possible. You will have the option to vote by telephone, via the Internet or by completing, dating and signing a proxy and returning it to the Company. Any shareholder who executes a proxy has the power to revoke it at any time by written notice to our Secretary, by executing a proxy dated as of a later date, or by voting in person at the Annual Meeting. It is expected that this Proxy Statement and the enclosed proxy card will be mailed on or about April 9, 2013 to all shareholders entitled to vote at the Annual Meeting.

The cost of soliciting proxies for the Annual Meeting will be borne by us. We do not intend to solicit proxies other than by use of the mails, but certain officers and our regular employees or our subsidiaries, without additional compensation, may use their personal efforts, by telephone or otherwise, to obtain proxies. We may also reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to the beneficial owners of shares of Common Stock.

To reduce the expenses of delivering duplicate proxy materials to shareholders, we are relying upon SEC rules that permit us to deliver only one proxy statement and annual report to multiple shareholders who share an address unless we received contrary instructions from any shareholder at that address. All shareholders sharing such an address will continue to receive separate proxy cards based on their registered ownership of Common Stock. Any shareholder sharing such an address who does not receive an individual proxy statement and annual report may write or call Registrar and Transfer Company as specified below and they will promptly send the materials to the shareholder at no cost. For future meetings, a shareholder may request separate copies of our proxy statement and annual report, or request that we only send one set of these materials if the shareholder is receiving multiple copies, by contacting Registrar and Transfer Company, Attn.: Investor Relations, 10 Commerce Drive, Cranford, NJ 07016, by telephoning Registrar and Transfer Company toll free at 1-800-368-5948, or by email at www.info@rtco.com.

On March 28, 2013, the record date for determining those shareholders entitled to notice of and to vote at the Annual Meeting, there were 21,871,063 shares of Common Stock issued and outstanding. Each outstanding share of Common Stock is entitled to one vote on all matters to be acted upon 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.

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 the relevant item, and generally will have no effect on whether or not the item is approved.

A broker who holds shares in street name is prohibited from voting 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. Brokers are not permitted to vote for the election of directors, and the advisory resolution on named executive compensation without specific instruction from the beneficial owner of the shares in street name. Broker shares

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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 a broker nonvote. Broker nonvotes will not be counting as voting in favor of any particular matter. Broker shares that are not voted on any matter at the Annual Meeting will not be counted for purposes of determining the existence of a quorum.

The Board of Directors is not aware of any matters other than those described in this Proxy Statement that may be presented for action at the Annual Meeting. However, if other matters do properly come before the Annual Meeting, the persons named in the enclosed proxy possess discretionary authority to vote in accordance with their best judgment with respect to such other matters.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board of Directors consists of 10 current members, four of whom are nominated for election as directors at the Annual Meeting to serve for terms of three years each expiring on the date of the annual meeting of shareholders in 2016. Six other directors are serving terms that end in either 2014 or 2015, as indicated below.

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of Common Stock cast in the election of directors. If the proxy is executed in such manner as not to withhold authority for the election of any or all of the nominees for directors, then the persons named in the proxy will vote the shares represented by the proxy for the election of the three nominees named below. If the proxy indicates that the shareholder wishes to withhold a vote from one or more nominees for director, such instructions will be followed by the persons named in the proxy.

Each nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve. If, at the time of the Annual Meeting, any nominee is unable or unwilling to serve as a director, votes will be cast, pursuant to the enclosed proxy, for such substitute nominee as may be nominated by the Board of Directors. There are no current arrangements between any nominee and any other person pursuant to which a nominee was selected. No family relationships exist among any of the directors or between any of the directors and executive officers of the Company.

The following biographical information discloses each nominee's age and business experience for the past five years, unless otherwise noted, and the year that each individual was first elected to our Board of Directors or earlier to the Board of Directors of New Peoples Bank, Inc. (the Bank), the predecessor to and now a wholly owned subsidiary of the Company.

Nominees for Election for Terms Expiring in 2016

Tim W. Ball, 53, is President, Owner and Operator of Ball Coal Company since 1985 to present, owner of Tim Ball Trucking Company from 1985 to present, and President of Tim Ball Farming Corporation from 1987 to present. Mr. Ball is a 1982 graduate from Emory and Henry College. He is active in various community services. He has been a director since 1999. Mr. Ball's experience in the coal industry, farming and community involvement serve well for the Board of Directors because many of the Company's customers are involved in the coal industry or farm-related businesses.

Michael G. McGlothlin, 61, is President of the Appalachian College of Pharmacy (2005 to 2006 and 2008 to present). He also serves as President of Watkins Branch Development, LTD and The Inn on Garden Creek, LTD (2006 to present). Mr. McGlothlin serves as Secretary and Director of MGM Methane Corporation (2009 to present). Mr. McGlothlin serves as Trustee and as Treasurer of the Appalachian School of Law (Trustee 2005 to present and Treasurer 2005 to present). Mr. McGlothlin serves as a Trustee and as Secretary of the McGlothlin Foundation (1998 to present). He has been the owner of Michael G. McGlothlin, Attorney-at-Law in Grundy, Virginia since 2002. Prior to that, he was a partner in the Law Firm of McGlothlin and Wife from 1984 to 2002. He served as Commonwealth Attorney for Buchanan County, Virginia from 1980 to 1983 and as County Attorney for Buchanan County, Virginia from 1984 to 1989 and from 1992 to February 2011. He was a partner in the Law Firm of McGlothlin, McGlothlin and McGlothlin from 1977 to 1979. Mr. McGlothlin is past President of the Buchanan County Bar Association. Mr. McGlothlin is a 1974 graduate of the University of Virginia and a 1977 graduate of the Marshall Wythe School of Law of the College of William and Mary.

He served as a member of the College Board of the University of Virginia's College at Wise, formerly known as Clinch Valley College Advisory Board, from 1985 to 2010. He is a past President of the Grundy Kiwanis Club and a past Chairman of the Breaks District of the Sequoyah Council of the Boy Scouts of America. He was a member of the Virginia Board of Forestry from 2002 to 2006 and the Great Southwest Group Home Commission from 1983 to 1992.

Mr. McGlothlin has been a Director of the Company and the Bank since 1998 and served 2 years as Chairman of the Board of the Company and the Bank until December 2012. He currently sits on the Executive, Compliance, Nominating, BOLI and Offering Committees of the Board. Mr. McGlothlin's experience as an attorney, administrator, and organizational and community leader provide the Board with a broad range of professional experience and his community involvement assists the Board in understanding the communities it serves and developing relationships within those communities.

Jonathan H. Mullins, 56, has served as the Company's and the Bank's President and Chief Executive Officer since May 19, 2009. He had previously served as the Bank's Senior Vice President, Chief Lending Officer and Regional Manager from July 2004 until May 2009. Prior to this, Mr. Mullins served as the Bank's Vice President and Branch Manager starting in 1999. He was appointed as a director on July 27, 2010 and serves on the Asset Liability Management Committee, Executive Committee and the Compliance Committee. Mr. Mullins' extensive banking

background and his active role in the daily operations of the Bank provide greater insight into the management of the Company; thus, expanding the Board's expertise in financial institution matters.

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B. Scott White, 67, is self-employed as a cattle rancher in Castlewood, Virginia, a private investor, and formerly President and CEO of a multi-state rock quarry, White Stone Company and White's Pelleting Company, from 1970 until the company was sold in 1997. Mr. White has also served as General Manager of Sky Blue Tower Company, LLC, a cell phone tower company in southwest Virginia from 2004 to 2008. He served two years as Chairman of the Board, and currently serves as Chairman of the Compliance Committee. Mr. White serves as a member of the Executive Committee, the Audit Committee, the Nominating Committee, Asset Liability Management

Committee, BOLI Committee, Director Loan Committee and the Offering Committee of the Company. He has been a director since 1998. Mr. White's experience as a small business owner and rancher provides experience to the Board relevant to its small business customer base.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE NOMINEES SET FORTH ABOVE.

PROPOSAL TWO

ADVISORY VOTE ON THE APPROVAL OF

COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) enables our shareholders to approve, on an advisory or nonbinding basis, the compensation of the Company's named executive officers, as described in the disclosures and discussion regarding executive compensation in this proxy statement. Our performance-related compensation philosophy is the basis for all of our compensation decisions. Please refer to Executive Compensation for an overview of the compensation of the Company's named executive officers, as required by Securities and Exchange Commission rules. At the 2011 Annual Meeting of Shareholders, the shareholders approved a proposal on how frequently to hold this advisory nonbinding vote on compensation for named executive officers, which was to hold such vote annually.

We are asking for stockholder approval of our named executive officers' compensation as described in this proxy. The vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the compensation policies and practices discussed in this proxy. Because the vote is advisory, it will not be binding on the Company or its Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements. The compensation of our Chief Executive Officer, Jonathan Mullins, is included in the overall executive officer compensation which is the subject of this Proposal. Mr. Mullins was a member of the Board's Compensation Committee until December 4, 2012 although he does not participate in any discussion or approval of his own compensation. The vote of a majority of shares present in person by proxy and entitled to vote is required to approve this resolution.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT

OF INDEPENDENT AUDITORS

For the year ending December 31, 2013, the Audit Committee of the Board of Directors has selected Elliott Davis, LLC, an independent registered public accounting firm, to perform the audit of the Company's financial statements.

The selection of Elliott Davis, LLC as the Company's independent auditors is not required to be submitted to a vote of the shareholders for ratification. The Company is doing so because it believes that it is a matter of good corporate practice. If the shareholders fail to vote on an advisory basis in favor of the selection of Elliott Davis, LLC, the Audit Committee will reconsider whether to retain Elliott Davis, LLC, and may retain that firm or another firm without re-submitting the matter to the shareholders. Even if the shareholders ratify the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that a change would be in the Company's best interests. Approval of this Proposal requires the affirmative vote of a majority of the shares voted on the Proposal.

A representative of Elliott Davis, LLC is expected to be at the Annual Meeting of Shareholders. That representative will have the opportunity to make a statement at the meeting and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ELLIOTT DAVIS, LLC AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2013.

Incumbent Directors Whose Terms Expire in 2014

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John Cox, 56, is the owner of Cox Tractor Company located in Kingsport, Tennessee, a farm equipment business that he has owned and operated since 1978. Mr. Cox is also a local farmer and entrepreneur. He graduated with high honors from the University of Tennessee in 1978, where he obtained a Bachelor of Science Degree in Business Administration. Mr. Cox has served as a director since 1998 and currently serves as Chairman of the Board of Directors of the Company and the Bank since December 2012. He is also the Chairman of the Compensation Committee, a member of the Audit Committee, Compliance Committee, Asset Liability Management Committee, Offering Committee, Executive Committee, BOLI Committee and Nominating Committee. Mr. Cox's tenure on the Board and his experience in agriculture and agriculturally related small business support the Company's significant customer base in these markets.

Charles H. Gent, Jr., 53, is self-employed in the logging and farming industry in Honaker, Virginia and currently serves as Vice Chairman of the Board of Directors of the Company and the Bank since December 2012. He is president of C & R Gent Logging from 1992 to present. Mr. Gent is also involved in farming and various real estate ventures with his family. He was vice president and owner of Genwal Coal Company in Utah from the years 1981 to 1989. He is actively involved in several community activities. He has been a director since 1998 and serves on the Audit Committee, Compensation Committee and Executive Committee. Mr. Gent's experience in logging and mining, as well as real estate, provides experience to the Board relevant to understanding these businesses in the Company's rural markets.

Eugene Hearl, 81, is a retired banker that has over 40 years of banking experience serving in capacities as President and CEO for two community banks, TruPoint Bank and the former Cumberland Bank, and as a Regional President for the former Dominion Bank, all in the Southwest Virginia market area of the Company. Mr. Hearl was appointed as a director on November 29, 2010 and serves on the Audit Committee, Compensation Committee, Director Loan Committee, Asset Liability Management Committee, Compliance Committee and the Executive Committee of the Board of Directors. Mr. Hearl's vast wealth of knowledge in community banking and the various industries in our local markets provide additional financial institution management skills and perspective to the Board.

Incumbent Directors Whose Terms Expire in 2015

Joe M. Carter, 75, is a retired general manager of Daugherty Chevrolet in Gate City, Virginia which he served 43 years in this role from 1965 to April 2008. Mr. Carter is a 1958 graduate of the Whitney Business School formerly located in Kingsport, Tennessee. He served as an advisory Board member of the former Peoples Bank, Inc. and its successors, Premier Bank - Central, NA and First Virginia Bank Southwest until his resignation in 1998. Mr. Carter is a Trustee of Thomas Village Baptist Church for the past 26 years and its Treasurer for the past thirteen years. He also has served on the Scott County Economic Development Board of Directors from 1998 to 2000. He has been a director since 1998 and served on the Audit Committee from 1998 until 2004. He currently serves on the Director Loan Committee and Asset Liability Management Committee of the Bank. Mr. Carter's experience in the automotive industry and consumer finance assists the Board of Directors in understanding these businesses which are important in the Company's markets.

Harold Lynn Keene, 58, is President of Keene Carpet, Inc. since 1976 to present and former President of Harold Keene Coal Co., Inc. since 1984 until its sale in January 2011. Mr. Keene received his bachelor of science degree in accounting from East Tennessee State University in 1976. He formerly served as a bank director for Peoples Bank, Inc. from 1987 and its successor bank Premier Bank-Central, NA until 1997 in which he was an Audit Committee member during his entire tenure and Chairman of the Board for two years. He served as an advisory board member with First Virginia Bank Southwest from 1997 to 1998. He has been a director of New Peoples and its Audit Committee Chairman since 1998. Mr. Keene also serves on the Executive Committee, the Offering Committee, the Nominating Committee, Director Loan Committee, Asset Liability Management Committee, BOLI Committee and Compliance Committee and has been Chairman of the Board for two years. Mr. Keene's experience in banking, in particular, but also in the coal industry, provide an important resource to the Board of Directors in dealing with bank and finance related matters and the coal industry, an important market for the Company.

Fred W. Meade, 79, is President and Owner of Big M Stores, Inc., a retail department store and flooring business since 1973 and is also involved in real estate development and rental properties since 1980. He served as a Board member of Southwest Bank of Virginia from 1971 until it sold in 1980. He subsequently served as an advisory board member for the former Bank of Virginia and Signet Bank from 1980 until 1997. Mr. Meade is a member of the Russell County Economic Development board for the past twenty-one years. In addition, he has served as a member of the Board of Directors of the Russell County Chamber of Commerce. He is a life-long resident of Russell County. Mr. Meade serves as a deacon of the First Baptist Church of St. Paul, Virginia. He has been a director since 1998 and has served as Chairman of the Board of Directors for the Company and the Bank for two years. He currently is a member of the Executive Committee, the Director Loan Committee, Nominating Committee and the Compensation Committee. Mr. Meade's experience in the retail business, real estate, economic development, and bank board experience are very important to the Board of Directors.

Executive Officers Who Are Not Directors

The following biographical information discloses the age and business experience in the past five years for each of our executive officers who are not directors.

Frank Sexton, Jr., 63, has served as Executive Vice President and Chief Operating Officer of both the Company and the Bank since December 2003. He had previously served as the Company's Executive Vice President, Chief Financial Officer and Secretary since 2001 and the Bank's Executive Vice President and Cashier since 1998.

C. Todd Asbury, 42, has served as Executive Vice President, Chief Financial Officer, and Treasurer of both the Company and the Bank since May 2009. Mr. Asbury has served as Secretary of the Company and the Bank since May 2010. He served as Senior Vice President, Chief Financial Officer, and Treasurer of the Company and the Bank starting in December 2003.

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Stephen Trescot, 64, has served as Executive Vice President and Chief Credit Officer of the Bank since February 28, 2011 until present. Mr. Trescot retired from Wachovia Bank in January 2009, after serving as Senior Credit Officer and Senior Loan Review Officer. He was with Wachovia for thirty-six years. Since retirement, Mr. Trescot served as Senior Vice President, Regional Credit Administrator with Washington Trust Bank, Senior Vice President, Senior Loan Review Officer with BB and T and as Member, Credit Risk Management, LLC.

Security Ownership of Management

The following table sets forth, as of March 28, 2013 certain information with respect to beneficial ownership of shares of Common Stock by each of the members of the Board of Directors, by each of the executive officers named in the Summary Compensation Table below and by all directors and executive officers as a group. Beneficial ownership includes shares, if any, held in the name of the individual's spouse, minor children or other relatives of the individual 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.

Name of Beneficial Owner	Common Stock Beneficially Owned ⁽¹⁾	Exercisable Options Beneficially Owned ⁽²⁾	Exercisable Common Stock Warrants ⁽¹⁰⁾	Total Shares Beneficially Owned	Percent of Class ⁽³⁾
C. Todd Asbury	1,000	21,450	200	22,650	*
Tim W. Ball	3,432	10,920		14,352	*
Joe M. Carter	29,123 ⁽⁴⁾	10,920	832	40,875	*
John D. Cox**	321,595 ⁽⁵⁾	10,920	53,703	386,218	1.76%
Charles H. Gent, Jr.**	31,170 ⁽⁶⁾	10,920	800	42,890	*
Eugene Hearl	2,931		366	3,297	*
Harold Lynn Keene**	3,437,589	8,060	678,527	4,124,176	18.28%
Michael G. McGlothlin**	401,601	10,920		469,187	2.14%
Fred W. Meade**	43,657 ⁽⁷⁾	10,920	952	55,529	*
Jonathan H. Mullins**	3,200	22,880	420	26,500	*
Frank Sexton, Jr.	50,440 ⁽⁸⁾	26,812	3,595	80,847	*
Stephen Trescot					*
B. Scott White**	3,918,834 ⁽⁹⁾	8,060	707,379	4,634,273	20.52%
All Directors and Executive Officers as a group (13 persons)	8,244,572	152,782	1,503,440	9,900,794	42.08%

* Percentage of ownership is less than one percent of the outstanding shares of Common Stock.

** Members of the Executive Committee.

- (1) Except as otherwise indicated, each director, director nominee or executive officer has sole voting power and investment power with respect to the shares shown.
- (2) Includes options and warrants that are exercisable within 60 days on March 28, 2013
- (3) Based on 21,871,063 shares of Common Stock issued and outstanding on March 28, 2013
- (4) Includes 8,201 shares held by Mr. Carter's wife.
- (5) Includes 51,193 shares held by Mr. Cox's wife.
- (6) Includes 2,860 shares held by Mr. Gent's wife, 2,860 shares Mr. Gent holds as custodian for his child, and 4,000 held jointly with his wife.
- (7) Includes 36,036 shares Mr. Meade holds jointly with his wife.
- (8) Includes 440 shares Mr. Sexton holds jointly with his child.
- (9) Includes 153,000 shares held by Mr. White's wife and 8,000 shares Mr. White holds as trustee.
- (10) Common stock warrants are exercisable immediately at \$1.75 per share for five years from the date of issuance.

Security Ownership of Certain Beneficial Owners

As of March 28, 2013, the following persons are known to us that beneficially own five percent or more of the Company's stock. Other than as disclosed below, the Company is not aware of any person or group, as those terms are defined in the Securities Exchange Act of 1934, who beneficially owned more than 5% of the outstanding Common Stock as of March 28, 2013.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
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Harold Lynn Keene		
Post Office Box 1320		
Lebanon, Virginia 24260	4,124,176	18.28%
Richard G. Preservati		
Post Office Box 1003		
Princeton, West Virginia 24740	3,589,999	16.04%
Blaine Scott White		
Post Office Box 520		
Castlewood, Virginia 24224	4,634,273	20.52%

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and certain of our officers to file reports with the Securities and Exchange Commission (SEC) indicating their holdings of, or transactions in, our equity securities. Based on a review of these reports and written representations furnished to us, we believe that our directors and officers complied with all Section 16(a) filing requirements with respect to 2012.

Director Compensation

The following table sets forth, as of December 31, 2012, certain information with respect to director compensation for each of the members of the Board of Directors. The directors did not receive any other compensation during 2012 for their services as directors on the Board.

Name	Director Compensation for 2012	
	Fees Earned or Paid in Cash ⁽¹⁾ (\$)	Total (\$)
Tim W. Ball	9,500	9,500
Joe M. Carter	19,100	19,100
John D. Cox	16,600	16,600
Charles H. Gent, Jr.	12,300	12,300
Eugene Hearl (1)	16,500	16,500
Harold Lynn Keene, Jr.	22,300	22,300
A. Frank Kilgore	7,400	7,400
Michael G. McGlothlin	11,100	11,100
Fred W. Meade	19,000	19,000
Jonathan H. Mullins	12,600	12,600
B. Scott White	19,500	19,500

- (1) Each of the directors holds stock options covering shares of our common stock except Director Hearl who joined the Board on November 29, 2010. Such amounts are all reflected in the Beneficial Ownership Table.
- (2) Former Director A. Frank Kilgore resigned from the Board of Directors on January 8, 2013 due to his increasingly busy schedule with his law practice and various other business interests in which he is actively engaged.

In 2012, each director was paid \$700 per month for service on the Board of Directors and \$200 per committee meeting for each committee of which a director is a member. For 2013, the fees remain the same.

CORPORATE GOVERNANCE**General**

Our business and affairs are managed under the direction of the Board of Directors in accordance with the Virginia Stock Corporation Act and our Articles of Incorporation and Bylaws. Members of the Board are kept informed of our business through discussions with our executive officers and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees.

The Board of Directors has determined that all ten members are independent as defined by the listing standards of the NASDAQ Stock Market (NASDAQ) except Jonathan H. Mullins who serves as the Company and Bank President and CEO. In reaching this conclusion, the Board of Directors considered that the Company and its subsidiary bank conduct business with companies of which certain members of the Board of Directors or members of their immediate families are or were directors or officers. In making that determination, the Board of Directors considered that former Director Kilgore provided legal counsel to the Company and subsidiaries and Director Meade's company provided supplies for branch locations.

Code of Ethics

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The Board of Directors has adopted a Code of Ethics for our directors, executive officers, and senior officers who have financial responsibilities. The Code of Ethics is designed to promote, among other things, honest and ethical conduct, proper disclosure of financial information in our periodic reports, and compliance with applicable laws, rules and regulations by our senior officers who have financial responsibilities. A copy of the Code of Ethics may be obtained on our website at www.npbankshares.com/code-of-ethics.php.

Whistleblower Procedures

The Audit Committee and the Board of Directors have approved procedures for the receipt, retention and treatment of reports or complaints to the Audit Committee regarding accounting, internal accounting controls, auditing matters and legal or regulatory matters. There are also procedures for the submission by Company or Bank employees of confidential, anonymous reports to the Audit Committee of concerns regarding questionable accounting or auditing matters.

Communications with Directors

Any director may be contacted by writing to him c/o Post Office Box 1810, Honaker, Virginia 24260. Communications to the directors as a group may be sent to the same address, c/o the Secretary of the Company. We promptly forward, without screening, all such correspondence to the indicated directors.

Board Leadership

The Company's and the Bank's Board of Directors are composed of non-management members except the Chief Executive Officer. The Chairman of the Board is occupied by a non-management member and typically rotates every two years. The Board believes that the principal role of the President and Chief Executive Officer is to manage the business of the company in a safe, sound, and profitable manner. The role of the Board, including its Chairman, is to provide independent oversight of the President and Chief Executive Officer, to oversee the business and affairs of the organization for the benefit of its shareholders, to adopt or approve major policies and procedures, to oversee financial reporting and compliance, and to balance the interests of the Company's constituencies including shareholders, customers, employees, and communities. Executive sessions of the Board are held periodically with the absence of the Chief Executive Officer.

The Company's leadership structure consists of varying levels of authority, responsibility and risk exposure that increase through each incremental level of management hierarchy. The senior management team reports directly to the CEO and meets collectively on a regular basis, and dialogs daily regarding the Bank's activities. The senior management team manages every aspect of the Bank's activities and acts as a primary communications medium across all functional areas of the organization. This structure enables information and management guidance to flow easily up, down and horizontally.

Board's Role in Risk Oversight