

CODORUS VALLEY BANCORP INC  
Form DEF 14A  
April 11, 2006

**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 Pursuant to Section 240.14a-11(c) or Section 240.14a-12

Cordorus Valley Bancorp, Inc.

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(Name of Registrant as Specified In Its Charter)

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

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Payment of Filing Fee (Check the appropriate box):

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

April 10, 2006

Dear Fellow Shareholders of Codorus Valley Bancorp, Inc.:

On behalf of the Corporation's Board of Directors, I am pleased to invite you to attend Codorus Valley Bancorp, Inc.'s Annual Meeting of Shareholders to be held on Tuesday, May 16, 2006, at 9:00 a.m., prevailing time. The location of the Annual Meeting is the Codorus Valley Corporate Center, 105 Leader Heights Road, York, Pennsylvania 17403. At the Annual Meeting, you will have the opportunity to ask questions and to make comments. Enclosed with the Proxy Statement and Notice of Meeting is your proxy and Codorus Valley Bancorp, Inc.'s 2005 Annual Report to Shareholders.

The principal business of the meeting is to elect two Class A Directors, each to serve for a term of three years, and to transact any other business that is properly presented at the Annual Meeting. The Notice of Meeting and Proxy Statement accompanying this letter describe the specific business to be acted upon in more detail.

I am delighted that you have invested in Codorus Valley Bancorp, Inc., and I hope that, whether or not you plan to attend the Annual Meeting, you will vote as soon as possible by completing, signing and returning the enclosed proxy in the envelope provided. The prompt return of your proxy will save Codorus Valley Bancorp, Inc. expenses involved in further communications. Your vote is important. Voting by written proxy will ensure your representation at the Annual Meeting if you do not attend in person.

I look forward to seeing you on May 16, 2006 at the Corporation's Annual Meeting.

Sincerely,

Larry J. Miller

Vice Chairman, President and Chief Executive Officer

**Codorus Valley Corporate Center, 105 Leader Heights Road, P.O. Box 2887, York, PA 17405-2887**

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## **CODORUS VALLEY BANCORP, INC.**

**NASDAQ TRADING SYMBOL: CVLY**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**AND**

**PROXY STATEMENT**

**2006**

[www.peoplesbanknet.com](http://www.peoplesbanknet.com)

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**PROXY STATEMENT**

Dated and to be mailed on or about April 10, 2006

**Codorus Valley Bancorp, Inc.  
Codorus Valley Corporate Center  
105 Leader Heights Road  
York, Pennsylvania 17403  
(717) 747-1519**

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 16, 2006**

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**CODORUS VALLEY BANCORP, INC.**

**CODORUS VALLEY CORPORATE CENTER**

**105 LEADER HEIGHTS ROAD**

**YORK, PENNSYLVANIA 17403**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 16, 2006**

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TO THE SHAREHOLDERS OF CODORUS VALLEY BANCORP, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Codorus Valley Bancorp, Inc. will be held at the Codorus Valley Corporate Center, 105 Leader Heights Road, York, Pennsylvania, on Tuesday, May 16, 2006, at 9:00 a.m., prevailing time, for the purpose of considering and voting upon the following matters:

1. To elect two Class A directors, each to serve for a three-year term and until their successors are elected and qualified; and
2. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

Only those shareholders of record at the close of business on March 9, 2006 are entitled to notice of and to vote at the meeting.

Please promptly complete, date, and sign the enclosed proxy and return it in the enclosed postpaid envelope. We cordially invite you to attend the meeting. Your proxy is revocable, and you may withdraw it at any time. You may deliver notice of revocation or deliver a later dated proxy to the Secretary of the Corporation before the vote at the meeting.

We enclose, among other things, a copy of the 2005 Annual Report on Form 10-K of Codorus Valley Bancorp, Inc.

BY ORDER OF THE BOARD OF DIRECTORS

Harry R. Swift, Esquire

Secretary

York, Pennsylvania

April 10, 2006

**YOUR VOTE IS IMPORTANT.**

**PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY CARD.**

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**PROXY STATEMENT**

**Introduction**

This Proxy Statement is furnished in connection with the solicitation of proxies by Codorus Valley Bancorp, Inc., on behalf of the Board of Directors (the Board), for the 2006 Annual Meeting of Shareholders. This Proxy Statement and the related proxy card are being distributed on or about April 10, 2006.

Codorus Valley Bancorp, Inc. will bear the expense of soliciting proxies. In addition to the use of the mail, directors, officers, and employees of the Corporation and its subsidiaries may, without additional compensation, solicit proxies.

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The Annual Meeting of Shareholders will be held on Tuesday, May 16, 2006, at 9:00 a.m. at the Codorus Valley Corporate Center, 105 Leader Heights Road, York, Pennsylvania. Shareholders of record at the close of business on March 9, 2006 are entitled to vote at the meeting.

At the annual meeting, shareholders will vote to:

Elect two (2) Class A directors, each to serve for a three-year term; and

Transact any other business that may properly come before the meeting and any adjournment or postponement of the meeting.

### **Proxies and Voting Procedures**

You can vote your shares by completing and returning a written proxy card. You can also vote in person at the meeting. Submitting your voting instructions by returning a proxy card will not affect your right to attend the meeting and will in no way limit your right to vote at the annual meeting if you later decide to attend in person.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee, which is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker how to vote and you are also invited to attend the meeting. However, because you are not the shareholder of record, you may not vote your street name shares in person at the meeting, unless you obtain a proxy executed in your favor, from the holder of record. Your broker or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

By properly completing a proxy, you appoint Mildred L. Lackey, George E. McCullough and Bernard F. Young as proxy holders to vote your shares as indicated on the proxy card. Any signed proxy card not specifying to the contrary will be voted **FOR** election of the nominees identified in this Proxy Statement.

You may revoke your written proxy by delivering written notice of revocation to Harry R. Swift, Esquire, Secretary of the Corporation, or by executing a later dated proxy and giving written notice of the revocation to Mr. Swift at any time before the proxy is voted at the meeting. Proxy holders will vote shares represented by proxies, if properly signed and returned to the Secretary, in accordance with instructions of shareholders.

Although the Board of Directors knows of no other business to be presented, in the event that any other matters are properly brought before the meeting, any proxy given pursuant to this solicitation will be voted in accordance with the recommendations of the Board of Directors.

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If you are also a participant in the Codorus Valley Bancorp, Inc. Dividend Reinvestment and Stock Purchase Plan, the enclosed proxy will serve as a voting instruction card for your shares held in the Plan. Wells Fargo Bank, N.A., the Plan administrator, will vote your shares held in the Dividend Reinvestment and Stock Purchase Plan in the same manner as you indicate on your proxy card.

At the close of business on February 7, 2006, Codorus Valley Bancorp, Inc. had 3,160,821 shares of common stock, par value \$2.50 per share, issued and outstanding. Codorus Valley Bancorp, Inc.'s Articles of Incorporation authorize the Corporation to issue up to 10,000,000 shares of common stock, par value \$2.50 per share. In addition to the common stock, Codorus Valley Bancorp, Inc. has 1,000,000 shares of preferred stock authorized, no shares of which are issued and outstanding.

### **Quorum**

A majority of the outstanding shares of common stock, represented in person or by proxy, constitutes a quorum for the conduct of business. Under Pennsylvania law and Codorus Valley Bancorp, Inc.'s Bylaws, the presence of a quorum is required for each matter to be acted upon at the meeting. Votes withheld and abstentions are counted in determining the presence of a quorum for a particular matter. Broker non-votes are not counted in determining the presence of a quorum for a particular matter as to which the broker withheld authority. Each share is entitled to one vote on all matters submitted to a vote of the shareholders. Cumulative voting rights do not exist for the election of directors. All matters to be voted upon by the shareholders require the affirmative vote of a majority of shares present, in person or by proxy, at the annual meeting, except in cases where the vote of a greater number of shares is required by law or under Codorus Valley Bancorp, Inc.'s Articles of Incorporation or Bylaws. In the case of the election of directors, the candidates receiving the highest number of votes are elected. Votes withheld from a nominee

and broker non-votes will not be cast for the nominee.

## GOVERNANCE OF THE CORPORATION

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices that the Board and Leadership believe promote this purpose, are sound and represent best practices. We continually review these governance practices, Pennsylvania law (the state in which we are incorporated), the rules and listing standards of the NASDAQ National Market and SEC regulations, as well as best practices suggested by recognized governance authorities.

Currently, our Board of Directors has eight members. Under the NASDAQ National Market standards for independence, D. Reed Anderson, Esquire, M. Carol Druck, MacGregor S. Jones, Rodney L. Krebs, Dallas L. Smith, Donald H. Warner, and Michael L. Waugh, meet the standards for independence. This constitutes a substantial majority of our Board of Directors. Only independent directors serve on our Audit Committee, Corporate Governance and Nominating Committee, and Compensation Committee.

### Meetings and Committees of the Board of Directors

The Board of Directors of the Corporation has an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee.

**Audit Committee.** Members of the Audit Committee during 2005 were Dallas L. Smith, Chairman, D. Reed Anderson, Esquire, and Donald H. Warner. The Audit Committee met four times during 2005. The principal duties of the Audit Committee, as set forth in its charter, include reviewing significant audit and accounting principles, policies and practices, reviewing performance of internal

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auditing procedures, reviewing reports of examination received from regulatory authorities, and appointing an independent certified public accountant.

We have no Audit Committee financial expert. We are actively searching for a financial expert. However, the Board of Directors believes that each Audit Committee member has sufficient knowledge in financial and auditing matters to serve on the Audit Committee. The Audit Committee has the authority to engage legal counsel or other experts or consultants as it deems appropriate to carry out its responsibilities.

**Compensation Committee.** The members of the Compensation Committee are Rodney L. Krebs, Chairman, D. Reed Anderson, Esquire, M. Carol Druck, MacGregor S. Jones, Dallas L. Smith, Donald H. Warner, and Michael L. Waugh. All members of the Compensation Committee are independent (as independence is currently defined in NASD Rule 4200(a)(15)). The Compensation Committee met eight (8) times during 2005. The principal duties of the Compensation Committee include evaluating and approving compensation plans, policies, and programs for the Corporation's officers and other highly compensated employees.

**Corporate Governance and Nominating Committee.** Members of the Corporate Governance and Nominating Committee are Rodney L. Krebs, Chairman, D. Reed Anderson, Esquire, M. Carol Druck, MacGregor S. Jones, Dallas L. Smith, Donald H. Warner, and Michael L. Waugh. All members of the Corporate Governance and Nominating Committee are independent (as independence is currently defined in NASD Rule 4200(a)(15)). The Corporate Governance and Nominating Committee met once during 2005. The principal duties of the Corporate Governance and Nominating Committee include developing and recommending to the Board criteria for selecting qualified director candidates, identifying individuals qualified to become Board members, evaluating and selecting, or recommending to the Board, director nominees for each election of directors, considering committee member qualifications, appointment and removal, recommending codes of conduct and codes of ethics applicable to the Corporation, and providing oversight in the evaluation of the Board and each committee.

**Director Nomination Process.** The Corporate Governance and Nominating Committee is responsible for identifying and evaluating individuals qualified to become members of the Board of Directors, and to recommend such individuals to the Board of Directors for their consideration and nomination. The Corporate Governance and Nominating Committee, and the Board of Directors, endeavor to recruit and employ Board members that demonstrate intellectual capacity, strong interpersonal skills, good business instinct, objectivity and the highest level of personal and professional integrity, on an individual and collective basis. When evaluating current members of the Board of Directors and prospective candidates for the Board of Directors, the Committee seeks to balance the skill sets and attributes of existing Board members with the need for other complimentary diverse skills, talents and qualities of Board candidates that will complement the existing Board of Directors and position the Corporation to successfully implement its strategic vision.

In addition to requiring that each existing director and candidate for nomination possess unquestionable character, and a commitment to contribute to the success of the Corporation and the stewardship of the community, the Corporate Governance and Nominating Committee's evaluation of director candidates includes an assessment of issues and factors regarding the individual's: education, business experience, accounting and financial expertise, age, diversity, reputation, civic and community relationships and knowledge and experience in matters that impact diversified community financial institutions. The Committee will also take into account the director candidate's ability to devote adequate time to Corporate matters, including being prepared for and sufficiently participating in all Board of Directors and committee meetings. When the Corporate Governance and Nominating Committee is considering current members of the Board of Directors for nomination for reelection, the Committee also considers prior performance, as well as meeting attendance records.

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The Corporate Governance and Nominating Committee will consider recommendations by Codorus Valley Bancorp, Inc. shareholders of qualified director candidates for possible nomination by the Board. Shareholders may recommend qualified director candidates by writing to:

Harry R. Swift, Esq.

Corporate Secretary

Codorus Valley Bancorp, Inc.

P. O Box 2887

York, PA 17405-2887

Submissions must include information regarding a candidate's: citizenship, age, background, business and personal addresses, qualifications, experience, principal occupation or employment, directorships and other positions held by the candidate in business, charitable and community organizations and his/her willingness to serve as a member of the Board of Directors. Based on a preliminary assessment of the candidate's qualifications, the Corporate Governance and Nominating Committee may conduct interviews with, and request additional information from, the candidate.

The current practice of the Corporate Governance and Nominating Committee is to identify potential director candidates through a variety of sources. The Committee considers recommendations made by current or former directors or members of executive management. Potential candidates also may be identified through contacts in the business, civic, academic, legal and non-profit communities. The Chairman of the Corporate Governance and Nominating Committee will determine how to approach director candidates.

Regarding new director candidates, the Corporate Governance and Nominating Committee will evaluate whether the nominee is independent, as independence is defined under applicable NASDAQ Rules, and whether the nominee meets the qualifications for director outlined above as well as any special qualifications applicable to membership on any committee on which the nominee may be appointed to serve if elected. A majority of the Board of Directors must meet the criteria for independence established by the NASDAQ Stock Market and the Committee will consider any conflicts of interest that might impair that independence. Currently, seven of the eight members of the Board of Directors have been determined to be independent as defined by NASDAQ.



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Under its current practices, there are no differences in how the Corporate Governance and Nomination Committee evaluates a nominee for director based on whether the nominee is recommended by the Committee or by a shareholder.

**The Board of Directors.** The Board of Directors of Codorus Valley Bancorp, Inc. met fifteen (15) times during 2005. There were a total of twenty-seven (27) meetings of the Board of Directors of PeoplesBank, A Codorus Valley Company in 2005. All directors attended at least 75% of the meetings of the Board of Directors and of the various committees on which they served. While the Corporation has no formal policy in place, Directors are strongly encouraged to attend the Annual Meeting of Shareholders. All of our Directors attended the 2005 Annual Meeting of Shareholders and we expect that they will all attend this year's meeting.

**Communicating with Directors.** The Board of Directors has established a process for shareholders and other interested parties to communicate directly with the Chairman of the Board of Directors or other non-management directors individually or collectively, by submitting their written correspondence to the following address:

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Chairman of the Board of Directors (or name of individual, independent director)

c/o Harry R. Swift, Esq.

Corporate Secretary

Codorus Valley Bancorp, Inc.

P. O. Box 2887

York, PA 17405-2887

The Corporate Secretary may facilitate such direct communications with the Board of Directors or individual, independent directors by reviewing and summarizing such communications. All such communications will be referred to the Chairman of the Board of Directors or individual, independent directors for consideration unless otherwise instructed by the Board of Directors.

### Nomination of Directors

Article 10, Section 10.1 of Codorus Valley Bancorp, Inc.'s Bylaws requires that nominations, including those made by or on behalf of the existing management of Codorus Valley Bancorp, Inc., be made pursuant to timely notice in writing to the Secretary. To be timely, a shareholder's notice must be delivered to or received at the principal executive offices of the Corporation not less than 90 days prior to the one year anniversary date of the preceding meeting of shareholders called to elect directors. The notice must also provide the specific information required by Section 10.1. The Board is required to determine whether nominations have been made in accordance with the requirements of the Bylaws. If they determine that a nomination was not made in accordance with the Bylaws, the shareholder will be given an opportunity to cure any deficiency in accordance with the Bylaws. You may obtain a copy of the Corporation's Bylaws by writing to Harry R. Swift, Esquire, Secretary, Codorus Valley Bancorp, Inc., Codorus Valley Corporate Center, 105 Leader Heights Road, York, Pennsylvania 17403. A copy of our Bylaws has been filed with the Securities and Exchange Commission as Exhibit 3(ii) to Form 8-K filed October 14, 2005.

### Submission of Shareholder Proposals

If a shareholder wants us to include a proposal in our Proxy Statement for presentation at our 2007 Annual Meeting of Shareholders, the proposal must be received by us at our principal executive offices at Codorus Valley Bancorp, Inc., Codorus Valley Corporate Center, 105 Leader Heights Road, York, PA 17403 no later than December 11, 2006.

If a shareholder proposal is submitted to the Corporation after December 11, 2006, it is considered untimely; and, although the proposal may be considered at the annual meeting, it may not be included in the Corporation's 2007 Proxy Statement. The proposal must be delivered to our

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principal executive offices at Codorus Valley Bancorp, Inc., Codorus Valley Corporate Center, 105 Leader Heights Road, York, PA 17403, to the attention of our Corporate Secretary. We are not required to include any proposal received after December 11, 2006 in our proxy materials for the 2007 Annual Meeting.

### ELECTION OF DIRECTORS

Codorus Valley Bancorp, Inc.'s Bylaws provide that the Board of Directors consists of not less than five (5) or more than twenty-five (25) persons. The Board of Directors is also divided into three classes. Each class consists, as nearly as possible, of one-third of the directors. The Bylaws also provide that the directors of each class be elected for a term of three years, so that the term of office of one class of directors expires at the annual meeting each year. The Board of Directors determines the number of directors in each class.

A majority of the Board of Directors may increase the number of directors between meetings of the shareholders. Any vacancy occurring on the Board of Directors, whether due to an increase in the

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number of directors, resignation, retirement, death, or any other reason, may be filled by appointment by the remaining directors. Any director who is appointed to fill a vacancy holds office until the expiration of the term of the class of directors to which he or she was appointed. There is a mandatory retirement provision in the Bylaws that provides for the retirement of directors at age 70.

The Board of Directors has fixed the number of directors at eight. There are two nominees for the Board of Directors for election at the 2006 Annual Meeting. The Board of Directors has nominated the following two persons for election to the Board of Directors each for a three year term:

Nominees for Class A Directors

#### For a Term of Three Years Until 2009

Rodney L. Krebs

Dallas L. Smith

Each of the nominees presently serves as a director.

In the event that any of the nominees are unable to accept nomination or election, proxy holders will vote proxies given pursuant to this solicitation in favor of other persons recommended by management. The Board of Directors has no reason to believe that any of its nominees will be unable to serve as a director if elected.

### Information about Nominees and Continuing Directors

Information, as of February 7, 2006, concerning the two nominees to the Board of Directors and six continuing directors, appears below.

<u>Name and Age</u>	<u>Director Since</u>	<u>Principal Occupation for the Past Five Years and Positions Held with Codorus Valley Bancorp, Inc. and Subsidiaries</u>
		<u>Nominees Class A For a Term of Three Years until 2009</u>
Rodney L. Krebs (65)	1988	President, Springfield Contractors, Inc. (a heavy equipment/earth moving firm); Chairman and Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

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Dallas L. Smith 1986 President, Bruce V. Smith, Inc. (a retail furniture corporation); and  
(60) Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

### Class B - Continuing Directors until 2007

M. Carol Druck 1988 Realtor, Morgan-Collins, Inc.;  
(56) President, Druck Realty, Inc.; and  
Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

Donald H. Warner 1990 President, Warners Motor Express, Inc. (moving and storage company);  
(67) Vice President, Codorus Valley Bancorp, Inc., 1993-2002; and  
Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

Michael L. Waugh 2002 State Senator, 28<sup>th</sup> District of the Commonwealth of Pennsylvania; and  
(50) Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

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### Class C - Continuing Directors until 2008

D. Reed Anderson, 1994 Attorney-at-Law, Stock and Leader; and Director of Codorus Valley Bancorp, Inc. and  
Esquire PeoplesBank, A Codorus Valley Company  
(63)

MacGregor S. Jones 1993 Retired Automobile Dealer; and  
(60) Director, Codorus Valley Bancorp, Inc., and PeoplesBank, A Codorus Valley Company

Larry J. Miller 1986 President, Chief Executive Officer, Vice Chairman and Director, Codorus Valley Bancorp,  
(54) Inc. and PeoplesBank, A Codorus Valley Company

## SHARE OWNERSHIP

### Principal Holders

The following table shows, to the best of our knowledge, those persons or entities who owned of record or beneficially, on December 31, 2005, more than 5% of the outstanding Codorus Valley Bancorp, Inc. common stock.

Beneficial ownership of Codorus Valley Bancorp, Inc. common stock was determined in accordance with Securities and Exchange Commission Rule 13d-3, which provides that a person should be credited with the ownership of any stock held, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares:

Voting power, which includes power to vote or to direct the voting of the stock; or  
Investment power, which includes the power to dispose of or direct the disposition of the stock; or  
The right to acquire beneficial ownership within 60 days after December 31, 2005.

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<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
PeoplesBank, A Codorus Valley Company Trust and Investment Services Division Codorus Valley Corporate Center 105 Leader Heights Road York, PA 17403	209,495 <sup>(1)</sup>	6.6%

- (1) 115,375 shares of common stock beneficially owned by the Bank are held in its fiduciary capacity. The Bank has sole voting and dispositive power over these shares of common stock. 20,510 shares of common stock beneficially owned by the Bank are shares for which the Bank exercises no dispositive power and sole voting power. 73,256 shares of common stock beneficially owned by the Bank are shares for which the Bank exercises shared voting power and shared dispositive power. 354 shares of common stock beneficially owned by the Bank are shares for which the Bank exercises shared voting power and shared dispositive power. The Bank, in its fiduciary capacity, intends to cast all shares under its control FOR the election of the nominees for Class A Director.

**Beneficial Ownership of Executive Officers, Directors and Nominees**

The following table shows, as of December 31, 2005, the amount and percentage of Codorus Valley Bancorp, Inc. common stock beneficially owned by each director, each nominee, each named executive officer and all directors, nominees and executive officers of the Corporation as a group.

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Beneficial ownership of shares of Codorus Valley Bancorp, Inc. common stock is determined in accordance with Securities and Exchange Commission Rule 13d-3, which provides that a person should be credited with the ownership of any stock held, directly or indirectly, through any contract, arrangement, understanding, relationship, or who otherwise has or shares:

- Voting power, which includes the power to vote or to direct the voting of the stock; or
- Investment power, which includes the power to dispose or direct the disposition of the stock; or
- The right to acquire beneficial ownership within 60 days after December 31, 2005.

Unless otherwise indicated in a footnote appearing below the table, all shares reported in the table below are owned directly by the reporting person. The number of shares owned by the directors, nominees and executive officers is rounded to the nearest whole share. The percentage of all Codorus Valley Bancorp, Inc. common stock owned by each director, nominee or executive officer is less than 1% unless otherwise indicated.

<u>Name of Individual or Identity of Group</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<u>Directors and Nominees</u>		
D. Reed Anderson, Esquire	23,170 <sup>(1)</sup>	%
M. Carol Druck	19,200 <sup>(2)</sup>	%
MacGregor S. Jones	42,803 <sup>(3)</sup>	1.35%
Rodney L. Krebs	33,547 <sup>(4)</sup>	1.06%
Larry J. Miller	93,739 <sup>(5)</sup>	2.89%
Dallas L. Smith	23,716 <sup>(6)</sup>	%
Donald H. Warner	14,592 <sup>(7)</sup>	%
Michael L. Waugh	115	%

Other Named Executives

Diane E. Hill, CPA	6,061 <sup>(8)</sup>	%
Harry R. Swift, Esquire	6,110 <sup>(9)</sup>	%
Jann Allen Weaver, CPA	11,217 <sup>(10)</sup>	%
All Officers and Directors as a Group (11 persons)	274,270 <sup>(11)</sup>	8.21%

- (1) Includes 6,321 shares held in Mr. Anderson's 401(k) plan and non-qualified stock options of 15,608.
- (2) Includes 3,990 shares held jointly with Mrs. Druck's spouse, 500 shares held in Mrs. Druck's 401(k) plan, and 680 shares held in trust for her grandchildren and non-qualified stock options of 13,055.
- (3) Includes 7,665 shares held in Mr. Jones' IRA, 25,625 shares held jointly with his spouse, 2,882 shares held individually in his spouse's IRA and non-qualified stock options of 5,629.
- (4) Includes 4,769 shares held in Mr. Krebs' IRA, 10,147 shares held jointly with his spouse and non-qualified stock options of 15,608.
- (5) Includes 11,205 shares held jointly with Mr. Miller's spouse, 348 shares held jointly with his mother, 911 shares held jointly with his daughter, 911 shares held jointly with his son, 960 shares held in Mr. Miller's IRA and incentive stock options of 78,083.
- (6) Includes 592 shares held in Mr. Smith's spouse's IRA and non-qualified stock options of 15,608.
- (7) Includes 589 shares held in Mr. Warner's IRA, and non-qualified stock options of 13,293.
- (8) Includes 158 shares held jointly with Mrs. Hill's spouse, and incentive stock options of 5,903.
- (9) Represents Mr. Swift's incentive stock options of 6,110.
- (10) Includes 468 shares held jointly with Mr. Weaver's spouse, and incentive stock options of 10,749.

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<sup>(11)</sup> Includes 50,886 shares reported in Schedule 13 G, as amended, of the Trust and Investment Services Division of PeoplesBank, A Codorus Valley Company (35,010 shares are held for the benefit of MacGregor S. Jones, 14,916 shares are held for the benefit of Rodney L. Krebs, and 960 shares held for the benefit of Larry J. Miller.)

**Executive Officers**

The following table provides information, as of February 7, 2006, about the Corporation's executive officers.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation For the Past Five Years and Position Held with Codorus Valley Bancorp, Inc. and Subsidiaries</u>
Larry J. Miller	54	President and Chief Executive Officer and Vice Chairman of the Board, Codorus Valley Bancorp, Inc. and PeoplesBank, a Codorus Valley Company
Harry R. Swift, Esquire	58	Vice President and Secretary, Codorus Valley Bancorp, Inc.; General Counsel, Executive Vice President and Cashier, PeoplesBank, a Codorus Valley Company
Diane E. Hill, CPA	35	Vice President and Auditor, Codorus Valley Bancorp, Inc. and PeoplesBank, a Codorus Valley Company
Jann Allen Weaver, CPA	56	Treasurer/Assistant Secretary, Codorus Valley Bancorp, Inc.; Executive Vice President and Chief Financial Officer, PeoplesBank, a Codorus Valley Company

**COMPENSATION AND PLAN INFORMATION**

**Executive Compensation**

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The following table summarizes the total compensation for each of the last three years for Larry J. Miller, Codorus Valley Bancorp Inc. s President, Chief Executive Officer and Vice Chairman, Harry R. Swift, Esquire, Codorus Valley Bancorp, Inc. s Vice President and Secretary, and Jann Allen Weaver, CPA, Codorus Valley Bancorp, Inc. s Treasurer/Assistant Secretary. These individuals are referred to as the Named Executive Officers.

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**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	<u>Annual Compensation</u>			<u>Long-Term Compensation</u>				
		Salary (\$)	Bonus (\$)	Other Annual Compen- sation (\$)	<u>Awards</u>		<u>Payouts</u>		All Other Compensation (\$) <sup>(2)(3)(4)(5)(6)</sup>
					Restricted Stock Awards (\$)	Securities Underlying Options/ SARs (#) <sup>(1)</sup>	LTIP Payouts (\$)		
Larry J. Miller, President, Chief	2005	220,000	34,400	0	0	15,000	0	58,926	
	2004	200,000							