

CODORUS VALLEY BANCORP INC  
Form DEF 14A  
April 01, 2004

**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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- (1) Amount Previously Paid:
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- (3) Filing Party:
- (4) Date Filed:

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*Codorus Valley Bancorp, Inc.*

*Larry J. Miller  
President and  
Chief Executive Officer*

April 1, 2004

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 18, 2004, 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 2003 Annual Report to Shareholders.

The principal business of the meeting is to elect three Class B Directors 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 18, 2004 at the Corporation's Annual Meeting.

Sincerely,

Larry J. Miller, President  
and Chief Executive Officer

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

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# **CODORUS VALLEY BANCORP, INC.**

**NASDAQ TRADING SYMBOL: CVLY**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT 2004**

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

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### **PROXY STATEMENT**

Dated and to be mailed on or about April 1, 2004

**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 18, 2004**

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ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 2004

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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 18, 2004**

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 18, 2004, at 9:00 a.m., prevailing time, for the purpose of considering and voting upon the following matters:

1. To elect three Class B 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 11, 2004, are entitled to notice of and to vote at the meeting.

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Please promptly 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 2003 Annual Report of Codorus Valley Bancorp, Inc.

BY ORDER OF THE BOARD OF DIRECTORS

Harry R. Swift, Esquire  
Secretary

York, Pennsylvania  
April 1, 2004

**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 2004 Annual Meeting of Shareholders. This proxy statement and the related proxy card are being distributed on or about April 1, 2004.

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.

The annual meeting of shareholders will be held on Tuesday, May 18, 2004, 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 11, 2004, are entitled to vote at the meeting.

At the annual meeting, shareholders will vote to:

Elect three (3) Class B 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

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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, 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, 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 management.

If you are also a participant in the Codorus Valley Bancorp, Inc. Dividend Reinvestment and Stock Purchase Plan, the enclosed proxy will not serve as a voting instruction card for your shares held in the Plan. Instead, Wells Fargo Bank, N.A., the Plan administrator, will provide Plan participants with a separate voting instruction card/proxy representing those shares held in the Dividend Reinvestment and Stock Purchase Plan. The separate voting instruction cards must be signed and returned to Wells Fargo or your shares held in the Plan will not be voted.

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At the close of business on March 11, 2004, Codorus Valley Bancorp, Inc. had 2,839,288 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 senior management 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 nine 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, George A. Trout, D.D.S., 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**

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The Board of Directors of the Corporation has an Audit Committee, a Compensation Committee, which was formed in February 2004, and a Corporate Governance and Nominating Committee, which was formed in February 2004.

**Audit Committee.** Members of the Audit Committee, during 2003, were Dallas L. Smith, Chairman, D. Reed Anderson, Esquire, and Donald H. Warner. The Audit Committee met five times during 2003. The principal duties of the Audit Committee, as set forth in its charter, which is attached to this proxy statement, include reviewing significant audit and accounting principles, policies and practices, reviewing performance of internal auditing procedures, reviewing reports of examination received from regulatory authorities, and appointing an independent certified public accountant.

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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.** During 2003, the full Board acted as the Compensation Committee. In February 2004, the Board approved creation of a Compensation Committee. The current members of the Compensation Committee, are D. Reed Anderson, Esquire, M. Carol Druck, MacGregor S. Jones, Rodney L. Krebs, Dallas L. Smith, George A. Trout, D.D.S., Donald H. Warner, and Michael L. Waugh. All members of the Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the NASD listing standards). The principal duties of the Compensation Committee include the establishment of policies dealing with various compensation plans for Codorus Valley Bancorp, Inc. In addition, the Compensation Committee makes recommendations to the Board with respect to compensation paid to senior executives.

**Nominating Committee.** The full Board of Directors of the Corporation performed the function of the Nominating Committee in 2003. The Board met once in 2003 to fulfill its role in nominating directors to the Board. In February 2004, the Board approved creation of a Corporate Governance and Nominating Committee. Members of the Corporate Governance and Nominating Committee are D. Reed Anderson, Esquire, M. Carol Druck, MacGregor S. Jones, Rodney L. Krebs, Dallas L. Smith, George A. Trout, D.D.S., Donald H. Warner, and Michael L. Waugh. All members of the Corporate Governance and Nominating Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the NASD listing standards). 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. The Corporate Governance and Nominating Committee has no formal process for considering director candidates recommended by shareholders, but its policy is to give due consideration to any and all such candidates. If a shareholder wishes to recommend a director candidate, the shareholder should mail the name, background and contact information for the candidate to the Corporate Governance and Nominating Committee at the Corporation's offices at the Codorus Valley Corporate Center, 105 Leader Heights Road, York, Pennsylvania 17403. The Corporate Governance and Nominating Committee intends to develop a process for identifying and evaluating all nominees for director, including any recommended by shareholders, and minimum requirements for nomination. The Corporate Governance and Nominating Committee has a written charter that is attached to this proxy statement.

The Board of Directors of Codorus Valley Bancorp, Inc. met twelve (12) times during 2003. There were a total of twenty-seven (27) meetings of the Board of Directors of PeoplesBank, A Codorus Valley Company in 2003. 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 encouraged to attend the Annual Meeting of Shareholders. All of our Directors attended the 2003 Annual Meeting of Shareholders and we expect that they will all attend this year's meeting. The Board of Directors does not have a formal process for shareholders to send communications to the Board. Due to the infrequency of shareholder communications to the Board of Directors, the Board does not believe that a formal process is necessary. All members of the Board are visible members of the community who can be readily contacted by any shareholder.

### Nomination of Directors

Under our Bylaws, nominations for director may be made only by the Board of Directors or a Board of Directors committee, or by a shareholder of record entitled to vote. In order for a shareholder to make a nomination, the shareholder must provide a notice along with the additional information and materials required by the Bylaws to our Corporate Secretary not less than 90 days prior to the first anniversary of the



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date for the preceding year's annual meeting. For our annual meeting in the year 2005, we must receive this notice on or before February 17, 2005. You can obtain a copy of the full text of the Bylaw provision by

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writing to Harry R. Swift, Esquire, Secretary, Codorus Valley Bancorp, Inc., Codorus Valley Corporate Center, 105 Leader Heights Road, York, PA 17403. A copy of our Bylaws has been filed with the Securities and Exchange Commission as an exhibit to Form 8-K filed March 29, 2001.

### **Submission of Shareholder Proposals**

If a shareholder wants us to include a proposal in our proxy statement for presentation at our 2005 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 1, 2004.

If a shareholder proposal is submitted to the Corporation after December 2, 2004, it is considered untimely; and, although the proposal may be considered at the annual meeting, it may not be included in the Corporation's 2005 proxy statement. The proposal must be delivered to our 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 2, 2004 in our proxy materials for the 2005 annual meeting.

### **ELECTION OF DIRECTORS**

Codorus Valley Bancorp, Inc.'s Bylaws provide that the Board of Directors consists of not less than five or more than twenty-five 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 are 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 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.

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 anniversary date of the immediately preceding meeting of shareholders of the Corporation called for the election of 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.

The Board of Directors has fixed the number of directors at nine. There are three nominees for the Board of Directors for election at the 2004 Annual Meeting. The Board of Directors has nominated the following three persons for election to the Board of Directors for the terms specified:

#### Nominees for Class B Directors For a Term of Three Years

M. Carol Druck  
Donald H. Warner  
Michael L. Waugh

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 March 11, 2004, concerning the three nominees to the Board of Directors, and six continuing directors appear 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 B For a Term of Three Years until 2007</u>		
M. Carol Druck (55)	1988	Realtor, Morgan-Collins, Inc.; President, Druck Realty, Inc.; and Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company
Donald H. Warner (65)	1990	President, Warners Motor Express, Inc. (moving and storage company); Vice President, Codorus Valley Bancorp, Inc., 1993-2002; and Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company
Michael L. Waugh (48)	2002	State Senator, 28th District of the Commonwealth of Pennsylvania; and Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company
<u>Class A Continuing Directors until 2006</u>		
Rodney L. Krebs (63)	1988	President, Springfield Contractors, Inc. (a heavy equipment/earth moving firm); Vice Chairman and Director, Codorus Valley Bancorp, Inc.; and Chairman and Director, PeoplesBank, A Codorus Valley Company
Dallas L. Smith (58)	1986	President, Bruce V. Smith, Inc. (a retail furniture corporation); and Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company
George A. Trout, D.D.S. (69)	1986	Retired Dentist; Chairman and Director, Codorus Valley Bancorp, Inc.; and Vice Chairman and Director, PeoplesBank, A Codorus Valley Company
<u>Class C Continuing Directors until 2005</u>		
D. Reed Anderson, Esquire (61)	1994	Attorney-at-Law, Stock and Leader, LLP; and Director of Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company
MacGregor S. Jones (58)	1993	Retired Automobile Dealer; and Director, Codorus Valley Bancorp, Inc., and PeoplesBank, A Codorus Valley Company

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<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>
Larry J. Miller (52)	1986	President, Chief Executive Officer and Director, Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company

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**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 March 11, 2004, more than 5% of the outstanding Codorus Valley Bancorp, Inc. common stock.

Beneficial ownership of Codorus Valley Bancorp, Inc. common stock was determined by referring to 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 or direct the disposition of the stock; or  
 The right to acquire beneficial ownership within 60 days after March 11, 2004.

<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	283,862	10.0

- (1) 141,918 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. 37,520 shares of common stock beneficially owned by the Bank are shares for which the Bank exercises shared dispositive power and sole voting power. 39,066 shares of common stock beneficially owned by the Bank are shares for which the Bank exercises sole voting power and no dispositive power. 49,608 shares of common stock beneficially owned by the Bank are shares for which the Bank exercises shared voting power and shared dispositive power. 15,750 shares of common stock beneficially owned by the Bank are shares for which the Bank has shared voting 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 B Director.

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

The following table shows, as of March 11, 2004, 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.

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 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

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The right to acquire beneficial ownership within 60 days after March 11, 2004.

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.

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<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	19,529 <sup>(1)</sup>	%
M. Carol Druck	19,056 <sup>(2)</sup>	%
MacGregor S. Jones	38,701 <sup>(3)</sup>	1.36%
Rodney L. Krebs	29,494 <sup>(4)</sup>	1.04%
Larry J. Miller	69,502 <sup>(5)</sup>	2.45%
Dallas L. Smith	21,193 <sup>(6)</sup>	%
George A. Trout, D.D.S	79,281 <sup>(7)</sup>	2.79%
Donald H. Warner	13,236 <sup>(8)</sup>	%
Michael L. Waugh	105	%
<u>Other Named Executives</u>		
Diane E. Hill, CPA	2,701 <sup>(9)</sup>	%
Harry R. Swift, Esquire	4,376 <sup>(10)</sup>	%
Jann Allen Weaver, CPA	6,436 <sup>(11)</sup>	%
All Officers and Directors as a Group (12 persons)	303,610 <sup>(12)</sup>	10.69%

<sup>(1)</sup> Includes 4,296 shares held in Mr. Anderson's 401(k) plan and non-qualified stock options of 14,156.

<sup>(2)</sup> Includes 3,464 shares held jointly with Mrs. Druck's spouse, 590 shares held in trust for her grandchildren and non-qualified stock options of 14,156.

<sup>(3)</sup> Includes 6,952 shares held in Mr. Jones' IRA, 16,423 shares held jointly with his spouse, 2,615 shares held individually in his spouse's IRA and non-qualified stock options of 11,841.

<sup>(4)</sup> Includes 3,963 shares held in Mr. Krebs' IRA, 8,751 shares held jointly with his spouse and non-qualified stock options of 14,156.

<sup>(5)</sup> Includes 9,726 shares held jointly with Mr. Miller's spouse, 302 shares held jointly with his mother, 791 shares held jointly with his daughter, 791 shares held jointly with his son, 883 shares held in Mr. Miller's IRA and incentive stock options of 55,862.

<sup>(6)</sup> Includes 513 shares owned individually in Mr. Smith's spouse's IRA and non-qualified stock options of 14,156.

<sup>(7)</sup> Includes 7,210 shares held in Dr. Trout's IRA, 369 shares held jointly with his spouse, 57,436 shares held in trust for his children, and nonqualified stock options of 14,156.

<sup>(8)</sup> Includes 535 shares held in Mr. Warner's IRA, and non-qualified stock options of 12,056.

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- (9) Includes 137 shares held jointly with Mrs. Hill's spouse, and incentive stock options of 2,564.  
 (10) Represents Mr. Swift's incentive stock options of 4,376.  
 (11) Includes 406 shares held jointly with Mr. Weaver's spouse, and incentive stock options of 6,030.  
 (12) Includes 36,649 shares reported in Schedule 13 G, as amended, of the Trust and Investment Services Division of PeoplesBank, A Codorus Valley Company (23,935 shares are held for the benefit of MacGregor S. Jones and 12,714 shares are held for the benefit of Rodney L. Krebs.)

**Executive Officers**

The following table provides information, as of March 11, 2004, about the Corporation's executive officers.

Name	Age	Principal Occupation For the Past Five Years and Position Held with Codorus Valley Bancorp, Inc. and Subsidiaries
George A. Trout, D.D.S	69	Chairman of the Board, Codorus Valley Bancorp, Inc. and Vice Chairman of the Board, PeoplesBank, a Codorus Valley Company
Larry J. Miller	52	President and Chief Executive Officer, Codorus Valley Bancorp, Inc. and PeoplesBank, a Codorus Valley Company
Harry R. Swift, Esquire	56	Vice President and Secretary, Codorus Valley Bancorp, Inc.; General Counsel, Executive Vice President and Cashier, PeoplesBank, a Codorus Valley Company

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Name	Age	Principal Occupation For the Past Five Years and Position Held with Codorus Valley Bancorp, Inc. and Subsidiaries
Diane E. Hill, CPA	33	Vice President and Auditor, Codorus Valley Bancorp, Inc. and PeoplesBank, a Codorus Valley Company
Jann Allen Weaver, CPA	54	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**

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

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)(2)(3)(4)(5)(6)(7)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Securities Underlying Options/SARs (#)(1)	Payouts	
					Restricted Stock Awards (\$)		LTIP Payouts (\$)	

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		Annual Compensation			Long-Term Compensation			
Larry J. Miller, President and Chief Executive of the Corporation, General Counsel, Executive Vice President and Cashier of the Bank	2003	202,500 <sup>(8)</sup>	8,000	0	0	0	0	79,170
	2002	194,365	0	0	0	0	0	73,266
	2001	180,000	0	0	0	8,000	0	66,376
Harry R. Swift, Esquire, Secretary, and Vice President Officer of the Corporation and the Bank	2003	168,577 <sup>(9)</sup>	6,000	0	0	0	0	40,694
	2002	156,481	250	0	0	0	0	37,118
	2001	148,000	600	0	0	1,500	0	35,147

- (1) As adjusted for all stock dividends distributed through December 31, 2003.
- (2) Includes Bank contributions to the 401(k) plan on behalf of Mr. Miller of \$6,000, \$5,500 and \$5,100 for 2003, 2002 and 2001, respectively.
- (3) Includes life insurance premiums paid on behalf of Mr. Miller in the amount of \$714, \$658 and \$565 for 2003, 2002 and 2001, respectively; life insurance premiums paid on behalf of Mr. Swift in the amount of \$841, \$748, and \$651 for 2003, 2002 and 2001, respectively.
- (4) Includes the payment for Mr. Miller's vehicle valued at \$2,870, \$2,245 and \$1,269 for 2003, 2002 and 2001, respectively; payment for Mr. Swift's vehicle valued at \$4,192, \$4,550 and \$4,725 for 2003, 2002 and 2001, respectively. Also includes payments for Well days program to Mr. Miller of \$3,750, \$3,750 and \$3,462 for 2003, 2002 and 2001, respectively.
- (5) Includes a vacation payout to Mr. Swift of \$929 in 2003.
- (6) Includes \$63,828, \$58,917, and \$54,415 accrued by the Bank pursuant to Mr. Miller's Salary Continuation Agreement for 2003, 2002, and 2001, respectively; and \$33,182, \$30,366, and \$28,171 accrued by the Bank pursuant to Mr. Swift's Salary Continuation Agreement for 2003, 2002, and 2001, respectively.

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- (7) Includes \$2,008, \$2,196, and \$1,592 accrued by the Bank for Mr. Miller pursuant to the officer group term replacement plan in 2003, 2002, and 2001, respectively; and \$1,550, \$1,454, and \$1,600 accrued by the Bank for Mr. Swift pursuant to the officer group term replacement plan in 2003, 2002, and 2001, respectively.
- (8) Mr. Miller's base pay in 2003 was \$195,000. However, due to an extra pay period in 2003, Mr. Miller was paid an additional \$7,500.
- (9) Mr. Swift's base pay in 2003 was \$161,000. However, in 2003, due to an extra pay period, Mr. Swift was paid an additional \$6,192 and due to a change in salary administration an adjustment of \$1,385 was paid.

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

The following table summarizes option exercises during 2003 by the Named Executive Officers and presents the value of their unexercised options at December 31, 2003:

Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End(#) <sup>(1)</sup> Exercisable/Unexercisable	Value of Unexercised In-the-money Options at Fiscal Year-End (\$) <sup>(2)</sup> Exercisable/Unexercisable
Larry J. Miller	0	0	54,404/17,571	440,449/119,057
Harry R. Swift, Esquire	0	0	6,030/0	39,900/0

- (1) Adjusted for all stock dividends distributed through December 31, 2003.
- (2) The fair market value of the Corporation's common stock on December 31, 2003 was \$20.90 per share.

The column "Value Realized" shows the difference between the fair market value on the date of exercise and the exercise price of the options exercised, if any options were exercised. "In-The-Money Options" are stock options where the market price of the underlying common shares exceeded the exercise price at December 31, 2003. The value of these options is determined by subtracting the total exercise price from the total fair market value of the underlying common shares on December 31, 2003.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table discloses the number of outstanding options, warrants and rights granted by the Corporation to participants in equity compensation plans, as well as the number of securities remaining available for future issuance under these plans. The table provides this information separately for equity compensation plans that have and have not been approved by security holders.

	(A)(#)	(B)(\$)	(C)(#)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights <sup>(1)</sup>	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights <sup>(1)</sup>	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column(A) <sup>(1)</sup>
Equity Compensation Plans Approved by Shareholders <sup>(2)</sup>	201,337	\$14.15	97,019
Equity Compensation Plans Not Approved by Shareholders <sup>(3)</sup>	n/a	n/a	10,796
Totals	201,337	\$14.15	107,815

- (1) As adjusted for stock dividends distributed through December 31, 2003.
- (2) Includes shares issued under Codorus Valley Bancorp, Inc.'s 1996 Stock Incentive Plan, 1998 Independent Directors' Stock Option Plan and 2000 Stock Incentive Plan.
- (3) Includes shares available for issuance under the Employee Stock Bonus Plan.

### Stock Incentive Plans

Codorus Valley Bancorp, Inc. maintains 1996 and 2000 Stock Incentive Plans. The purpose of the Stock Incentive Plans are to advance the development, growth and financial condition of Codorus Valley Bancorp, Inc. and its subsidiaries by providing incentives through participation in the appreciation of capital stock of the Corporation in order to secure, retain and motivate personnel responsible for the operation and management of Codorus Valley Bancorp, Inc. and its subsidiaries.

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The plans provide for awards of qualified stock options and non-qualified stock options to officers and other employees. The Board of Directors Compensation Committee, consisting exclusively of nonemployee directors, administers the 2000 Stock Incentive Plan and the full Board administers the 1996 Stock Incentive Plan. Persons eligible to receive awards under the Stock Incentive Plans are those key officers and other management employees of the Corporation and its subsidiaries as determined by the committee.

The Corporation granted no options under the 1996 Stock Incentive Plan or the 2000 Stock Incentive Plan during 2003. There were no options exercised during 2003. At December 31, 2003, there were no further shares available for future grants under the 1996 Stock Incentive Plan and 97,019 options under the 2000 Stock Incentive Plan.

### **Employee Stock Bonus Plan**

In 2001, the Corporation implemented an Employee Stock Bonus Plan, administered by nonemployee members of the Corporation's Board of Directors, under which the Corporation may issue shares of its common stock to employees as performance based compensation. As of December 31, 2003, 10,796 shares of common stock were reserved for possible issuance under this plan, subject to future adjustment in the event of specified changes in the Corporation's capital structure. Under the Employee Stock Bonus Plan, 66 shares of stock were issued during 2003 and 152 shares of stock were issued during 2002.

### **401(k) Retirement Plan**

The Bank maintains and sponsors a defined contribution 401(k) savings and investment plan. The 401(k) plan is administered by a committee which is appointed by the Board of Directors. The 401(k) plan is subject to the Internal Revenue Code of 1986 and to the regulations promulgated thereunder. Participants are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974.

Each Bank employee who att