NATIONAL PRESTO INDUSTRIES INC
Form SC 13D
April 29, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

National Presto Industries, Inc.
(Name of Issuer)

Common Stock $1.00 Par Value Per Share
(Title of Class of Securities)

637215104
(CUSIP Number)

James E. McKee
Gabelli Asset Management Inc.
One Corporate Center
Rye, New York 10580-1435
(914) 921-5294
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

April 18, 2002
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box 0.

CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Gabelli Funds, LLC I.D. NO. 13-4044523
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
SOURCE OF FUNDS (SEE INSTRUCTIONS)

00-Funds of investment advisory clients

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
New York

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

273,100 (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

273,100 (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

273,100 (ITEM 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

3.99%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IA
CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

GAMCO Investors, Inc. I.D. NO. 13-4044521
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
SOURCE OF FUNDS (SEE INSTRUCTIONS)
00-Funds of investment advisory clients

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
New York

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

77,300 (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

77,300 (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

77,300 (Item 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

1.13%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IA, CO

CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Gabelli International Limited I.D. NO. Foreign Corporation
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
SOURCE OF FUNDS (SEE INSTRUCTIONS)
WC

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
British Virgin Islands

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

1,000 (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

1,000 (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,000 (ITEM 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.01%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
CO
CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Gabelli Advisers, Inc. I.D. NO. 13-4008049
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
SOURCE OF FUNDS (SEE INSTRUCTIONS)

00 - Funds of investment advisory clients

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

8,600 (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

8,600 (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

8,600 (ITEM 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.13%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IA, CO

CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Gabelli Performance Partnership, L.P. I.D. NO. 13-3396569
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
SOURCE OF FUNDS (SEE INSTRUCTIONS)
WC

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
New York

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

2,200 (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

2,200 (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,200 (ITEM 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
0.03%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
PN

CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

MJG Associates, Inc. I.D. NO. 06-1304269
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
SOURCE OF FUNDS (SEE INSTRUCTIONS)
00-Client Funds

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
Connecticut

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

1,000 (Item 5)

:
8
:
:
:

SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

1,000 (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,000 (ITEM 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
0.01%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
CO
CUSIP No. 637215104
1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Gabelli Group Capital Partners, Inc. I.D. NO. 13-3056041
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
Source of funds (SEE INSTRUCTIONS)
None

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
New York

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

None (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

None (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

None (Item 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.00%
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
HC, CO

CUSIP No. 637215104
1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Gabelli Asset Management Inc. I.D. NO. 13-4007862
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
Source of funds (SEE INSTRUCTIONS)
None

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
New York

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

None (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

None (Item 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

None
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.00%

14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
HC, CO

CUSIP No. 637215104
1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Marc J. Gabelli
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
Source of funds (SEE INSTRUCTIONS)
None

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
USA

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

None

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

NONE

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

NONE
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

None
14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IN

CUSIP No. 637215104

1
NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Mario J. Gabelli
2
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3
SEC USE ONLY

4
Source of funds (SEE INSTRUCTIONS)

OO-Funds of family partnership

5
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2 (d) OR 2 (e)

6
CITIZENSHIP OR PLACE OF ORGANIZATION
USA

NUMBER OF

SHARES

BENEFICIALLY

OWNED

BY EACH

REPORTING

PERSON

WITH
:
7
:
:
:
SOLE VOTING POWER

1,000 (Item 5)

:
8
:
:
:
SHARED VOTING POWER

NONE

:
9
:
:
:
SOLE DISPOSITIVE POWER

1,000 (ITEM 5)

:10
:
:
:
SHARED DISPOSITIVE POWER

NONE
11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,000 (ITEM 5)
12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
(SEE INSTRUCTIONS)
13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
0.01%

14

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IN

Item 1. Security and Issuer

The class of equity securities to which this statement on Schedule 13D relates is the Common Stock, par value $1.00 per share ("Securities"), of National Presto Industries, Inc. (the "Issuer"), a Wisconsin corporation with principal offices located at 3925 North Hastings Way, Eau Claire, Wisconsin 54703.

Item 2. Identity and Background

This statement is being filed by Mario J. Gabelli ("Mario Gabelli"), Marc J. Gabelli ("Marc Gabelli") and various entities which either one directly or indirectly controls or for which either one acts as chief investment officer. These entities, except for Lynch Corporation ("Lynch"), Western New Mexico Telephone Company ("Western New Mexico"), Lynch Telephone Corporation ("Lynch Telephone"), Lynch Interactive Corporation ("Interactive"), Brighton Communications Corporation ("Brighton") and Inter-Community Telephone Company ("Inter-Community") (collectively, "Lynch and its affiliates"), engage in various aspects of the securities business, primarily as investment adviser to various institutional and individual clients, including registered investment companies and pension plans, as broker/dealer and as general partner of various private investment partnerships. Certain of these entities may also make investments for their own accounts.

The foregoing persons in the aggregate often own beneficially more than 5% of a class of a particular issuer. Although several of the foregoing persons are treated as institutional investors for purposes of reporting their beneficial ownership on the short-form Schedule 13G, the holdings of those who do not qualify as institutional investors may exceed the 1% threshold presented for filing on Schedule 13G or implementation of their investment philosophy may from time to time require action which could be viewed as not completely passive. In order to avoid any question as to whether their beneficial ownership is being reported on the proper form and in order to provide greater investment flexibility and administrative uniformity, these persons have decided to file their beneficial ownership reports on the more detailed Schedule 13D form rather than on the short-form Schedule 13G and thereby to provide more expansive disclosure than may be necessary.

(a), (b) and (c) - This statement is being filed by one or more of the following persons: Gabelli Group Capital Partners, Inc. ("Gabelli Partners"), Gabelli Asset Management Inc. ("GAMI"), Gabelli Funds, LLC ("Gabelli Funds"), GAMCO Investors, Inc. ("GAMCO"), Gabelli Securities, Inc. ("GSI"), Gabelli & Company, Inc. ("Gabelli & Company"), Gabelli Performance Partnership L.P. ("GPP"), Gabelli Associates Fund ("Gabelli Associates"), Gabelli Associates Limited ("GAL"), Gabelli & Company, Inc. Profit Sharing Plan (the "Plan"), Gabelli International Limited ("GIL"), Gabelli International II Limited ("GLI II"), ALCE Partners, L.P. ("ALCE"), Gabelli Multimedia Partners, L.P. ("Multimedia Partners"), MJG Associates, Inc. ("MJG Associates"), Gemini Capital Management LLC ("Gemini"), Gabelli Fund, LDC ("LDC"), Gabelli Foundation, Inc. ("Foundation"), Gabelli Global Partners Master Fund, Ltd. ("GGP "), Gabelli European Partners Master Fund, Ltd. ("GEP "), Mario Gabelli, Marc Gabelli, Lynch, Western New Mexico, Lynch Telecom, Lynch Telephone and Inter-Community. Those of the foregoing persons signing this Schedule 13D are hereafter referred to as the "Reporting Persons".

Gabelli Partners makes investments for its own account and is the parent company of GAMI. GAMI, a public company listed on the New York Stock Exchange, is the parent company for a variety of companies engaged in the securities business, each of which is named below.

GAMCO, a wholly-owned subsidiary of GAMI, is an investment adviser registered under the Investment Advisers Act of 1940, as amended ("Advisers Act"). GAMCO is an investment manager providing discretionary managed account services for employee benefit plans, private investors, endowments, foundations and others.

GSI, a majority owned subsidiary of GAMI, acts as a general partner or investment manager to limited partnerships and offshore investment companies and as a part of its business regularly purchases and sells securities for its own account. It is the immediate parent of Gabelli & Company.

Gabelli & Company, a wholly-owned subsidiary of GSI, is a broker-dealer registered under the Securities Exchange Act of 1934, as amended ("1934 Act"), which as a part of its business regularly purchases and sells securities for its own account.

Gabelli Associates is a New York limited partnership whose primary business purpose is risk arbitrage investments. GSI and Mario Gabelli are the general partners of Gabelli Associates.

GAL is a corporation whose primary business purpose is risk arbitrage investments. Shares of GAL's common stock are offered to persons who are neither citizens nor residents of the United States and may be offered to a limited number of U.S. investors. GSI is the investment manager of GAL.

Gabelli Funds, a wholly owned subsidiary of GAMI, is a limited liability company. Gabelli Funds is an investment adviser registered under the Advisers Act which presently provides discretionary managed account services for The Gabelli Equity Trust Inc., The Gabelli Asset Fund, The Gabelli Growth Fund, The Gabelli Convertible Securities Fund, Inc., The Gabelli Value Fund Inc., The Gabelli Small Cap Growth Fund, The Gabelli Equity Income Fund, The Gabelli ABC Fund, The Gabelli Global Telecommunications Fund, Gabelli Gold Fund, Inc., The Gabelli Global Multimedia Trust Inc., The Gabelli Global Convertible Securities Fund, Gabelli Capital Asset Fund, Gabelli International Growth Fund, Inc., The Gabelli Global Growth Fund, The Gabelli Utility Trust, The Gabelli Global Opportunity Fund, The Gabelli Utilities Fund and The Gabelli Blue Chip Value Fund (collectively, the "Funds"), which are registered investment companies.

Gabelli Advisers, Inc. ("Gabelli Advisers"), a subsidiary of GAMI, is an investment adviser which provides discretionary advisory services to The Gabelli Westwood Mighty Mitessm Fund.

The Plan, a qualified employee profit sharing plan, covers substantially all employees of GAMI and its affiliates.

GPP is a limited partnership whose primary business purpose is investing in securities. MJG Associates provides services to GPP, and Mario Gabelli is the general partner and a portfolio manager for GPP.

GIL is a corporation whose primary business purpose is investing in a portfolio of equity securities and securities convertible into, or exchangeable for, equity securities in order to achieve its investment objective of significant long-term growth of capital. Shares of GIL's common stock are offered to persons who are neither citizens nor residents of the United States and may be offered to a limited number of U.S. investors. MJG Associates is the Investment Manager of GIL. Mario Gabelli is a portfolio manager for GIL and Chairman of the Board of Directors of GIL.

GIL II is a corporation whose business purpose is investing primarily in a portfolio of equity securities and securities convertible into, or exchangeable for, equity securities in order to achieve its investment objective of significant long-term growth of capital. Shares of GIL II's common stock are offered to persons who are neither citizens nor residents of the United States and may be offered to a limited number of U.S. investors. MJG Associates is the Investment Manager of GIL II. Mario Gabelli is a portfolio manager and Chairman of the Board of Directors of GIL II.

ALCE is an investment limited partnership that seeks long-term capital appreciation primarily through investments in public and private equity securities. GSI is a general partner of ALCE.

Multimedia Partners is an investment limited partnership whose objective is to provide long-term capital appreciation by investing primarily in public and private multimedia communications companies. GSI is a general partner of Multimedia Partners.

GGP is a corporation whose primary business purpose is investing in securities on a global basis. Gabelli Securities International Limited and Gemini Capital Management, LLC are the investment advisors of GGP and Marc Gabelli is the portfolio manager for GGP.

GEP is a corporation whose primary business purpose is investing in securities of European Companies. Gabelli Securities International Limited is the investment advisor of GEP and Marc Gabelli is a portfolio manager for GEP.

LDC is a corporation whose business purpose is investing primarily in a portfolio of equity securities convertible into, or exchangeable for, equity securities in order to achieve its investment objective of significant long-term growth of capital. Interests are offered to insurance companies which do not conduct any business in the United States and which are licensed where they do business. MJG Associates is the Investment Manager of LDC. Mario Gabelli is a portfolio manager for LDC.

MJG Associates provides advisory services to private investment partnerships and offshore funds. Mario Gabelli is the sole shareholder, director and employee of MJG Associates.

Gemini is a limited liability company whose primary business purpose is to provide advisory services to offshore funds. Marc Gabelli is the President and Chief Investment Officer of Gemini.

The Foundation is a private foundation. Mario Gabelli is the President, a Trustee and the Investment Manager of the Foundation.

Lynch is a public company traded on the American Stock Exchange engaged in manufacturing. Interactive is a public company listed on the American Stock Exchange. It is a holding company whose principal subsidiary is Brighton. Brighton is a holding company with subsidiaries in multimedia and services businesses. Western New Mexico, a subsidiary of Brighton, provides local telephone services in an area in Southwestern New Mexico. Inter-Community, which is also a subsidiary of Brighton, provides local telephone services in an area 40 miles west of Fargo, North Dakota. Lynch Telephone, a subsidiary of Brighton, is a holding company that owns interests in Western New Mexico and other entities. Lynch and its affiliates actively pursue new business ventures and acquisitions. Lynch and its affiliates make investments in marketable securities to preserve capital and maintain liquidity for financing their business activities and acquisitions and are not engaged in the business of investing, reinvesting, or trading in securities.

Mario J. Gabelli is a director, officer and a substantial shareholder of Lynch and Interactive.

Mario Gabelli is the majority stockholder and Chairman of the Board of Directors and Chief Executive Officer of Gabelli Partners and GAMI, and the Chief Investment Officer for each of the Reporting Persons other than Gemini, GGP, and GEP. Gabelli Partners is the majority shareholder of GAMI. GAMI, in turn, is the sole stockholder of GAMCO. GAMI is also the majority stockholder of GSI and the largest shareholder of Gabelli Advisers. Gabelli & Company is a wholly-owned subsidiary of GSI. Marc Gabelli is the majority stockholder of Gemini.

The Reporting Persons do not admit that they constitute a group.

Gabelli Partners, GAMI, GAMCO, and Gabelli & Company are New York corporations and GSI and Gabelli Advisers are Delaware corporations, each having its principal business office at One Corporate Center, Rye, New York 10580. Gabelli Funds is a New York limited liability company having its principal business office at One Corporate Center, Rye, New York 10580. GPP is a New York limited partnership having its principal business office at One Corporate Center, Rye, New York 10580. MJG Associates is a Connecticut corporation having its principal business office at 8 Sound Shore Dr., Greenwich, CT 06830. Gabelli Associates is a New York limited partnership having its principal business office at One Corporate Center, Rye, New York 10580. ALCE and Multimedia Partners are Delaware limited partnerships each having its principal business office at One Corporate Center, Rye, New York 10580. GAL and GIL are corporations organized under the laws of the British Virgin Islands having their principal business office at c/o Fortis Fund Services (Cayman) Limited, Grand Pavilion, Commercial Centre, 802 West Bay Road, Grand Cayman, British West Indies. GIL II is a corporation organized under the laws of the British Virgin Islands having their principal business office at c/o Coutts & Company (Cayman) Limited, West Bay Road, Grand Cayman, British West Indies. GGP and GEP are corporations organized under the laws of the British Virgin Islands each having its principal business office at c/o Goldman Sachs (Cayman) Trust, Limited, P.O. Box 896 GT, Harbour Center, 2nd Floor, North Church Street, Grand Cayman, British West Indies. Gemini is a Delaware limited liability company having its principal business office at One Corporate Center, Rye, New York 10580. LDC is a corporation organized under the laws of the British Virgin Islands having its principal business office at c/o Tremont (Bermuda) Limited, Tremont House, 4 Park Road, Hamilton HM II, Bermuda. The Foundation is a Nevada corporation having its principal offices at 165 West Liberty Street, Reno, Nevada 89501. Lynch is an Indiana corporation having its principal business office at 50 Kennedy Plaza, Suite 1250, Providence, Rhode Island 02903. Interactive, Brighton, and Lynch Telephone are Delaware corporations, each having its principal place of business at One Corporate Center, Rye, New York 10580. Western New Mexico is a Delaware corporation, having its principal place of business at 314 W. Yankee Street, Silver City, New Mexico 88062. Inter-Community is a North Dakota corporation, having its principal place of business at 556 Main Street, Nome, North Dakota 58062.

For information required by instruction C to Schedule 13D with respect to the executive officers and directors of the foregoing entities and other related persons (collectively, "Covered Persons"), reference is made to Schedule I annexed hereto and incorporated herein by reference.

(f) - Reference is made to Schedule I hereto.

Item 3. Source and Amount of Funds or Other Consideration

The Reporting Persons used an aggregate of approximately $12,396,694 to purchase the Securities reported as beneficially owned in Item 5. GAMCO and Gabelli Funds used approximately $2,383,159 and $9,589,139, respectively, of funds that were provided through the accounts of certain of their investment advisory clients (and, in the case of some of such accounts at GAMCO, may be through borrowings from client margin accounts) in order to purchase the Securities for such clients. GIL used approximately $29,740 of working capital to purchase the Securities reported by it. Gabelli Advisers used approximately $267,202 of client funds to purchase the Securities reported by it. GPP used approximately $65,714 of the investing funds in the partnership to purchase the Securities reported by it.
MJG Associates used approximately $29,740 of client funds to purchase the Securities reported by it. Mario Gabelli used approximately $32,000 of funds from a family partnership to purchase the Securities reported by him.

Item 4. Purpose of Transaction

Each of the Reporting Persons has purchased and holds the

Securities reported by it for investment for one or more accounts over which it has shared, sole, or both investment and/or voting power, for its own account, or both.

The Reporting Persons, with the exceptions of Lynch and its affiliates, are engaged in the business of securities analysis and investment and pursue an investment philosophy of identifying undervalued situations. In pursuing this investment philosophy, the Reporting Persons analyze the operations, capital structure and markets of companies in which they invest, including the Issuer, on a continuous basis through analysis of documentation and discussions with knowledgeable industry and market observers and with representatives of such companies (often at the invitation of management). The Reporting Persons do not believe they possess material inside information concerning the Issuer. As a result of these analytical activities one or more of the Reporting Persons may issue analysts reports, participate in interviews or hold discussions with third parties or with management in which the Reporting Person may suggest or take a position with respect to potential changes in the operations, management or capital structure of such companies as a means of enhancing shareholder values. Such suggestions or positions may relate to one or more of the transactions specified in clauses (a) through (j) of Item 4 of Schedule 13D including, without limitation, such matters as disposing of one or more businesses, selling the company or acquiring another company or business, changing operating or marketing strategies, adopting or not adopting, certain types of anti-takeover measures and restructuring the company's capitalization or dividend policy.

Each of the Reporting Persons intends to adhere to the foregoing investment philosophy with respect to the Issuer. However, none of the Reporting Persons intends to seek control of the Issuer or participate in the management of the Issuer, and any Reporting Person that is registered as an investment company under the 1940 Act will participate in such a transaction only following receipt of an exemption from the SEC under Rule 17d-1 under the 1940 Act, if required, and in accordance with other applicable law. In pursuing this investment philosophy, each Reporting Person will continuously assess the Issuer's business, financial condition, results of operations and prospects, general economic conditions, the securities markets in general and those for the Issuer's securities in particular, other developments and other investment opportunities, as well as the investment objectives and diversification requirements of its shareholders or clients and its fiduciary duties to such shareholders or clients. Depending on such assessments, one or more of the Reporting Persons may acquire additional Securities or may determine to sell or otherwise dispose of all or some of its holdings of Securities. Although the Reporting Persons share the same basic investment philosophy and although most portfolio decisions are made by or under the supervision of Mario Gabelli, the investment objectives and diversification requirements of various clients differ from those of other clients so that one or more Reporting Persons may be acquiring Securities while others are disposing of Securities.

With respect to voting of the Securities, the Reporting Persons have adopted general voting policies relating to voting on specified issues affecting corporate governance and shareholder values. Under these policies, the Reporting Persons generally vote all securities over which they have voting power in favor of cumulative voting, financially reasonable golden parachutes, one share one vote, management cash incentives and pre-emptive rights and against greenmail, poison pills, supermajority voting, blank check preferred stock and super-dilutive stock options. Exceptions may be made when management otherwise demonstrates superior sensitivity to the needs of shareholders. In the event that the aggregate voting position of all joint filers shall exceed 25% of the total voting position of the issuer then the proxy voting committees of each of the Funds shall vote their Fund's shares independently.

Each of the Covered Persons who is not a Reporting Person has purchased the Securities reported herein as beneficially owned by him for investment for his own account or that of one or more members of his immediate family. Each such person may acquire additional Securities or dispose of some or all of the Securities reported herein with respect to him.

Other than as described above, none of the Reporting Persons and none of the Covered Persons who is not a Reporting Person has any present plans or proposals which relate to or would result in any transaction, change or event specified in clauses (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest In Securities Of The Issuer

(a) The aggregate number of Securities to which this Schedule 13D relates is 3643,200 shares, representing 5.31% of the 6,836,588 shares outstanding as reported in the Issuer's most recent Form 10-K for the year ended December 31, 2001. The Reporting Persons beneficially own those Securities as follows:

Name

Shares of
Common Stock
% of Class of
Common
Gabelli Funds

273,100
3.99%
GAMCO
77,300
1.13%

GIL

Gabelli Advisers

GPP

MJG Associates

1,000

8,600

2,200

1,000

0.01%

0.13%

0.03%

0.01%

Mario Gabelli

1,000

0.01%

Marc Gabelli

0

0.00%

Mario Gabelli is deemed to have beneficial ownership of the Securities owned beneficially by each of the foregoing persons other than Marc Gabelli and Gemini. Marc Gabelli is deemed to have beneficial ownership of the Securities owned by Gemini. GSI is deemed to have beneficial ownership of the Securities beneficially owned by ALCE, GMP, GAL, Gabelli Associates and Gabelli & Company. MJG Associates is deemed to have beneficial ownership of the Securities beneficially owned by GPP, GIL, GIL II and LDC. GAMI and Gabelli Partners are deemed to have beneficial ownership of the Securities owned beneficially by each of the foregoing persons other than Mario Gabelli, Marc Gabelli, Gemini and the Foundation.

(b) Each of the Reporting Persons and Covered Persons has the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the Securities reported for it, either for its own benefit or for the benefit of its investment clients or its partners, as the case may be, except that (i) Gabelli Funds has sole dispositive and voting power with respect to the shares of the Issuer held by the Funds so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in the Issuer and, in that event, the Proxy Voting Committee of each Fund shall respectively vote that Fund's shares, (ii) at any time, the Proxy Voting Committee of each such Fund may take and exercise in its sole discretion the entire voting power with respect to the shares held by such fund under special circumstances such as regulatory considerations, and (iii) the power of Mario Gabelli, Marc Gabelli, GAMI, and Gabelli Partners is indirect with respect to Securities beneficially owned directly by other Reporting Persons.

(c) Information with respect to all transactions in the Securities which were effected during the past sixty days or since the most recent filing on Schedule 13D, whichever is less, by each of the Reporting Persons and Covered Persons is set forth on Schedule II annexed hereto and incorporated herein by reference.

(d) The investment advisory clients of Gabelli Funds, Gabelli Advisers, GAMCO, MJG Associates and Gemini, the partners of the various partnerships managed by Mario Gabelli and GSI (including GPP, Gabelli Associates, ALCE, and Multimedia Partners to the extent of their economic interest there-in) and the shareholders of GIL, GIL II, and LDC which Mario Gabelli manages and GAL which is managed by GSI have the sole right to receive and, subject to the notice, withdrawal and/or termination provisions of such advisory contracts and partnership arrangements, the sole power to direct the receipt of dividends from, and the proceeds of sale of, any of the Securities beneficially owned by such Reporting Persons. Except as noted, no such client or partner has an interest by virtue of such relationship that relates to more than 5% of the Securities.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

The powers of disposition and voting of Gabelli Funds, Gabelli Advisers, GAMCO, MJG Associates and Gemini with respect to Securities owned beneficially by them on behalf of their investment advisory clients, of Mario Gabelli and GSI with respect to Securities owned beneficially by them on behalf of the partnerships which they directly or indirectly manage, and of GIL, GIL II, GAL, LDC, GGP and GEP with respect to Securities owned beneficially by them on behalf of their shareholders, are held pursuant to written agreements with such clients, partnerships and funds.

Item 7. Material to be Filed as an Exhibit

The following Exhibit A is attached hereto. The following Exhibit B is incorporated by reference to Exhibit B in the Amendment No. 18 to Schedule

13D of the Reporting Persons with respect to Hector Communications Corporation.

Exhibit A:

Joint Filing Agreement

Exhibit B:
Powers of Attorney to Stephen G. Bondi, Peter D. Goldstein, and James E. McKee from Robert E. Dolan

Powers of Attorney to Stephen G. Bondi, Peter D. Goldstein, and James E. McKee from Robert E. Dolan.

Powers of Attorney to Stephen G. Bondi, Peter D. Goldstein, and James E. McKee from Mario J. Gabelli.

Powers of Attorney to Stephen G. Bondi, Peter D. Goldstein, and James E. McKee from Marc J. Gabelli.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: April 29, 2002
MARIO J. GABELLI
MARC J. GABELLI
GABELLI INTERNATIONAL LIMITED
GABELLI PERFORMANCE PARTNERSHIP L.P.

By:/s/ James E. McKee
James E. McKee
Attorney-in-Fact

GABELLI FUNDS, LLC
GABELLI GROUP CAPITAL PARTNERS, INC.
GABELLI ASSET MANAGEMENT INC.
GABELLI ADVISERS, INC.

By:/s/ James E. McKee
James E. McKee
Secretary

MJG ASSOCIATES, INC.

By:/s/ James E. McKee
James E. McKee
Secretary of Gabelli Securities Inc.

GAMCO INVESTORS, INC.

By:/s/ Douglas R. Jamieson

Douglas R. Jamieson
Executive Vice President

GABELLI & COMPANY
PROFIT SHARING PLAN

By:/s/ Douglas R. Jamieson
Douglas R. Jamieson
Trustee

Schedule I

Information with Respect to Executive
Officers and Directors of the Undersigned

Schedule I to Schedule 13D is amended, in pertinent part, as follows:

The following sets forth as to each of the executive officers and directors of the undersigned: his name; his business address; his present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted. Unless otherwise specified, the principal employer of each such individual is Gabelli Group Capital Partners, Inc., Gabelli Asset Management Inc., Gabelli Funds, LLC, Gabelli & Company, Inc., or GAMCO Investors, Inc., the business address of each of which is One Corporate Center, Rye, New York 10580, and each such individual identified below is a citizen of the United States. To the knowledge of the undersigned, during the last five years, no such person has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), and no such person was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which he was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities law or finding any violation with respect to such laws except as reported in Item 2(d) of this Schedule 13D.

Gabelli Group Capital Partners, Inc.
Directors:

Mario J. Gabelli

Chief Executive Officer and Chief Investment Officer of Gabelli Group Capital Partners, Inc., Gabelli Asset Management Inc., and GAMCO Investors, Inc.; Director/Trustee of all registered investment companies advised by Gabelli Funds, LLC; Chairman and Chief Executive Officer of Lynch Interactive Corporation; Vice Chairman of Lynch Corporation.

Richard B. Black
Vice Chairman of the Board of Directors of Oak Technology, Inc.; Chairman of ECRM; Director of The Morgan Group, Inc.; General Partner of KBA Partners
Parker Plaza
400 Kelby Street
Fort Lee, NJ 07029

Charles C. Baum

Chairman, Director and Chief Executive Officer of The Morgan Group, Inc.; Secretary & Treasurer
United Holdings Co., Inc.
2545 Wilkens Avenue
Baltimore, MD 21223

Eamon M. Kelly
Professor
Payson Center for International Development Technology Transfer
Tulane University
300 Gibson Hall
6823 St. Charles Avenue
New Orleans, LA 70118

Arnold M. Reichman
Business Consultant

Marc J. Gabelli

Managing Director

Matthew R. Gabelli

Vice President - Trading
Gabelli & Company, Inc.
One Corporate Center
Rye, New York 10580
Officers:

Mario J. Gabelli
Chairman, Chief Executive Officer and Chief Investment Officer
Vincent J. Capurso

Executive Vice President and Chief Financial Officer
Robert S. Zuccaro
Vice President

James E. McKee

Vice President, General Counsel and Secretary

Gabelli Asset Management Inc.

Directors:

Raymond C. Avansino,
Jr.
Chairman
E.L. Wiegand Foundation
165 West Liberty Street
Reno, NV 89501

Mario J. Gabelli

See Above

Paul B. Guenther

Chairman
New York Philharmonic
10 Lincoln Center Plaza
New York, NY 10023

John C. Ferrara
President
SPACE.com
120 West 45th Street
New York, NY 10036

Dr. Eamon M. Kelly
See Above

Karl Otto Pohl (1)
Sal. Oppenheim jr. & Cie.
Bockenheimer Landstrasse 20
D-6000 FRANKFURT AM MAIN
Germany

Officers:

Mario J. Gabelli

Chairman, Chief Executive Officer and Chief
Investment Officer

Robert S. Zuccaro
Vice President and Chief Financial Officer

James E. McKee

Vice President, General Counsel and Secretary

GAMCO Investors, Inc.
Directors:

Douglas R. Jamieson
Joseph R. Rindler,
Jr.
Regina M. Pitaro
F. William Scholz, II
William S. Selby

Officers:

Mario J. Gabelli
Chief Executive Officer and Chief Investment Officer

Joseph R. Rindler, Jr.
Chairman

Douglas R. Jamieson
Executive Vice President and Chief Operating Officer

Robert S. Zuccaro
Vice President and Chief Financial Officer

James E. McKee

Vice President, General Counsel and Secretary

Gabelli Funds, LLC
Officers:

Mario J. Gabelli

Chief Investment Officer

Bruce N. Alpert
Executive Vice President and Chief Operating Officer

Gus Coutsouros
Vice President and Chief Financial Officer

James E. McKee
Secretary

Gabelli Advisers, Inc.
Directors:

Bruce N. Alpert
John D. Gabelli
Joseph R. Rindler. Jr.

Officers:

Bruce N. Alpert
Chief Operating Officer

Gus Coutsouros

Chief Financial Officer

James E. McKee
Secretary

Gabelli Securities, Inc.

Directors:

Robert W. Blake
President of W. R. Blake & Sons, Inc.
196-20 Northern Boulevard
Flushing, NY 11358

Douglas G. DeVivo
General Partner of ALCE Partners, L.P.
One First Street, Suite 16
Los Altos, CA 94022

Joseph R. Rindler,
Jr.
See above

Officers:

Robert S. Zuccaro
Vice President-Finance

James E. McKee
Secretary

Gabelli & Company, Inc.
Directors:

James G. Webster, III
Chairman & Interim President

Irene Smolicz
Senior Trader
Gabelli & Company, Inc.

Robert S. Zuccaro
See above

Officers:

James G. Webster, III
Chairman & Interim President

Bruce N. Alpert
Vice President - Mutual Funds

Walter K. Walsh
Compliance Officer

James E. McKee
Secretary

Gabelli Associates Limited
Directors:

Mario J. Gabelli
See above - Gabelli Group Capital Partners, Inc.

MeesPierson Management
(Cayman)
Limited

Grand Pavillion, Commercial Center
802 West Bay Rd.
Grand Cayman, British West Indies

MeesPierson Nominees
(Cayman)
Limited

Grand Pavillion, Commercial Center
802 West Bay Rd.
Grand Cayman, British West Indies

Officers:

Mario J. Gabelli
Chief Investment Officer

Kevin Bromley (2)
Vice President, Treasurer and Assistant Secretary

Sandra Wright (2)
Secretary and Assistant Treasurer

Gabelli International Limited
Directors:

Mario J. Gabelli
See above - Gabelli Group Capital Partners, Inc.

MeesPierson Management
(Cayman)
Limited

Grand Pavillion, Commercial Center
802 West Bay Rd.
Grand Cayman, British West Indies

Gabelli Fund, LDC
Directors:

Johann S. Wong (4)
c/o Tremont (Bermuda) Limited
Tremont House
4 Park Road
Hamilton, HM11

Bermuda

Peter D. Anderson (5)
Givens Hall Bank & Trust
Genesis Building
P.O. Box 2097
Grand Cayman, Cayman Islands
BWI 3459498141

Karl Otto Pohl
See above

Anthonie C. van Ekris

See below
Gabelli Global Partners Master
Fund, Ltd.
Directors:

Marc J. Gabelli
See above

Patrick Salvisberg (6)
Vice President
Institutional Capital Markets Bear Stearns
International Ltd.

Marco Sampelligrani (7)
Trader, Gabelli Securities, Inc.

Anthonie C. Van Ekris
See below

Gabelli European Partners Master
Fund, Ltd.
Directors:

Marc J. Gabelli
See above

Patrick Salvisberg (6)
See above

Marco Sampelligrani (7)
See above

Anthonie C. Van Ekris
See below

Lynch Corporation,
50 Kennedy Plaza, Suite 1250, Providence, RI 02903

Directors:

Mario J. Gabelli
See above - Gabelli Group Capital Partners, Inc.

E. Val Cerutti

Business Consultant, Cerutti Consultants
227 McLain Street
Mount Kisco, NY 10540

Ralph R. Papitto
Chairman and Chief Executive Officer

Avrum Gray

Gbar Limited Partnership
440 South LaSalle, Suite 2900
Chicago, IL 60605

Officers:

Ralph R. Papitto

See above
Mario J. Gabelli
See above

Richard E. McGrail
President and Chief Operations Officer

Raymond H. Keller
Vice President and Chief Financial Officer

Lynch Interactive Corporation,
401 Theodore Fremd Avenue Rye, NY 10580

Directors:

Paul J. Evanson
President
Florida Light & Power Co.
P.O. Box 14000
700 Universe Blvd.
Juno Beach, FL 33408

Mario J. Gabelli
See above - Gabelli Group Capital Partners, Inc.

Ralph R. Papitto
Chairman and CEO
Lynch Corporation
50 Kennedy Plaza - Suite 1250
Providence, RI 02903

Salvatore Muoio
Principal
S. Muoio & Co., LLC
Suite 406
509 Madison Ave.
New York, NY 10022

John C. Ferrara

See above

David C. Mitchell
Business Consultant
c/o Lynch Interactive Corporation
401 Theodore Fremd Ave.
Rye, NY 10580

Vincent S. Tese
Lawyer, Investment Adviser and Cable Television Executive
c/o Bear Stearns & Company, Inc.
245 Park Avenue, 19th Floor
New York, NY 10167

Officers:

Mario J. Gabelli
Chairman and Chief Executive Officer

Robert E. Dolan

Chief Financial Officer
John Fikre

Vice President - Corporate Development, General Counsel, and Secretary

Brighton Communications Corporation
401 Theodore Fremd Avenue Rye, NY 10580
Directors:

Robert E. Dolan

See above - Lynch Interactive Corporation
John Fikre

See above - Lynch Interactive Corporation
Officers:

Robert E. Dolan

President, Controller, Tresurer and Assistant Secretary

Western New Mexico Telephone Company,
314 Yankee Street, Silver City, NM 88062

Directors:

Jack W. Keen
Chairman and President

Dr. Brian E. Gordon
Vice President

Mary Beth Baxter

Secretary & Treasurer

John Clay Keen
Route 6
Box 270
Greenville, TX 75401

Robert E. Dolan
See above - Lynch Corporation

Carmine Ceraolo
See above - Lynch Corporation

Mary J. Carroll

See above - Lynch Corporation

Eugene P. Connell
See above - Lynch Corporation

Officers:

Jack W. Keen
Chairman and President

Dr. Brian E. Gordon
Vice President

Charles M. Baxter
Senior Vice President - Operations

Mary Beth Baxter
Secretary & Treasurer

Inter-Community Telephone Company, L.L.C.
P.O. Box A, Nome, ND 58062

Managers:

Carole Rau
Executive Assistant
Lynch Corporation
401 Theodore Fremd Ave.
Rye, NY 10580

Mary J. Carroll
See above - Lynch Corporation

Robert E. Dolan
See above - Lynch Corporation

Carmine P. Ceraolo
Assistant Controller
Lynch Corporation
401 Theodore Fremd Ave
Rye, NY 10580

Robert Snyder

200 Broadway South, Buffalo, ND 58011

Keith S. Andersen
See above - Inter-Community Telephone Company

Robert Reff
See above - Inter-Community Telephone Company

Jack Bently
1210 E. Washington Ave
Gilbert, AZ 85234

Officers:

Robert Snyder
President

Keith S. Andersen
Secretary and Treasurer

Lynch Telephone Corporation,
401 Theodore Fremd Avenue, Rye, NY 10580

Directors:

Robert E. Dolan
See above - Lynch Interactive Corporation

Jack W. Keen
See above - Western New Mexico Telephone Company

Officers:

Jack W. Keen
President

Mary Beth Baxter
Treasurer and Assistant Secretary

Robert E. Dolan
Vice President and Controller

(1) Citizen of Germany

(2) Citizen of the Cayman Islands

(3) Citizen of Bermuda

(4) Citizen of Bermuda and Canada

(5) Citizen of the UK

(6) Citizen of Switzerland

(7) Citizen of Italy

SCHEDULE II

INFORMATION WITH RESPECT TO
TRANSACTIONS EFFECTED DURING THE PAST SIXTY DAYS OR
SINCE THE MOST RECENT FILING ON SCHEDULE 13D (1)

	DATE	SHARES PURCHASED SOLD(-)	AVERAGE PRICE(2)
COMMON STOCK-NATIONAL PRESTO			
MARIO J. GABELLI			
	4/18/02	1,000	31.9700
MJG ASSOCIATES, INC.			
	4/15/02	1,000-	33.2540
	4/04/02	2,000	29.7165
GABELLI PERFORMANCE PARTNERSHIP			
	4/05/02	600	30.1917
	4/04/02	1,600	29.7165
GABELLI INTERNATIONAL LTD			
	4/04/02	1,000	29.7165
GAMCO INVESTORS, INC.			
	4/26/02	1,000	32.2000
	4/25/02	500	32.2500
	4/24/02	500	32.2400
	4/24/02	4,500	32.3376
	4/24/02	500	32.6500
	4/23/02	500	32.4800
	4/22/02	1,400	32.2489
	4/19/02	2,300	32.1339
	4/18/02	2,000	31.9390
	4/18/02	500	32.1260
	4/18/02	5,400	32.1183
	4/17/02	1,500	32.2500
	4/17/02	1,000	32.2720
	4/17/02	1,000-	32.3020
	4/17/02	3,500	32.3269
	4/17/02	1,000	32.3109
	4/15/02	500	32.8500
	4/15/02	500	33.0000
	4/15/02	1,500	32.8475
	4/12/02	1,500	31.6180
	4/11/02	1,500	31.2240
	4/10/02	300	31.0000
	4/10/02	1,000	31.1500
	4/10/02	500	31.2700
	4/09/02	1,000	30.9970
	4/09/02	1,000	30.9000
	4/09/02	1,000	30.9700
	4/09/02	500	31.0400
	4/09/02	3,300	30.9258
	4/09/02	500	30.8500
	4/08/02	10,500	30.6015
	4/05/02	2,500	30.4184

SCHEDULE II

INFORMATION WITH RESPECT TO
TRANSACTIONS EFFECTED DURING THE PAST SIXTY DAYS OR
SINCE THE MOST RECENT FILING ON SCHEDULE 13D (1)

	DATE	SHARES PURCHASED SOLD(-)	AVERAGE PRICE(2)
COMMON STOCK-NATIONAL PRESTO			
GAMCO INVESTORS, INC.			
	4/04/02	1,000	30.2020
	4/04/02	500	29.7200
	4/04/02	500	29.9800
	4/04/02	1,000	30.0000
	4/03/02	1,000	29.3400
	4/03/02	500	29.3000
GABELLI ADVISERS, INC.			
	4/08/02	2,400	30.4188
	4/04/02	1,200	29.8000
	4/03/02	2,500	29.4261
	3/28/02	500	28.9000
GABELLI FUNDS, LLC.			
GABELLI SMALL CAP GROWTH FUND			
	4/26/02	1,000	32.3000
	4/22/02	1,000	32.1100
	4/03/02	1,000	29.4261
GABELLI EQUITY INCOME FUND			
	4/03/02	1,100	29.4261
	3/26/02	2,000	28.4280

(1) UNLESS OTHERWISE INDICATED, ALL TRANSACTIONS WERE EFFECTED ON THE NYSE.

(2) PRICE EXCLUDES COMMISSION.

Exhibit A

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(f) under the securities Exchange Act of 1934, as amended, the undersigned hereby agree to the joint filing with all other Reporting Entities (as such term is defined in the Schedule 13D referred to below) on behalf of each of them of a statement on Schedule 13D (including amendments thereto) with respect to the Common Stock, par value of $1.00 per share, of National Preston Industries, Inc. and that this Agreement be included as an Exhibit to such joint filing. This Agreement may be executed in any number of counterparts all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned hereby execute this agreement this 29th of April, 2002.

MARIO J. GABELLI
MARC J. GABELLI
GABELLI PERFORMANCE PARTNERSHIP L.P.
GABELLI INTERNATIONAL LIMITED
GABELLI INTERNATIONAL II LIMITED
GABELLI FUND, LDC
GABELLI FOUNDATION, INC.
GEMINI CAPITAL MANAGEMENT LLC

By:/s/ James E. McKee

James E. McKee
Attorney-in-Fact

GABELLI GROUP CAPITAL PARTNERS, INC.
GABELLI ASSET MANAGEMENT INC.
GABELLI FUNDS, LLC
GABELLI SECURITIES, INC.
GABELLI & COMPANY, INC.
GABELLI ADVISERS, INC.

By: /s/ James E. McKee____________________________

James E. McKee
Secretary

ALCE PARTNERS, L.P.
GABELLI MULTIMEDIA PARTNERS, L.P.
GABELLI EUROPEAN PARTNERS MASTER FUND, LTD.
GABELLI GLOBAL PARTNERS MASTER FUND, LTD.
GABELLI ASSOCIATES LIMITED
GABELLI ASSOCIATES FUND

By:/s/ James E. McKee

James E. McKee
Secretary of Gabelli Securities Inc.

LYNCH CORPORATION
SPINNAKER INDUSTRIES, INC
BRIGHTON COMMUNICATIONS CORPORATION
LYNCH INTERACTIVE CORPORATION
WESTERN NEW MEXICO
INTER-COMMUNITY TELEPHONE COMPANY

BY:/s/ James E. McKee

James E. McKee
Attorney-in-Fact

GABELLI & COMPANY, INC.
PROFIT SHARING PLAN

By:/s/ Douglas R. Jamieson

Douglas R. Jamieson
Trustee

GAMCO INVESTORS, INC.

By:/s/ Douglas R. Jamieson
Douglas R. Jamieson
Executive Vice President

sp;

We enclose with this Notice of Annual Meeting and Proxy Statement a proxy card (with voting instructions) and a copy of the Corporation's 2017 Annual Report on Form 10-K.

BY ORDER OF THE BOARD OF DIRECTORS

Timothy J. Nieman, Esq.
Secretary

York, Pennsylvania

April 6, 2018

YOUR VOTE IS IMPORTANT. PLEASE VOTE PROMPTLY, EITHER ELECTRONICALLY THROUGH THE INTERNET, BY TELEPHONE, OR BY COMPLETING, SIGNING AND RETURNING YOUR PROXY CARD.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 15, 2018. This Notice of Annual Meeting and Proxy Statement, proxy card and 2017 Annual Report are available at: www.proxyvote.com.

4

GENERAL

Introduction

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Codorus Valley Bancorp, Inc. (the "Corporation") to be used at the 2018 Annual Meeting of Shareholders. This Proxy Statement and the related proxy card are being first distributed to shareholders on or about April 6, 2018.

The Corporation will bear the expense of soliciting proxies. In addition to the use of the mail, the directors, officers and employees of the Corporation and its subsidiaries may, without additional compensation, solicit proxies in person or by telephone, e-mail, Internet or facsimile.

The Annual Meeting of Shareholders will be held on Tuesday, May 15, 2018, 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 February 28, 2018, are entitled to vote at the meeting.

At the Annual Meeting, shareholders will vote:

To elect three Class A directors, each to serve for a three-year term and until their successors are elected and qualified;
To approve an advisory, non-binding resolution regarding executive compensation;
To amend the Corporation's Articles of Incorporation to increase the aggregate number of shares of the Corporation's common stock which the Corporation may issue from 15 million to 30 million;
To ratify the appointment of BDO USA, LLP as the Corporation's Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2018; and
To transact any other business that may properly come before the meeting and any adjournment or postponement of the meeting.

In addition, the Corporation may ask shareholders to approve the minutes of the prior shareholders' meeting. However, approval of such minutes is an administrative action and does not constitute approval of, or a vote for, any of the matters set forth in the minutes.

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. Alternatively, you may vote by telephone or electronically through the Internet by following the instructions on the proxy card. Submitting your voting instructions through one of these methods will not affect your right to attend the meeting and will not limit your right to vote at the annual meeting if you later decide to attend in person.

If your shares are held in a 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, who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you may have the right to direct your broker or nominee 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. Please contact your broker or nominee for a voting instruction card for you to use in directing the broker or nominee how to vote your shares. **Please note that brokers or nominees may not cast a vote on your behalf for the election of directors or on any other matter that is not routine without instruction from you.**

By properly completing a proxy, you appoint Cindy L. Baugher, Jann Allen Weaver and Wanda Waugh 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 director nominees identified in this Proxy Statement, FOR approval of the advisory, non-binding resolution regarding executive compensation, FOR approval of amending the Corporation's Articles of Incorporation to increase the aggregate number of shares of the Corporation's common stock which the Corporation may issue from 15 million to 30 million and FOR ratification of BDO USA, LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2018.

You may revoke a previously delivered proxy by delivering written notice of revocation to Timothy J. Nieman, Esq., Secretary of the Corporation, or by executing a later dated proxy and giving written notice of the revocation to Mr. Nieman at any time before the proxy is voted at the Annual Meeting. If you submitted your proxy by Internet or by telephone, you can vote again by voting over the Internet or by telephone. We will honor the latest vote received. Proxy holders will vote shares represented by written proxies, if properly signed and returned to the Secretary, in accordance with instructions of the shareholders.

If you are 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. Equiniti Trust Company, 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 28, 2018, the record date for the Annual Meeting, the Corporation had 8,913,098 shares of common stock, par value $2.50 per share, issued and outstanding. Each share is entitled to one vote on all matters submitted to a vote of the shareholders.

Quorum

A majority of the outstanding shares of common stock, represented in person or by proxy, constitutes a quorum for the conduct of business at the Annual Meeting. Under Pennsylvania law and the Corporation's Bylaws, the presence of a quorum is required for each matter to be acted upon at the meeting. Votes withheld and abstentions, while not votes cast, will be counted as present for purposes of determining the presence of a quorum. Shares of common stock represented by "broker non-votes" (i.e., shares of common stock held in record name by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power under applicable rules of the New York Stock Exchange or the instrument under which it serves in such capacity, or (iii) the record holder has indicated on the proxy or otherwise notified the Corporation that it does not have authority to vote such shares on that matter) will be counted as present for purposes of determining the presence of a quorum only if such shares have been voted at the meeting on a matter other than a procedural motion.

Required Vote

In the case of the election of directors, the three nominees receiving the highest number of votes shall be elected. A "Withhold" vote will have the effect of a vote against the election of the nominee. Abstentions and broker non-votes will have no effect on the election of directors.

Approval of each of the other proposals identified in this Proxy Statement requires the affirmative vote of a majority of the votes cast at the meeting, in person or by proxy. Abstentions and broker non-votes that are counted only for purposes of determining a quorum will have the effect of a vote against each of these other proposals.

Although the Board knows of no other business to be presented at the Annual Meeting, 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 instructions of the Board as permitted by Securities and Exchange Commission (SEC) Rule 14a-4(c).

Cautionary Statement Regarding Forward-Looking Statements

This Proxy Statement and the documents that have been incorporated herein by reference may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, these statements can be identified by the use of words such as “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “target,” “will,” “would” and similar expressions. Actual results and trends could differ materially from those set forth in such statements due to various risks, uncertainties and other factors. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: ineffectiveness of our business strategy due to changes in current or future market conditions; the effects of competition, and of changes in laws and regulations, including industry consolidation and development of competing financial products and services; interest rate movements; changes in credit quality; inability to achieve merger-related synergies; difficulties in integrating distinct business operations, including information technology difficulties; volatilities in the securities markets; and deteriorating economic conditions, and other risks and uncertainties, including those detailed in our filings with the SEC.

Although forward-looking statements help provide additional information about us, investors should keep in mind that forward-looking statements are only predictions, at a point in time, and are inherently less reliable than historical information. You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Proxy Statement. We assume no obligation to update any forward-looking statement in order to reflect any event or circumstance that may arise after the date of this Proxy Statement, other than as may be required by applicable law or regulation.

GOVERNANCE OF THE CORPORATION

Our Board of Directors believes that the purpose of corporate governance is to maximize long-term shareholder value in a manner consistent with applicable law and with the highest standards of integrity. The Board adheres to corporate governance practices that the Board and management believe promote this purpose, are sound and represent best practices. We continually review these governance practices against changes in applicable federal and Pennsylvania (the state in which we are incorporated) law, the rules and listing standards of the NASDAQ Stock Market, and the rules and regulations of the SEC, as well as best practices suggested by recognized governance authorities.

Director Independence

Currently, our Corporate Board of Directors has eight (8) members. The Board has determined that the following seven (7) directors are independent in accordance with the independence standards of the NASDAQ Stock Market: Harry R. Swift, Esq., Lead Director; Brian D. Brunner; Cynthia A. Dotzel, CPA; John W. Giambalvo, Esq.; Jeffrey R. Hines, P.E.; MacGregor S. Jones; and Dallas L. Smith.

In determining the directors' independence, in addition to matters disclosed under "Related Person Transactions", the Board of Directors considered each director's beneficial ownership of Corporation common stock and loan transactions between the Corporation's wholly-owned bank subsidiary, PeoplesBank, a Codorus Valley Company (the "Bank"), and the directors, their family members and businesses with whom they are associated, as well as any contributions made by the Bank to non-profit organizations with whom such persons are associated. In each case, the Board determined that none of the transactions above impaired the independence of the director.

Board Structure

The Corporation's senior leadership is currently shared between the Board's Chairman, President and Chief Executive Officer and the Board's Vice Chairman and Lead Director.

The Board believes that Mr. Miller's service as President and Chief Executive Officer of the Bank from 1981 to 2016 and the Corporation since its incorporation in 1986 uniquely qualifies him for this role, and that the addition of several key members to the Corporation's executive management team in recent years allows Mr. Miller the time necessary to perform the additional duties of Chairman. The Board of Directors also believes that Mr. Miller's leadership of the Corporation over the last thirty years, together with his knowledge of the current business and regulatory environment, will ensure that management is aligned with the Board and positioned to effectively implement the business strategy endorsed by the Board.

7

Our Chairman is currently responsible for ensuring the smooth functioning and efficient operation of our Board by guiding the processes of our Board, presiding at Board meetings and at shareholder meetings, and acting as a liaison between our Board and our management team. In this regard, our Chairman consults regularly with our executives over business matters and provides our executives with consultation and advice on matters that require prompt attention.

The Corporation has designated Harry R. Swift, Esq., as the independent Lead Director. As Lead Director, Mr. Swift presides at any Board meeting at which the Chairman is not present, including executive sessions of the independent directors; serves as a liaison between the Chairman and the independent directors; reviews and consults with the Chairman regarding meeting agendas and meeting schedules of the Board; has the authority to call meetings of the independent directors; receives and responds directly to shareholder and other stakeholder questions and comments that are directed to the Lead Director or to the independent directors as a group; assists with the identification and recommendation of Board candidates; serves as a member of the Corporate Governance and Nominating Committee; and serves as a member of the Compensation Committee and participates in its evaluation and discussion of the Corporation's Chief Executive Officer's performance with the Chief Executive Officer.

Moreover, on at least a semi-annual basis, when the independent directors meet in executive session, without the presence of management, the independent directors meet under the leadership of the independent Lead Director.

Meetings and Committees of the Board of Directors

The Board of Directors of Codorus Valley Bancorp, Inc. met fourteen (14) times during 2017. During 2017, 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 then serving directors attended the 2017 Annual Meeting of Shareholders with the exception of Mr. Swift, and we anticipate that all directors will attend this year's meeting.

The Board of Directors of the Corporation has a standing Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Enterprise Risk Management Committee, each of which is described below.

Audit Committee. The Audit Committee of the Board of Directors is comprised solely of directors who meet the applicable standards for independence of audit committee members of the NASDAQ Stock Market and possess the requisite knowledge or experience to serve on the Audit Committee. The current members of the Audit Committee are: Cynthia A. Dotzel, CPA (Chair); Jeffrey R. Hines, P.E. (Vice Chair); John W. Giambalvo, Esq.; and Dallas L.

Smith. The Audit Committee met four (4) times during 2017.

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 auditing procedures and recommending to the Board the engagement of the Corporation's independent registered public accounting firm. The Audit Committee has the authority to engage legal counsel or other experts or consultants as it deems appropriate to carry out its responsibilities.

Cynthia A. Dotzel, CPA, Chair of the Committee, has been designated by the Board as the Audit Committee financial expert. In designating Ms. Dotzel as the Audit Committee financial expert, the Board considered her more than 35 years' experience as a practicing certified public accountant, and her prior audit committee experience. Furthermore, the Board of Directors believes that each Audit Committee member has sufficient knowledge in financial and auditing matters to serve on the committee.

The Audit Committee operates under a written charter, which is available on the Corporation's website at *www.peoplesbanknet.com*. Click on the "Investor Relations" link at the bottom of the home page, click on "Governance Documents" in the right-hand margin, and then click on the "Audit Committee Charter" link.

Compensation Committee. All members of the Compensation Committee are independent under applicable independence standards of the NASDAQ Stock Market. The current members of the Compensation

Committee are: Jeffrey R. Hines, P.E. (Chair); John W. Giambalvo, Esq. (Vice Chair); Brian D. Brunner; Cynthia A. Dotzel, CPA; MacGregor S. Jones; Dallas L. Smith; and Harry R. Swift, Esq. The Compensation Committee met eight (8) times during 2017.

The principal duties of the Compensation Committee include evaluating and recommending to the Board compensation plans, policies, and programs for the executive officers of the Corporation and its subsidiaries. The Compensation Committee may delegate any of its responsibilities to a subcommittee comprised of three or more members of the committee.

The Compensation Committee's processes and procedures for consideration and determination of executive compensation are described below in the section titled "Compensation Discussion and Analysis" entitled "Role of the Compensation Committee, Management and Compensation Consultant in the Executive Compensation Process."

The Compensation Committee operates pursuant to a written charter, which is available on the Corporation's website at *www.peoplesbanknet.com*. Click on the "Investor Relations" link at the bottom of the home page, click on "Governance Documents" in the right-hand margin, and then click on the "Compensation Committee Charter" link. The Committee has the authority under its charter to select, retain and terminate counsel, consultants and other experts. For information concerning Meridian Compensation Partners, LLC, the compensation consultant currently retained by the committee, see the section of "Compensation Discussion and Analysis" entitled "Role of the Compensation Consultant."

Corporate Governance and Nominating Committee. All members of the Corporate Governance and Nominating Committee are independent under applicable independence standards of the NASDAQ Stock Market. The current members of the Corporate Governance and Nominating Committee are: Jeffrey R. Hines, P.E. (Chair); Harry R. Swift, Esq. (Vice Chair); Brian D. Brunner; Cynthia A. Dotzel, CPA; John W. Giambalvo, Esq.; MacGregor S. Jones; and Dallas L. Smith. The Corporate Governance and Nominating Committee met two (2) times during 2017.

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 operates pursuant to a written charter, which is available on the Corporation's website at *www.peoplesbanknet.com*. Click on the "Investor Relations" link at the bottom of the home page, click on "Governance Documents" in the right-hand margin, and then click on the "Corporate Governance and

Nominating Committee Charter” link.

Role of the Board in Risk Oversight

The Board of Directors is responsible for oversight of the various risks facing the Corporation. In this regard, the Board seeks to understand and oversee the most critical risks relating to the Corporation’s business, to allocate responsibilities for the oversight of risks among the full Board and its committees, and to see that management has in place effective systems and processes for managing risks facing the Corporation. Overseeing risk is an ongoing process, and risk is inherently tied to strategy and to strategic decisions. Accordingly, the Board considers risk throughout the year and with respect to specific proposed actions. While the Board oversees risk, management is charged with identifying and managing risk within the risk appetites set by the Board.

The Board implements its risk oversight function both as a whole and through delegation to various committees. These committees meet regularly and report back to the full Board. The following committees play particularly significant roles in carrying out the risk oversight function.

9

The Enterprise Risk Management Committee: The Enterprise Risk Management Committee operates pursuant to a written charter, and provides general risk oversight and is generally responsible for risk management, which includes monitoring and ensuring that credit risk, interest rate risk, liquidity risk, price risk, transaction risk, compliance risk, strategic risk and reputation risk assumed by the Corporation is consistent with the levels established by the Board.

The committee is comprised of the Chief Risk Officer (Chair), Executive Chairman of the Bank, President and Chief Executive Officer of the Bank, General Counsel, Chief Financial Officer, Chief Credit Officer, BSA and Security Officer, and Loan Review Officer, as well as representatives from the Board of Directors (currently MacGregor S. Jones and Harry R. Swift, Esq.). The Enterprise Risk Management Committee met six (6) times during 2017. The Enterprise Risk Management Committee takes minutes at each of its meetings, and those minutes are reviewed and accepted by the Board of Directors.

The Compensation Committee: The Compensation Committee evaluates the risks and rewards associated with the Corporation's compensation philosophy and programs.

The Audit Committee: The Audit Committee oversees the Corporation's processes for assessing risks and the effectiveness of the Corporation's system of internal controls. In performing this function, the Audit Committee considers information from the Corporation's independent registered public accounting firm, internal auditors, and other consultants as it determines appropriate, and discusses relevant issues with management and the independent registered public accounting firm.

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 consideration and nomination. The Corporate Governance and Nominating Committee and the Board of Directors endeavor to recruit and retain Board members who demonstrate intellectual capacity, strong interpersonal skills, good business instinct, objectivity and the highest level of personal and professional integrity. 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 complementary skills, talents and qualities that will position the Corporation to successfully implement its strategic vision.

In addition to requiring that each existing director and candidate for nomination possesses 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 participating in, all meetings of the Board of Directors and any committees to which he or she may be assigned. When the Corporate Governance and Nominating Committee is considering current members of the Board of Directors for nomination for reelection, the Committee considers prior performance, as well as meeting attendance records.

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 management. Potential candidates may also be identified through contacts in the business, civic, academic, legal and non-profit communities served by the Corporation. The Chair of the Corporate Governance and Nominating Committee determines how best to approach director candidates regarding a potential nomination.

Regarding new director candidates, the Corporate Governance and Nominating Committee will evaluate whether the nominee is independent, as independence is defined under applicable standards of the NASDAQ Stock Market, and whether the nominee meets the qualifications for directors outlined above, as well as any special qualifications applicable to membership on any committee to which the nominee may be appointed to serve if

10

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 prior to making a decision.

The Corporate Governance and Nominating Committee will consider recommendations received from Corporation shareholders. Shareholders may recommend qualified director candidates by writing to:

Timothy J. Nieman, 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 Board does not have a formal policy for considering director candidates recommended by shareholders due to the infrequency of nominations, but its policy is to give due consideration to any and all candidates and there are no differences in how the Corporate Governance and Nominating Committee evaluates a candidate for director based on whether the candidate is recommended by the Committee or by a shareholder.

Nomination of Directors

Article 10, Section 10.1 of the Corporation's Bylaws requires that nominations for election as a director 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 office 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 provide the specific information required by Section 10.1 of the Bylaws. The Board is required to determine whether nominations have been made in accordance with the requirements of the Bylaws. If the Board determines that a nomination was not made in accordance with the Bylaws, the shareholder may 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 Timothy J. Nieman, Esq., Corporate Secretary, Codorus Valley Bancorp, Inc., P.O. Box 2887, York, PA 17405-2887. Additionally, a copy of the Corporation’s current Bylaws has been filed with the SEC as Exhibit 3.1 to Form 8-K filed January 12, 2016.

Deadline for Submission of Shareholder Proposals

In order for a shareholder to include a proposal in the Corporation’s Proxy Statement for presentation at the 2019 Annual Meeting of Shareholders, the proposal must be received by the Corporation at its principal executive offices c/o Timothy J. Nieman, Esq., Corporate Secretary, Codorus Valley Bancorp, Inc., P.O. Box 2887, York, PA 17405-2887, no later than December 7, 2018. Any such proposal must comply with Rule 14a-8 of Regulation 14A of the proxy rules of the SEC. If a shareholder proposal is submitted to the Corporation after December 7, 2018, it will not be included in the Corporation’s 2019 Proxy Statement.

For any proposal that is not submitted for inclusion in next year’s proxy statement (as described in the preceding paragraph), but is instead sought to be presented directly at the next Annual Meeting, the Corporation’s Bylaws require shareholders to give advance notice of such proposals. The required notice, which must include the information and documents set forth in Section 2.6(b) of the Bylaws, must be given not less than 120 days prior to the first anniversary of the date of the Corporation’s proxy statement released to shareholders in connection with the preceding year’s Annual Meeting. If notice is not received by the Corporation within this timeframe, the

Corporation will consider such notice untimely. Under Rule 14a-4(c)(1) of the Securities Exchange Act of 1934, as amended, if any shareholder proposal intended to be presented at the Annual Meeting without inclusion in our proxy statement is received within the required timeframe and is properly presented, then a proxy will have the ability to confer discretionary authority to vote on the proposal.

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 its independent directors, individually, or the Board of Directors, collectively, by submitting written correspondence to the following address:

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

c/o Timothy J. Nieman, Esq.

Corporate Secretary

Codorus Valley Bancorp, Inc.

P.O. Box 2887

York, PA 17405-2887

The Corporate Secretary may facilitate 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.

PROPOSAL 1 – Election of Directors

The Corporation’s Bylaws provide that the Board of Directors shall consist of not less than five (5) nor more than twenty-five (25) persons. The Bylaws also provide that the Board of Directors shall be divided into three (3) classes, with directors of each class to be elected for a term of three (3) years, so that the term of office of one class of directors expires at the annual meeting each year. Each class consists, as nearly as possible, of one-third of the directors. The Board of Directors determines the number of directors in each class.

A majority of the Board of Directors may increase or decrease 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. The Corporation's Bylaws mandate the retirement of directors at age 75.

The Board of Directors has fixed the number of directors at eight (8). There are three (3) nominees for the Board of Directors for election at the 2018 Annual Meeting. The Board of Directors has nominated the following three (3) individuals for election to the Board of Directors, each for a three-year term:

Nominees for Class A Directors

<u>For a Three Year Term Expiring in 2021</u>

Brian D. Brunner

Jeffrey R. Hines, P.E.

Dallas L. Smith

Each of the nominees presently serves as a director of the Corporation.

If the nominees should become unavailable for any reason, proxies received from shareholders will be voted in favor of substitute nominees, as the Board of Directors shall determine. The Board of Directors has no reason to believe that the nominees will be unable to serve if elected.

12

Cumulative voting does not exist in the election of directors. Each share of Corporation common stock is entitled to cast one vote for each nominee. For example, if a shareholder owns ten shares of common stock, he or she may cast up to ten votes for each of the three nominees to be elected.

The Board of Directors recommends a vote FOR the foregoing nominees.

Information about Nominees and Continuing Directors

Information, as of April 6, 2018, concerning the three nominees for election to the Board of Directors and the five continuing directors appears below. Each of the nominees and continuing directors also serves as a director of the Bank.

Name and Age	Director Since	Principal Occupation and Business Experience for the Past Five Years and Positions Held With Codorus Valley Bancorp, Inc. and Subsidiaries
Class A –Continuing Directors with Terms Expiring in 2018		Nominees for Class A – Continuing Directors with Terms Expiring in 2021
Brian D. Brunner (62)	2016	Mr. Brunner has served as a director of the Corporation since January 12, 2016 and the Bank since September 15, 2015. He is a member of the Corporation's Corporate Governance and Nominating Committee, the Corporation's Compensation Committee and Chair of the Bank's Strategic Technology and Cybersecurity Committee. Mr. Brunner serves as the Division President of Account and Item Processing Sales within the Global Sales Organization of Fiserv, Inc. and is also a member of the Association for Financial Technology. Mr. Brunner was an organizer and founding director of Bay Net Community Bank, a de novo bank established in the Baltimore, Maryland region. Mr. Brunner previously served as an independent director on the Board of Madison Bancorp, Inc., which was acquired by Codorus Valley Bancorp, Inc. on January 16, 2015. The Corporate Governance and Nominating Committee believes that his 30 plus years of experience in the financial services industry, extensive knowledge of the Maryland markets and expertise in financial services technology enables Mr. Brunner to provide unique expertise to the Board of Directors and has nominated him for re-election.
	2011	

Jeffrey R. Hines, P.E. (56)	Mr. Hines has served as a director of both the Corporation and the Bank since 2011. He is currently Chair of the Corporation’s Corporate Governance and Nominating Committee, Chair of the Compensation Committee and Vice Chair of the Audit Committee. Since 2008, Mr. Hines has served as President and Chief Executive Officer, as well as a member of the Board of Directors, of The York Water Company, a Pennsylvania public utility and NASDAQ listed company. Mr. Hines served in various additional capacities with The York Water Company since 1995, including Vice President of Engineering, Secretary, Chief Operating Officer and Engineering Manager. Mr. Hines also serves in leadership roles on numerous non-profit and trade organizations.

13

		The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Hines has developed through his business background, his leadership role at The York Water Company, Inc., and his leadership roles in non-profit and trade organizations enable him to provide continued business expertise to the Board of Directors and recommends him for re-election.
Dallas L. Smith (72)	1986	Mr. Smith has served as a director of both the Corporation and the Bank since 1986 and 1983, respectively, and is a member of the Corporation's Corporate Governance and Nominating Committee, the Compensation Committee and the Audit Committee and is a member of the Bank's Wealth Management Committee. Since 1988, Mr. Smith has served as President of Bruce V. Smith, Inc., a retail corporation specializing in furniture (doing business as Smith Village), originally established by his father in 1932. Mr. Smith is a graduate from The Wharton School, University of Pennsylvania and is a native resident of York County. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Smith has developed through his economic background and his professional experiences as a business leader in the retail sector, as well as his knowledge and experience as director of the Bank and Corporation, enable him to provide continued business expertise to the Board of Directors and recommends him for re-election.
Class B-Continuing Directors with Terms Expiring in 2019		
Cynthia A. Dotzel, CPA (63)	2011	A lifelong resident of York County, Ms. Dotzel currently serves as a director and practicing CPA with the public accounting firm of Baker Tilly Virchow Krause, LLP, which acquired SF & Company, CPAs & Business Advisors, in November 2015, where she practiced as a CPA since 2009. Ms. Dotzel has served as a director of both the Corporation and Bank since 2011 and is the Chair of the Corporation's Audit Committee, a member of both the Compensation Committee and Corporate Governance Committee and the Bank's Wealth Management Committee. Prior to her current position, Ms. Dotzel founded the accounting firm Dotzel and Company. She has over 35 years of experience in the accounting industry. Additionally, Ms. Dotzel has numerous civic, charitable and professional affiliations, many of which involve leadership roles, and previously served as a Board Member and Audit Committee Chair for Waypoint Financial Corp., Waypoint Bank, York Financial Corp. and York Federal Savings & Loan. The Corporate Governance and Nominating Committee believes that Ms. Dotzel's professional and financial services experience, as well as her roles in civic, charitable and professional organizations, enable her to provide continued business and financial expertise to the Board of Directors.

Harry R. Swift, Esq. (70)	2012	Mr. Swift currently serves as the Board's Lead Director. Mr. Swift has served as a director of both the Corporation and the Bank since January 2012. He is a member of the Corporation's

14

Enterprise Risk Management Committee and Compensation Committee, and is Chair of the Bank's Wealth Management Committee, Vice Chair of the Corporate Governance Committee and member of the Bank's CRA Committee. A resident of York County since 1973, Mr. Swift is an attorney and was employed with the Bank beginning in 1997 and retired as General Counsel and Secretary on December 31, 2013. He remained employed with the Bank on a part time basis through March 2014. At various times, Mr. Swift served as Executive Vice President, Secretary, Chief Operating Officer, General Counsel, and Cashier of the Bank and/or the Corporation. Prior to his employment with the Bank, Mr. Swift was in private practice and provided representation to the financial services industry. Mr. Swift has over 30 years of combined service in the financial services industry.

The Corporate Governance and Nominating Committee believes that his 30 plus years of experience in the financial services industry enables Mr. Swift to provide continued business and institutional expertise to the Board of Directors.

Class C – Continuing Directors with Terms Expiring in 2020

John W. Giambalvo, Esq. (49)	2017	Mr. Giambalvo has served as a director of the Bank since January 12, 2017, and director of the Corporation since July 11, 2017. He is a member of the Corporation's Corporate Governance and Nominating Committee, Vice Chair of the Compensation Committee, member of the Audit Committee and is also a member of the Bank's Strategic Technology and Cybersecurity Committee. Mr. Giambalvo is the President and CEO of Jack Giambalvo Motor Co., Inc., and has over 20 years' experience in the auto industry. Mr. Giambalvo started his professional career as a law clerk for the Honorable John C. Uhler, and then became an Assistant District Attorney in York, PA. Mr. Giambalvo previously served as a member of the Board of Directors of the PA Automobile Dealers Association. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Giambalvo has developed through his professional experiences as a business leader and lawyer, as well as his knowledge and experience as a director of the Bank and Corporation, enable him to provide continued business expertise to the Board of Directors.
MacGregor S. Jones (72)	1993	A resident of York County since 1957, Mr. Jones has served as a director of both the Corporation and the Bank since 1993. He currently is a member of the Corporation's Corporate Governance and Nominating Committee, the Compensation Committee and the Enterprise Risk Management Committee. A 1968 graduate of Gettysburg College, during his career Mr. Jones worked in the manufacturing industry for AMF, Inc., in the computer industry for Computer Allied Systems, Inc., and is a retired Ford and General Motors dealership owner. Currently, Mr. Jones is heavily

involved in the field of automotive fuel and energy technology as a

15

		stockholder of Talbert Fuel Systems, Inc. and as a Member of York Innovators Group, LLC. Mr. Jones has served in governance capacities for: Gettysburg College, York-Adams Boy Scout Council, Yorkshire United Methodist Church, and on many boards and committees throughout the York community. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Jones has developed through his business background, his leadership roles in charitable and community organizations, and his professional experiences as a business leader, as well as his knowledge and experience as director of the Bank and Corporation, enable him to provide continued business expertise to the Board of Directors.
Larry J. Miller (66)	1986	Mr. Miller currently serves as Chairman of the Board, President and Chief Executive Officer for the Corporation, Executive Chairman of the Bank and is currently a member of the Corporation's Enterprise Risk Management Committee, and the Bank's CRA Committee. A resident of York County since 1972, Mr. Miller has served as a director, President and Chief Executive Officer of the Corporation since 1986 and the Bank from 1981 to 2016, and served as Vice Chairman of both Boards from 2004 until his appointment as Chairman in August 2015. He attended York College of Pennsylvania, is a graduate from The Pennsylvania School of Banking at Bucknell University, and has served as Chairman of the Board of Directors of the United Way of York County, the York County Economic Development Corporation, YorkCounts, the Cultural Alliance of York County and Wellspan Health System. Mr. Miller serves in leadership capacities for various other non-profit organizations. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Miller has developed through his banking background, his leadership roles in charitable and community organizations, and his professional experiences as a business leader, as well as his knowledge and experience as director and President and Chief Executive Officer of the Bank and Corporation, enable him to provide continued banking and business expertise to the Board of Directors.

INFORMATION CONCERNING SECURITY OWNERSHIP

Beneficial ownership of shares of the Corporation's common stock is determined in accordance with SEC 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, in which the person has or shares:

Voting power, which includes power to vote or to direct the voting of the stock;

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 February 28, 2018.

Beneficial Ownership of Principal Holders

The following table shows, to the best of the Corporation's knowledge, those persons or entities who owned of record or beneficially, on December 31, 2017, more than 5% of the Corporation's outstanding common stock.

Name & Address of Beneficial Owner	**Amount & Nature of Beneficial Ownership**	**Percent of Class**
The Banc Funds Company LLC affiliates 20 North Wacker Drive, Suite 3300 Chicago, IL 60606	808,299[(1)]	9.10%
FMR LLC 245 Summer Street Boston, MA 02210	755,904[(2)]	8.51%
Maltese Capital Management LLC 150 East 52nd Street, 30th Floor New York, NY 10022	449,462[(3)]	5.06%

(1) This information is based solely on Schedule 13G/A filed jointly by Banc Fund VII L.P., Banc Fund VIII, L.P., and Banc Fund IX L.P., with the SEC on February 14, 2018, reporting ownership as of December 31, 2017.

(2) This information is based solely on Schedule 13G/A filed by FMR LLC with the SEC on February 13, 2018 reporting ownership as of December 30, 2017.

(3) This information is based solely on Schedule 13G filed by Maltese Capital Management LLP with the SEC on February 12, 2018 reporting ownership as of December 31, 2017.

17

Beneficial Ownership of Executive Officers and Directors

The following table sets forth, as of February 28, 2018, and from information supplied by the respective persons, the amount and the percentage, if over 1%, of the common stock of the Corporation beneficially owned by each director, each nominee for director, each of the named executive officers and all executive officers and directors of the Corporation as a group.

Name of Individual or Identity of Group	Amount and Nature of Beneficial Ownership[1]	Percent of Class
Directors and Nominees		
Brian D. Brunner	18,335[2]	*
Cynthia A. Dotzel, CPA	45,947[3]	*
John W. Giambalvo, Esq.	7,674[4]	*
Jeffrey R. Hines, P.E.	12.048[5]	*
MacGregor S. Jones	36,977[6]	*
Larry J. Miller	117,941[7]	1.32%
Dallas L. Smith	56,046[8]	*
Harry R. Swift, Esq.	5,564[9]	*
Named Executive Officers		
Charles T. Field, CPA	2,733[10]	*
A. Dwight Utz	17,918[11]	*
Diane E. Baker, CPA	15,251[12]	*
Amy L. Doll	11,400[13]	*
All Executive Officers and Directors as a Group (12 persons)	347,834	3.87%

* Indicates beneficial ownership of less than 1%.

[1] Unless otherwise indicated, to the knowledge of the Corporation, all persons listed have sole voting and investment power with respect to their shares of Corporation common stock, except to the extent authority is shared by spouses under applicable law. Fractional shares beneficially owned by such individuals have been rounded down to the number of whole shares beneficially owned. Pursuant to the rules of the SEC, the number of shares of common stock deemed outstanding includes shares issuable pursuant to options held by the respective person or group that are currently exercisable or may be exercised within 60 days of February 28, 2018 (“presently exercisable stock options”).

[2] Includes 17,027 shares held jointly with Mr. Brunner’s spouse.

[3] Includes 6,710 shares issuable pursuant to presently exercisable stock options.

[4] Includes 2,756 shares held in a profit sharing plan for his benefit.

(5) Includes 770 shares held jointly with Mr. Hines' spouse, 1,447 shares held by his spouse and 8,581 shares issuable pursuant to presently exercisable stock options.

(6) Includes 25,733 shares held jointly with Mr. Jones' spouse, 4,456 shares held in his spouse's IRA, and 3,173 shares issuable pursuant to presently exercisable stock options.

(7) Includes 25,816 shares held jointly with Mr. Miller's spouse, 2,098 shares held jointly with his daughter, 2,098 shares held jointly with his son, 1,559 shares held in Mr. Miller's IRA, 6,133 shares of unvested restricted stock, and 3,992 shares issuable pursuant to presently exercisable stock options.

(8) Includes 837 shares held in Mr. Smith's spouse's IRA and 27,956 shares issuable pursuant to presently exercisable stock options.

(9) Includes 551 shares held in Mr. Swifts' IRA.

(10) Includes 1,575 of unvested restricted stock.

(11) Mr. Utz was terminated from his position as Executive Vice President and Chief Operating Officer of the Corporation on February 5, 2018. Mr. Utz beneficially owned 17,918 shares as of the date of his termination.

(12) Includes 2,530 shares of unvested restricted stock and 7,421 shares issuable pursuant to presently exercisable stock options.

(13) Includes 2,765 shares of unvested restricted stock and 7,000 shares issuable pursuant to presently exercisable stock options.

Executive Officers

The following table identifies each of the executive officers of the Corporation, their age as of April 6, 2018, the position they currently hold and their professional experience during the prior five years.

Name	Age	Position and Prior Professional Experience
Larry J. Miller	66	Chairman of the Board of the Corporation since 2015; President and Chief Executive Officer of the Corporation since 1986; Executive Chair of the Bank since March 8, 2016; and President and Chief Executive Officer of the Bank from 1981 through his retirement from such positions on March 8, 2016.
Timothy J. Nieman, Esq.	52	Secretary and General Counsel of the Corporation and Bank since February 2018; General Counsel of the Corporation and Bank from January 2018 to February 2018; Partner at Rhoads & Sinon, LLP from 2003 to 2017; Associate at Rhoads & Sinon, LLP from 1998 to 2003; Associate at Klett Lieber Rooney & Schorling from 1992 to 1998.
Charles T. Field, CPA	53	Treasurer and Assistant Secretary of the Corporation since November 2016; Executive Vice President and Chief Financial Officer of the Bank since February 2018; Senior Vice President and Chief Financial Officer of the Bank from November 2016 to February 2018; Senior Vice President and Chief Financial Officer of East River Bank in Philadelphia, Pennsylvania from 2014 to 2016; Senior Vice President and Chief Financial Officer of both the Westchester Bank Holding Corporation and the Westchester Bank from 2008 to 2013; Senior Vice President and Chief Financial Officer of Interchange Financial Services from 2003 to 2007 and held the position of Manager in the Financial Institutions Audit Group for Deloitte & Touche, LLP from 1987 to 1995.
Diane E. Baker, CPA	47	Vice President of the Corporation since 2002; Secretary of the Corporation from July 2017 to February 2018; Assistant Treasurer and Assistant Secretary of the Corporation since February 2018; Executive Vice President, Chief Operating Officer and Chief Risk Officer of the Bank since February 2018; Senior Vice President and Chief Risk Officer of the Bank from March 2016 to February 2018; Enterprise Risk Management Officer from 2014 to March 2016; Vice President and Internal Auditor of the Corporation and Bank from 2002 to 2014.

20

INFORMATION CONCERNING COMPENSATION

Executive Compensation

Compensation Discussion and Analysis

The Compensation Committee (referred to in this discussion as the "Committee") assists the Board of Directors and maintains responsibility for establishing and implementing the Corporation's executive compensation philosophy for the Corporation and the Bank (hereinafter referred to as the compensation policies of the Corporation), as well as monitoring adherence to the policies and practices of compensation programs maintained by the Corporation for all employees (including equity and non-equity-based incentive programs and retirement programs). This Compensation Discussion and Analysis section is intended to help our shareholders understand the Corporation's compensation philosophy, objectives, components and practices. This section also describes the Committee's decisions made during 2017 as they relate to the compensation of our named executive officers.

The following officers have been identified as our named executive officers:

Larry J. Miller-	Chairman, President and Chief Executive Officer of the Corporation; Executive Chairman of the Bank
Charles T. Field-	Treasurer and Assistant Secretary of the Corporation; Executive Vice President and Chief Financial Officer of the Bank;
Diane E. Baker-	Vice President, Assistant Treasurer and Assistant Secretary of the Corporation; Executive Vice President, Chief Operating and Chief Risk Officer of the Bank
A Dwight Utz-	Former President and Chief Executive Officer of the Bank
Amy L. Doll-	Senior Vice President, Chief Revenue and Chief Lending Officer of the Bank

Executive Summary

<u>Key 2017 Business Accomplishments</u>

The 2017 year was a very successful one for the Corporation despite a very challenging regulatory environment. As we look back on the 2017 year as an organization, we are extremely proud of the following key accomplishments:

Key Strategic Accomplishments:

Continued to post strong gains in deposit market share over previous year in its core York County, Pennsylvania market.

Opened four new limited services offices in Lancaster County, Pennsylvania at Landis Homes, Woodcrest Villa, Luther Acres and Homestead Village Retirement Communities enhancing the Bank's ability to generate new relationships and serve its clients in this rapidly growing market.

Started the evolution of the Camp Hill, Pennsylvania Business Banking Center into a full-service financial center providing both business and personal banking services.

Launched a redesigned website to further enhance the clients' banking experience.

Key Financial Accomplishments:

Total assets grew to over $1.7 billion by the end of 2017, total loans and deposits grew to over $1.4 billion respectively, reflecting both continued organic growth throughout the year in both our core business and retail banking activities.

Total loans and deposits grew 10 percent in 2017.

21

Total assets under management for the wealth management division grew 26 percent, to over $700 million in 2017 resulting in a 9 percent increase in fee income.

Earnings for the year ended December 31, 2017 were $1.35 per share basic and $1.34 per share diluted, as adjusted stock dividends, with a return on average equity of 7.40 percent. Net income, earnings per share, and return on average equity for 2017 were impacted by a $2.8 million reduction in the net deferred tax asset value due to the new corporate tax rate of 21 percent enacted as part of the Tax Cuts and Jobs Act.

Distributed to common shareholders both a five percent common stock dividend and cash dividends totaling $0.516 per share.

Key 2017 Compensation Program Attributes

The Committee strives to implement an executive compensation program that is aligned with the philosophy of the Corporation, as well as achieves its desired objectives. Overall, we believe that our compensation programs are fair, reasonable, competitive with our peers and reflective of best practices. Listed below are some of the key attributes of our compensation program, which form the basis for our opinion:

Our salaries are competitive with the median for comparably-sized financial institutions.

Our overall compensation program is performance-oriented and reflects our pay-for-performance culture.

We have strong risk-mitigating design principles, such as placing caps on our annual incentive opportunities, assessing performance across multiple measures - including asset quality, and including vesting requirements on our long-term incentive awards.

We seek and receive advice from independent experts in executive compensation.

2017 Compensation Decisions

The Corporation’s significant accomplishments in 2017, including those identified above, led to a number of decisions by the Committee and Board throughout the year that reflect the desire to retain and motivate an employee base and executive team that will continue to challenge each other for performance results. Key highlights as they relate to compensation programs or actions include:

Mid-year salary adjustments for certain named executive officers to more closely reflect market value for such positions.

Continued inclusion of performance goals and caps in our annual executive incentive plan to promote short-term, but responsible, growth.

Continued reliance on equity grants with various vesting periods to incent retention and promote long-term stock appreciation.

The remainder of this Compensation Discussion & Analysis, as well as the Summary Compensation Table and supporting tabular disclosures, are intended to provide greater detail on the compensation philosophy, roles, programs, processes, and actions in 2017.

Executive Compensation Philosophy and Objectives

The Committee believes the success of the Corporation is driven through hiring, developing and retaining qualified executives who are motivated to perform for the benefit of our shareholders, the community, clients and employees. The executive compensation program is designed to:

Further the strategic goals of the Corporation.

22

Align the interests of our executives with our shareholders.

Be balanced in terms of the mix of cash and equity compensation payable under the program.

Be competitive with our peers.

Motivate and reward executives for achievement of high levels of performance against defined goals and objectives – both short- and long-term.

Enable the Corporation to attract and retain key executives capable of maximizing the Corporation’s performance.

Be prudent and fiscally responsible.

Ensure regulatory compliance.

Provide for a balanced mix of fixed and variable compensation.

Motivate and reward executives without encouraging undue risk-taking which could materially threaten the safety and soundness of the Corporation or any individual business unit.

The Corporation seeks to provide all of its executive officers with a comprehensive program of compensation and benefit opportunities consistent with prevailing practices among publicly-traded financial services organizations of similar asset size (including slightly smaller and slightly larger), market profiles, operating circumstances and regionally similar geographic locations. The Committee believes that this level of market competitiveness appropriately positions the Corporation to attract, motivate, reward and retain the caliber of executive talent required to enable the Corporation to achieve its short- and long-term strategic goals and objectives. When deemed necessary by the Committee, position values are established based on compensation practices of larger institutions with which the Corporation competes for executive talent in its local and regional labor market.

The executive compensation program is intended to provide participating executives with a balanced and market-competitive mix of fixed and performance-based variable compensation and benefit provisions. The variable compensation features include annual cash incentives to reward short-term performance relative to our annual business plans and long-term incentives, in the form of equity grants, to reward future performance of the Corporation and increased shareholder value. Short- and Long-Term incentives are designed to focus executives’ efforts on the strategic goals and objectives of the Corporation and to link executives’ financial rewards with the interests of the Corporation’s shareholders.

All components of compensation, both fixed and variable are targeted at the median of our industry peer group, as identified by the Committee in consultation with its compensation consultant. The variable incentive award opportunities allow executives to earn total compensation which is above the median of industry norms when their individual and collective performance significantly exceeds established goals and objectives as outlined in the Corporation's strategic plan or goals and objectives established for their positions. When corporate and or individual performance is below goals and objectives, variable compensation plans are designed to result in compensation that lags behind the market.

Role of the Compensation Committee, Management and the Compensation Consultant in the Executive Compensation Process

Role of the Compensation Committee

The Compensation Committee is appointed by the Corporation's Board of Directors to discharge the Board's responsibilities relating to compensation of the Corporation's executive officers and other key employees of its subsidiaries. Seven members of our Board of Directors sit on the Committee, each of whom is an independent director under the NASDAQ Stock Market listing requirements. To fulfill its responsibilities, the Committee meets at least quarterly throughout the year (met eight times in 2017). The Chair of the Committee reports on Committee actions at meetings of the Board of Directors. Written minutes of Committee meetings are prepared, presented to and accepted by the Board.

The Committee has overall responsibility for evaluating and approving the compensation plans, policies and programs of the Corporation applicable to its key executives. In discharging its responsibilities, the Committee establishes the Corporation's general compensation philosophy, and oversees the development and implementation of the Corporation's executive compensation programs and related policies.

The Committee reviews the operation and effectiveness of the executive compensation program on a continuous basis discussing current regulatory issues, industry trends and internal Corporation needs with respect to executive compensation.

The Committee may request information from management about the Corporation, the performance of the business and the executive compensation program to evaluate effectiveness and to recommend program modifications and changes for Board consideration. It may also recommend to the Board changes in the scope of its responsibilities beyond the positions currently designated as "executive" to include other critical positions in the Corporation.

Based upon corporate goals and objectives approved by the Board, the Compensation Committee annually reviews and approves corporate goals and objectives that are specifically relevant to both the Bank's Executive Chairman and Chief Executive Officer's compensation and evaluates their respective performance in light of those goals and objectives. Based on such evaluation, the Committee sets the compensation including base salary, incentive compensation, employment terms (such as severance agreements, employment agreements and change in control agreements, if and when appropriate, and equity-based awards or special or supplemental benefits) of both the Bank's Executive Chairman and Chief Executive Officer subject to ratification by the full Board of Directors. In determining compensation, the Compensation Committee may consider, among other factors, the Corporation's performance and relative shareholder return, the nature, extent and acceptability of risks that both the Bank's Executive Chairman and Chief Executive Officer may be encouraged to take by such compensation, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the Bank's Executive Chairman and Chief Executive Officer in past years.

In addition to determining both the Bank's Executive Chairman and Chief Executive Officer compensation, the Committee annually reviews and recommends to the Board for approval the compensation of executive officers other than the Executive Chairman and Chief Executive Officer.

The Committee is also responsible for reviewing the Corporation's incentive compensation plans, equity-based plans, retirement plans, deferred compensation plans and welfare benefit plans. Unless their administration is otherwise delegated in accordance with the provisions of such plans, the Committee administers such plans, including determining any incentive or equity-based awards to be granted to executive officers, and other key employees under such plans.

In order to discharge its responsibilities, the Committee has the authority and is provided the resources to obtain advice and assistance from internal or external legal, compensation, human resource, accounting and other advisors or consultants as it deems necessary or appropriate. These services are provided as a matter of practice as requested by the Committee and such advisors report directly to the Committee.

Details on the Committee's functions are more fully described in its charter. As part of its responsibilities, the Committee reviews its charter in the development of an annual work plan and recommends any proposed changes to the Board for approval. The Committee's Charter can be viewed at the Corporation's website, *www.peoplesbanknet.com* by clicking on the Investor Relations tab at the bottom of the home page and then clicking on "Governance Documents".

The Committee will continue to review, evaluate, and revise the compensation philosophy as appropriate to meet its desired objectives.

Role of the Compensation Consultant

The Committee has the authority to hire, terminate, and seek the services of compensation consulting and advisory firms as it deems appropriate. These advisors serve as independent counsel and report directly to the

Committee. As a matter of general policy the Committee does not prohibit its advisors from providing services to management, but any such engagements must be approved by the Committee.

The Committee hired the independent outside consulting firm Meridian Compensation Partners, LLC, sometimes referred to in this discussion as Meridian, which specializes in executive and board compensation. Meridian reports directly to the Committee and carries out its responsibilities to the Committee in coordination with the human resources department, as requested by the Committee. Meridian only provides services on behalf of the Committee and did not perform any additional services to the Corporation during 2017.

Role of Management

The Committee often requests other non-committee members of the Board and one or more members of the Bank’s executive or senior management, such as the Executive Chairman, Chief Executive Officer and the Chief Administrative Officer, to be present at Committee meetings where executive compensation and corporate or individual performance are discussed and evaluated. Although the Committee is ultimately responsible for executive compensation decisions, information and input from senior management is critical to ensuring the Committee and its advisors have the information needed to make informed decisions. Executives may provide insight, suggestions or recommendations regarding executive compensation. However, only Committee members vote on decisions regarding executive compensation. In all cases, no executive officer shall be present at meetings at which their compensation or performance is discussed or determined by the Committee.

Below is a summary of the role of management in assisting the Committee to discharge its responsibilities:

The Bank’s Executive Chairman and/or Chief Executive Officer develop recommendations for corporate goals and corresponding weightings and incentive performance metrics for the annual executive incentive plan and presents the same to the Committee for its consideration. The Committee has final approval of the goals, weightings and metrics to be used for purposes of the annual executive incentive plan.

The Bank’s Chief Executive Officer presents performance summaries and recommendations relating to the other named executive officers and other key executives’ compensation to the Committee for its review and approval. The Committee Chair ensures feedback is shared with the full Board for the purposes of making informed compensation decisions.

As deemed necessary, the Executive Chairman, Chief Executive Officer and Chief Administrative Officer provide the Committee with data necessary to evaluate and implement compensation proposals and programs.

The Chief Administrative Officer coordinates external legal support related to employment agreements and retirement programs.

The Chief Administrative Officer provides data and information to the Committee, as requested, and also assists the Committee Chair in determining the logistics and agenda for the meeting.

At the direction of the Committee, the Chief Administrative Officer works with outside consultants to provide data and information relative to the Committee's needs and objectives.

Factors Considered in Determining Executive Compensation

The Committee's compensation decisions throughout the year were supported by various analyses, information and input including, but not limited to:

Total compensation philosophy and objectives.

Pay target guidelines as developed in consultation with our independent compensation consultant.

Strategic plans and performance relative to annual goals.

Competitive benchmarking reviews conducted by our independent compensation consultant.

25

Risk assessment/mitigation considerations.

Individual performance, overall leadership, and potential.

Individual performance related to leading and upholding the Corporation's vision, mission and values.

External influences, economic conditions and industry factors.

Executive attraction and retention considerations.

Best/emerging practices as provided by outside consultants.

Changing regulations.

Director and Committee input as gathered during executive sessions.

Internal equity considerations.

Cost, tax, and accounting considerations.

Competitive Benchmarking

In 2017, Meridian was retained by the Committee to conduct a comprehensive review of the Corporation's executive compensation program. The purpose of this review was to provide an independent and objective analysis of all elements of compensation (individually and in the aggregate), including pay and performance alignment relative to the practices of a new market and peer group prompted by the growth of the organization. In addition, the Committee reviewed best/emerging practices as provided by Meridian in relation to key compensation governance institutions and shareholder advisory firms. Ultimately, the combination of information derived from Meridian regarding competitive market data and the Committee's review of compensation governance best practices was determined to support the compensation decisions previously made and, yet to be made, for the organization.

A primary data source used in setting competitive market practices for the named executive officers is the information publicly disclosed by a peer group of other publicly traded bank holding companies. This peer group was developed by Meridian using objective parameters that reflect institutions of similar asset size operating within our geographic region, and was ultimately discussed with and approved by the Committee. The peer group will be reviewed and updated from time to time, as appropriate, since comparable institutions may change depending on the current size of the Corporation, acquisitions and business focus of the Corporation or peer institutions. Overall, the goal is to maintain data from a group of comparative bank holding companies that provide a market perspective for executive compensation.

The 2017 peer group consisted of 19 bank holding companies in Pennsylvania and contiguous states ranging from approximately $1 billion to $3 billion in assets, positioning the Corporation slightly above the median in terms of asset size.

The following is the peer group used as a result of the November 2017 review conducted by Meridian:

Arrow Financial Corporation	CNB Financial Corporation
Chemung Financial Corporation	Peoples Financial Services Corp.
First United Corporation	BCB Bancorp, Inc.
Penns Woods Bancorp, Inc.	Old Line Bancshares, Inc.
Citizens & Northern Corporation	Republic First Bancorp, Inc.
Community Financial Corporation	Orrstown Financial Services, Inc.
ACNB Corporation	First Community Bancshares
Howard Bancorp, Inc.	C & F Financial Corporation
American National Bankshare	National Bankshares, Inc.
Community Bankers Trust Corporation	

In addition to the peer group data, Meridian used several other sources of data to identify general compensation trends with respect to cash compensation (i.e., base salary and incentives), including comparative data

26

from industry surveys using the appropriate scope (asset size and region) and a proprietary database of national banking compensation data. Data utilized reflected institutions representing similar asset size and region to the Corporation.

Information derived from the competitive market analysis was used by Meridian to develop market competitive guidelines intended to support the Corporation's total compensation philosophy. Using this information, Meridian then presented to the Committee the guidelines for base salary, short and long-term incentive targets and estimated total direct compensation (assuming all elements paid at expectation/goal levels), so the Committee could see the potential pay and range of pay for each executive role. These guidelines provided a framework for consideration by the Committee in setting future compensation levels as described below.

Total Compensation and Performance Alignment

The Committee seeks to ensure that the total compensation package paid to executives is considered in the aggregate (i.e., the sum of its parts) and is properly aligned with the Corporation's performance. The Corporation's performance is evaluated relative to a number of factors, including corporate and individual performance in light of our own performance targets and industry/peer results, overall financial performance and strategic accomplishments that position the Corporation for success going forward. Performance goals in our incentive plans are positioned at levels that are achievable, but require increased effort on the part of our executive officers and other key employees.

The Committee receives regular updates on the Corporation's performance relative to performance goals and industry realities.

The Committee will continue to refine its assessment processes and peer groups to ensure its comparisons are appropriate.

Risk Assessment/Mitigation Considerations

As a bank holding company with its principal subsidiary a Pennsylvania-chartered bank, both of which are subject to significant federal and state regulation and regulatory oversight, the Corporation has always adhered to defined risk guidelines, practices and controls designed to ensure the safety and soundness of the organization. Our management and Board of Directors conduct regular reviews of our business to ensure we remain within appropriate regulatory guidelines and appropriate practice, supplemented by our internal audit and compliance function.

Annually, the Committee reviews the Corporation's executive incentive plans and assesses the extent to which incentives established by these policies relate to or influence excessive risk-taking on the part of participating employees. The Committee reviewed the plans in February 2017, including a discussion of the revised and expanded annual executive incentive plan, and the performance goals driving awards under these plans. The performance goals include measures intended to ensure that participating executives do not engage in activities or behaviors that create undue risk for the Corporation.

The Committee approved a clawback policy in 2016 that requires, to the extent legally permitted, the return, repayment or forfeiture of any annual or long-term incentive compensation payment or award made or granted to any current or former executive officer if the payment or award was based on financial statements filed with the SEC within the prior 3-years that were subject to a restatement due to noncompliance with the rules and regulations of the SEC or misconduct by an executive officer or other key employees.

Assessing Industry Competitiveness

Based on the information provided by Meridian, as well as national and regional compensation practice survey reports for financial services companies with assets of similar size and scope to the Corporation, the Committee believes the types and levels of compensation provisions included in our executive compensation program are consistent with current features and "best practices" among organizations of similar size, regional geography and type.

27

Compensation Components and 2017 Decisions

The Corporation's compensation program consists of four main components: Base Salary, Annual Incentives, Long-Term Incentive/Equity, and Benefits and Perquisites. The following section summarizes the role of each component in the decision making process, how decisions are made and the resulting 2017 decision with respect to the named executive officers.

Base Salary

Objective. The Corporation believes the purpose of base salary is to provide competitive and fair base compensation that recognizes the executives' role, responsibilities, experience and performance. Base salary represents fixed compensation that is targeted to be competitive with the practices of comparable financial institutions in the region.

Typically, the Committee sets base salary for each executive in January of each year. Salaries are determined in consideration of the competitive market for similar roles, as well as each individual's experience, performance and contributions. Input from the Bank's Chief Executive Officer is considered in setting executive salaries, while the Committee is solely responsible for recommending the Bank's Executive Chair and Chief Executive Officer's salaries.

Annual opportunities for salary increases may be affected by changes in the market value of the position, but are based primarily on the performance of the individual during the most recent performance period.

2017 and 2018 Decisions. The Committee retained Meridian to complete an executive total compensation review, using a new peer group including financial organizations with assets between $1 billion and $3 billion in Pennsylvania and contiguous states. In December 2017, after thoroughly reviewing the results of the 2017 executive total compensation review, the Committee affirmed its previous direction to establish base salary compensation in relation to the peer group benchmarks. The Committee approved the following base salary adjustments:

Named Executive Officer	Bank Title	**2017 Base Salary[1]**	% Increase	2018 Base Salary
Larry J. Miller[2]	Executive Chairman	$250,000	62.0 %	$405,000
Charles T. Field	EVP, Chief Financial Officer	$225,000 (3)	4.4 %	$235,000
A. Dwight Utz[4]	Former Chief Executive Officer	$390,000	N/A	N/A
Diane E. Baker	EVP, Chief Operating and Chief Risk Officer	$225,500	4.7 %	$236,000
Amy L. Doll	SVP, Chief Revenue and Chief Lending Officer	$250,000	4.8 %	$262,000

(1) Base salary amounts reflect interim increases made during 2017.

(2) Mr. Miller continues to serve as Executive Chairman of the Bank and President and Chief Executive Officer of the Corporation. He did not receive an interim increase during 2017. Effective February 13, 2018, the Compensation Committee of the Board of Directors approved an increase in base salary for Mr. Miller reflective of additional responsibilities due to the departure of Mr. Utz as Bank President and Chief Executive Officer.

(3) Mr. Field's base salary was increased by $10,000 effective May 1, 2017 as an interim merit increase.

(4) Mr. Utz was terminated without cause as President and Chief Executive Officer effective February 5, 2018. He did not receive an interim increase during 2017.

Annual Incentives

Objectives and Process. The objective of the Corporation's annual executive incentive plan, adopted on February 13, 2017, is to motivate and reward key members of management for achieving specific corporate and individual performance goals that support the Corporation's strategic plan through the use of cash awards. Awards under this plan represent compensation that must be earned (and re-earned each year) based upon corporate and individual performance.

The proposed corporate performance goals for the incentive plan are developed by the Chief Executive Officer of the Bank based on budget projections and is typically presented by the Chief Executive Officer to the Committee by February of each year. To support and enhance the team dynamics among the executive group, the corporate performance goals are identical for each participant. Each member of the executive group also has personal performance goals that reflect each executive's unique role and responsibilities. Once the performance goals are finalized and approved by the Committee, the goals are presented to the full Board for final approval.

The annual executive incentive plan provides target payout opportunities that are intended to be consistent with those offered by the Corporation's peers. The targets and performance measures for the 2017 compensation year are described below. In the event that awards are not triggered in a plan year due to a failure to achieve the threshold goal, the Board of Directors may create a pool equal to 3% of the base compensation of plan participants, other than the current Executive Chairman and current Chief Executive Officer of the Bank, and pay awards to such participants in such amounts as the Board deems appropriate to reflect exceptional individual performance, if any.

Pursuant to the provisions of the 2017 Executive Incentive Plan, the Compensation Committee may “terminate, modify, or amend this plan. Amendments can include adjustments to award calculations for any

29

significant extraordinary financial items" occurring in any given time period. Please see Annex A for additional information regarding 2017 adjustments.

Award Opportunity: The table below illustrates the 2017 award opportunities (expressed as a percentage of base salary) available under our annual executive incentive plan upon achievement of the Corporate performance measure.

Participant	**Threshold Performance**	**Target Performance**	**Maximum Performance**
Executive Chairman	10%	20%	30%
Chief Executive Officer & President of the Bank	12.5%	25%	37.5%
Other Named Executive Officers	10%	20%	30%

Trigger/Gate: Prior to the payment of any award under the plan, the Corporation's external auditors must attest to the financial performance of the Corporation to determine whether the performance measure was achieved. The Bank's Executive Chair and/or Chief Executive Officer reviews the financial performance generally and in relation to the strategic goals.

Performance Measures: The 2017 performance measures were aligned with the corporate strategy and business plan and included financial performance of the Bank based on net income, return on equity and efficiency ratio as well as individual goals as determined by the Bank's Executive Chair and/or Chief Executive Officer. The Committee believed these measures would drive the appropriate focus by the executive team on overall performance of the Corporation.

Weightings for each measure were established by the Committee and approved unanimously in February 2017. The following tables summarize the goals and possible payouts based on 2017 performance.

Executive Chairman

Performance Measure	**Weighting**	**Threshold - Target – Optimum Incentive Opportunity (% of base salary)**	**Threshold - Target – Stretch Goals**
Net Income	50%	10% - 20% - 30%	\$13,055-\$14,506-\$15,956
Return on Equity	15%	10% - 20% - 30%	8.10% – 8.89% - 9.74%
Efficiency Ratio	20%	10% - 20% - 30%	66.50% - 64.5% - 62.0%

Individual Performance	15%	10% - 20% - 30%	Personal Goals as Determined by Compensation Committee
TOTAL	**100%**	10% - 20% - 30%	

Chief Executive Officer

Performance Measure	**Weighting**	**Threshold - Target – Optimum Incentive Opportunity (% of base salary)**	**Threshold - Target – Stretch Goals**
Net Income	50%	12.5% - 25.0% - 37.5%	$13,055-$14,506-$15,956
Return on Equity	15%	12.5% - 25.0% - 37.5%	8.10% – 8.89% - 9.74%
Efficiency Ratio	20%	12.5% - 25.0% - 37.5%	66.50% - 64.5% - 62.0%
Individual Performance	15%	12.5% - 25.0% - 37.5%	Personal Goals as Determined by Compensation Committee
TOTAL	**100%**	**12.5% - 25.0% - 37.5%**	

30

Chief Financial Officer & Chief Risk Officer

Performance Measure	**Weighting**	**Threshold - Target – Optimum Incentive Opportunity** **(% of base salary)**	**Threshold - Target – Stretch Goals**
Net Income	50%	10.0% - 20.0% - 30.0%	$13,055-$14,506-$15,956
Return on Equity	15%	10.0% - 20.0% - 30.0%	8.10% – 8.89% - 9.74%
Efficiency Ratio	20%	10.0% - 20.0% - 30.0%	66.50% - 64.5% - 62.0%
Individual Performance	15%	10.0% - 20.0% - 30.0%	Personal Goals as Determined by Compensation Committee
TOTAL	**100%**	**10.0% - 20.0% - 30.0%**	

Chief Lending Officer

Performance Measure	**Weighting**	**Threshold - Target – Optimum Incentive Opportunity** **(% of base salary)**	**Threshold - Target – Stretch Goals**
Net Income	50%	10.0% - 20.0% - 30.0%	$13,055-$14,506-$15,956
Return on Equity	15%	10.0% - 20.0% - 30.0%	8.10% – 8.89% - 9.74%
Efficiency Ratio	10%	10.0% - 20.0% - 30.0%	66.50% - 64.5% - 62.0%
Individual Performance	25%	10.0% - 20.0% - 30.0%	Personal Goals as Determined by Compensation Committee
TOTAL	**100%**	**10.0% - 20.0% - 30.0%**	

Individual Performance Factor: The Board of Directors retains discretion under the plan to adjust an individual's award, down 100% or up to 150% , taking into account the individual's performance during the year. A decision to make an adjustment is based on input from the Bank's Chief Executive Officer as to all other participants, or the Committee, as to the Executive Chairman and Chief Executive Officer. The Board of Directors retains discretion to suspend payments under the plan if it determines that excessive risk has been taken by one or more individuals.

2017 Awards: For 2017, performance fell within the Threshold measure. The following table summarizes the 2017 annual incentive awards paid pursuant to the annual executive incentive plan adopted in February 2017 to the Executive Chairman, Chief Executive Officer and the other named executive officers.

Named Executive Officer	Bank Title

		2017 Non-Equity Incentive Awards	Percentage of Base Salary
Larry J. Miller	Executive Chairman	$ 60,413	24.2 %
Charles T. Field	EVP, Chief Financial Officer	$ 53,022	23.6 %
Diane E. Baker	EVP, Chief Operating Officer, Chief Risk Officer	$ 53,140	23.6 %
A. Dwight Utz	Former Chief Executive Officer	$ 97,500	25.0 %
Amy L. Doll	SVP, Chief Revenue, Chief Lending Officer	$ 58,913	23.6 %

31

Long-Term Incentive/Equity Compensation

Objectives. The granting of equity-based incentives is viewed as a desirable long-term incentive compensation strategy because it closely links the interest of management with shareholder value, aids in employee retention, and motivates executives to improve the long-term stock market performance of our common stock.

When granting equity-based incentives to executives, the Committee considers the competitive market practice, corporate performance and individual performance. The Committee also considers the Bank's Chief Executive Officer's recommendations for other named executive officers, which are based upon each executive's level of responsibility and contribution towards achievement of our business plan and objectives. The Committee is authorized, in its discretion, to grant equity-based awards under the Corporation's existing Long-Term Incentive Plan and upon such terms and conditions as the Committee may determine. Historically, equity-based incentive awards have been granted on an annual basis in the form of stock options and restricted stock.

2017 Award Decisions. In December 2017, the Executive Chairman and Chief Executive Officer presented recommendations for equity-based long-term incentive awards to executive officers (other than themselves) in the form of restricted stock grants and stock options to the Committee. The recommendations were based on an analysis of best practices among our peer group relative to equity awards and guidelines provided by Meridian. On the basis of these recommendations and the guidelines provided by Meridian, the Committee approved equity awards in the form of restricted stock grants to the Bank's Executive Chairman and of restricted stock grants and stock options to executive officers, which vest in equal amounts over a three year period. The 2017 grants awarded to the named executive officers on December 12, 2017 are summarized below and in the Grants of Plan Based Awards Table on page 39. All awards were made under the Corporation's 2017 Long-Term Incentive Plan (the "2017 Plan").

Named Executive Officer	Bank Title	Grant Date	Restricted Shares Granted (#)	Option Awards (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Larry J. Miller	Executive Chairman	12/12/2017	2,079	–	–	60,000
Charles T. Field	EVP, Chief Financial Officer	12/12/2017	1,169	1,863	$ 28.86	44,982
A. Dwight Utz	Former Chief Executive Officer		–	–	–	–
Diane E. Baker	EVP, Chief Operating Officer, Chief Risk Officer	12/12/2017	1,169	1,863	$ 28.86	44,982
Amy L. Doll	SVP, Chief Revenue Officer, Chief Lending Officer	12/12/2017	1,299	2,070	$ 28.86	49,984

In total, the Corporation granted 16,272 non-qualified stock options, and 15,597 shares of restricted stock under the 2017 Plan to the Corporation's executive and other officers in 2017. The 2017 Plan originally reserved 355,783 shares (adjusted for stock dividends) of the Corporation's common stock for issuance, of which 339,511 shares remain available for issuance as of December 31, 2017.

Perquisites and Other Benefits

The Corporation provides select executives perquisites and other benefits described below, which the Committee believes are reasonable and consistent with the Corporation's overall compensation philosophy. The Committee regularly reviews and refines executive benefits to ensure market competitiveness.

Executive Perquisites. The Corporation provides a limited number of perquisites to key executives that the Committee believes are necessary for conducting business, are reasonable and enable us to attract and retain high performing employees for our key executive officers . These benefits also allow our executives to maintain direct contact and involvement with current and prospective clients, as well as non-profit organizations in the communities in which we do business. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the named executive officers.

The primary perquisites are: corporate owned automobiles for certain executives, club memberships for certain executives and life and disability insurance programs. These perquisites represent a relatively insignificant portion of the total compensation of each named executive officer. The aggregate incremental cost to the Corporation for these perquisites is set forth in the Summary Compensation Table under the “All Other Compensation” column and related notes.

Employment and Change in Control Agreements with Named Executive Officers. The Corporation is party to an employment agreement with Mr. Miller, Executive Chairman of the Bank. The Corporation is a party to Change in Control Agreements with Mr. Field, Executive Vice President and Chief Financial Officer of the Bank; Ms. Doll, Senior Vice President, Chief Revenue and Chief Lending Officer of the Bank; and Ms. Baker, Executive Vice President, Chief Operating and Chief Risk Officer of the Bank. The Corporation also was a party to an employment agreement with Mr. Utz, former Chief Operating Officer of the Corporation and President Chief Executive Officer of the Bank, the right to payment pursuant to which was triggered in connection with Mr. Utz’s termination without cause effective February 5, 2018. The Board of Directors views such agreements as integral in ensuring the continued dedication of the executives to the Corporation and promoting stability of management, particularly in the event of a change in control of the Corporation. These agreements are described further under “Employment Agreements” on page 43.

Long-Term Nursing Care Agreement. On December 27, 2005, the Corporation and the Bank entered into a Long-Term Nursing Care Agreement with Mr. Miller, with the final premium installment paid in 2013. The policy was originally purchased on May 27, 2003. The cost of long-term nursing care is a growing concern among executives as they transition through life phases. The Compensation Committee believes that good health care planning reduces the amount of time and attention that Mr. Miller must spend on that topic and maximizes the net financial reward to Mr. Miller of the compensation he receives from the Corporation.

Supplemental Long-Term Disability Program. The Corporation provides supplemental long-term disability insurance for Mr. Miller, Mr. Field, Ms. Baker, Ms. Doll, and other key executives. The policy is designed to supplement coverage, in the event of a disability, to bridge the gap between payments under the Corporation's general short- and long-term disability plans and the executive's salary.

Employee Stock Bonus Plan. In 2001, the Corporation implemented an Employee Stock Bonus Plan, administered by non-employee 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, 2017, 19,153 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. No shares were issued under the Employee Stock Bonus Plan in 2017.

Codorus Valley Bancorp, Inc. Employee Stock Purchase Plan. The Employee Stock Purchase Plan ("ESPP") was designed to encourage and enable employees of the Corporation and its subsidiaries to acquire an ownership interest in the Corporation through a regular investment program. The Corporation believes that employees who participate in the ESPP will have a closer identification with the Corporation by virtue of their ability, as shareholders, to participate in the Corporation's growth and earnings, and will be motivated to improve their job performance accordingly. Under the terms of the ESPP, employees may use payroll deductions to purchase stock of no more than 2,000 shares per year. The purchase price for shares purchased under the ESPP currently represents a 15% discount to the fair market value of the shares on the semi-annual purchase date.

401(k) Retirement Plan. The Bank maintains and sponsors a defined contribution 401(k) retirement 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, as amended, and to the regulations promulgated thereunder. Participants are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974, as amended.

Each Bank employee who has attained the age of 21, and at the time of hire is expected to complete 1,000 hours of service within 12 months of employment, may participate in the 401(k) plan on the first day of the month following the third month of employment, providing he/she remains employed as of that date. An eligible employee may elect to contribute certain portions of salary, wages, or commissions to the 401(k) plan. Generally, eligible employees may contribute up to 100% of their compensation, subject to statutory deductions and limitations. In 2017, the Bank matched 100% of each employee’s contribution up to 4% of the employee’s eligible wages. Employee and employer contributions to the 401(k) plan vest immediately.

Officer Group Term Replacement Insurance Plans. The Bank provides an officers’ life insurance program for certain Bank officers, including each of the named executive officers. This program provides a death benefit to the named executive officer’s beneficiary in an amount equal to three (3) times the officer’s highest base salary during employment up to $1,000,000; provided, the officer is employed by the Corporation at the time of his or her death. Under this program, the Bank is the beneficiary of any death proceeds remaining after an officer’s death benefit is paid to his or her beneficiary. The Committee believes that this benefit helps the Corporation attract and retain talented individuals to the management team. It also believes that it is an appropriate compensation strategy to provide for the continuing lifestyle of the officers’ families in the case of death.

Other Benefits. The named executive officers also participate in the Corporation’s other benefit plans on the same terms as other employees. These plans include medical and dental insurance, short and long-term disability insurance, and discounts on the Corporation’s products and services.

Impact of Accounting and Tax on the Form of Compensation

The Compensation Committee and management consider the accounting and tax (individual and corporate) consequences of the compensation plans prior to making changes to the plans.

The Committee has considered the impact of Accounting Standards Codification Topic 718, as issued by the FASB, on the Corporation's use of equity incentives as a key retention tool.

Section 162(m) of the Internal Revenue Code limits deduction of compensation paid to named executive officers to $1,000,000 unless the compensation is "performance-based". In the Corporation's case, base salary is not considered a performance-based vehicle and would not be a deductible compensation expense. Based on the current salaries, the Corporation does not believe Section 162(m) will be triggered for our Chief Executive Officer or executive officers in 2017, but will consider this in future years.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that is required by the rules established by the Securities and Exchange Commission. Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee of the Board of Directors of

Codorus Valley Bancorp, Inc.

Jeffrey R. Hines, P.E. (Chair)

John W. Giambalvo, Esq. (Vice Chair)

Brian D. Bruner

Cynthia A. Dotzel, CPA

MacGregor S. Jones

Dallas L. Smith

Harry R. Swift, Esq.

Executive Compensation Tables

The following tables set forth for the fiscal years ending December 31, 2017, 2016, and 2015 the compensation which the Corporation and its subsidiaries paid to its named executive officers.

35

2017 Summary Compensation Table

The table below reflects information concerning the annual compensation for services in all capacities to the Corporation and its subsidiaries of those persons who were:

the Chief Executive Officer, Chief Financial Officer and any person who served in such capacity during the fiscal year ended December 31, 2017; and
the three most highly compensated executive officers of the Bank other than the Chief Executive Officer and Chief Financial Officer who were serving at December 31, 2017.

Name and Principal Position[(1)]	Year	Salary ($)	Bonus ($)	Stock Awards ($)[(3)]	Option Awards ($)[(4)]	Non-equity Incentive Plan Compensation ($)[(5)]	Non-qualified Deferred Compensation Earnings ($)[(6)]	All Other Compensation ($)[(7)(8)]	Total ($)
Larry J. Miller,	2017	250,000	50,000 [(2)]	60,000	--	60,413	65,550	27,348	513,311
President and	2016	292,000	--	49,988	--	47,118	65,247	27,312	481,665
Chief Executive Officer of the Corporation, Executive Chairman of PeoplesBank	2015	460,000	--	137,999	--	100,000	65,725	28,545	792,269
Charles T. Field,	2017	221,539	--	33,737	11,245	53,022	--	10,600	330,143
CPA, Treasurer of	2016	27,288	12,500	12,492	--	--	--	--	52,280
the Corporation and Executive Vice President & Chief Financial Officer of PeoplesBank	2015	--	--	--	--	--	--	--	--
A. Dwight Utz,	2017	390,000	--	--	--	97,500	--	32,482	519,982
Former Chief	2016	370,000	--	93,998	--	88,347	--	12,048	564,393
Operating Officer of the Corporation and President & Chief Executive Officer of PeoplesBank[(9)]	2015	--	--	--	--	--	--	--	--
	2017	225,500	--	33,737	11,245	53,140	--	11,270	334,892

Diane E. Baker, CPA, Executive Vice President, COO & Chief Risk Officer of PeoplesBank	2016	183,846	--	33,734	11,250	40,482	--	7,790	277,101
	2015	--	--	--	--	--	--	--	--
Amy L. Doll, SVP & Chief Revenue & Chief Lending Officer of PeoplesBank	2017	250,000	--	37,489	12,495	58,913	--	22,936	381,833
	2016	230,000	--	33,734	11,250	45,701	--	9,397	330,082
	2015	179,615	--	20,994	20,999	27,163	--	7,333	256,104

36

(1) Pursuant to SEC rules, compensation is only shown for each Named Executive Officer in each of the years in which the individual met the criteria of a Named Executive Officer.

(2) On February 14, 2017, the Compensation Committee approved a $50,000 discretionary bonus paid on March 23, 2017 in recognition of Mr. Miller's performance as President and CEO of the Corporation and Executive Chairman of the Bank.

(3) Amounts represent the grant date fair values of restricted stock awards computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 12 to the Corporation's audited consolidated financial statements for the fiscal year ended December 31, 2017, included in the Corporation's Annual Report filed on Form 10-K with the SEC on or about March 13, 2018.

(4) Amounts represent the grant date fair values of the options computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 12 to the Corporation's audited consolidated financial statements for the fiscal year ended December 31, 2017, included in the Corporation's Annual Report filed on Form 10-K with the SEC on or about March 13, 2018.

(5) Payments characterized as "Non-Equity Incentive Plan Compensation" for the fiscal year ended December 31, 2017 were earned through the Executive Incentive Plan. The payments were approved by the Compensation Committee on February 13, 2018 and paid March 2018.

(6) Reflects change in the present value of future benefits payable under Supplemental Executive Retirement Plans (SERPS), described on page 41 under the heading "Nonqualified Deferred Compensation Table."

(7) All other compensation primarily consists of matching contributions allocated by the Corporation to each Named Executive Officer pursuant to the Corporation's 401(k) Retirement Plan, which is more fully described on page 34 under the heading "401k Retirement Plan", and the imputed cost of life and supplemental disability insurance. The table below details the foregoing payments for 2017.

(8) In 2017, the amount attributable to other perquisites for Messrs Miller, Utz, and Ms. Doll exceeded $10,000 and is shown in the "Other Perquisites" column in the table below. The amounts attributable to perquisites in 2017 for Mr. Field and Ms. Baker were less than $10,000. Mr. Miller's perquisites included country club dues totaling $6,390 as well as the personal benefits associated with the use of a vehicle owned by the Corporation, totaling $5,438. Mr. Utz's perquisites included country club dues totaling $5,061 as well as the personal benefits associated with the use of a vehicle owned by the Corporation, totaling $7,670. Ms. Doll's perquisites included the personal benefits associated with the use of a vehicle owned by the Corporation, totaling $11,101. The calculation of the automobile benefit consists of the incremental cost attributable to Corporation-provided automobiles, as well as insurance premiums, maintenance, and repair costs. The incremental cost attributable to Corporation-provided automobiles (calculated in accordance with Internal Revenue Service guidelines) are included on the W-2 of NEOs who receive such benefits and the NEO is responsible for paying income tax on such amounts.

(9) Mr. Utz was terminated without cause from his positions as Chief Operating Officer of the Corporation and President and Chief Executive Officer of PeoplesBank effective as of February 5, 2018.

Name	Year

		401(k) Match	Life Insurance	Disability Insurance	Other Compensation	Other Perquisites	Total All Other Compensation
Larry J. Miller	2017	8,290	4,596	1,806	-	12,656	27,348
	2016	10,600	2,569		-	14,143	27,312
	2015	10,600	3,170		-	14,775	28,545
Charles T. Field	2017	7,538	647	2,415	-	-	10,600
	2016	-	-		-	-	-
	2015	-	-		-	-	-
A. Dwight Utz	2017	10,800	1,750	6,749	-	13,183	32,482
	2016	10,600	1,448		-	-	12,048
	2015	-	-		-	-	-
Diane E. Baker	2017	9,020	433	1,817	-	-	11,270
	2016	7,356	369		65	-	7,790
	2015	-	-		-	-	-
Amy L. Doll	2017	10,000	218	1,568	-	11,150	22,936
	2016	9,200	197		-	-	9,397
	2015	7,184	149		-	-	7,333

37

CEO PAY RATIO

Pursuant to the mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total compensation of the principal executive officer ("PEO"). This ratio is commonly referred to as the "CEO Pay Ratio." The Corporation's PEO is Mr. Miller, the President and Chief Executive Officer. The Corporation is required to provide this disclosure for the first time in this 2018 Proxy Statement.

The median employee was identified by examining a list of all employees as of November 30, 2017, and applying total (gross) compensation as reported on the 2017 W-2 forms. Upon the identification of the median employee, that individual's 2017 total compensation was calculated in accordance with the requirements of the Executive Summary Compensation Table as printed on page 36.

The following table sets forth the calculation of the 2017 CEO Pay Ratio:

	President and CEO	(1)	Median Employee	
Salary	$ 250,000.00		$ 43,204.63	
Bonus	$ 50,000.00		$ 1,250.00	
Stock Awards	$ 60,000.00		$ -	
Non-Equity Incentive Plan Compensation	$ 60,413.00		$ 553.00	
Non-qualified Deferred Compensation Earnings	$ 65,500.00		$ -	
All Other Compensation	$ 27,348.00		$ 1,803.80	(2)
	$ 513,261.00		$ 46,811.43	
Ratio of CEO Pay to Median Employee Pay	11	to	1	

(1) The compensation as outlined below for the President and CEO corresponds with the detail as provided in the Summary Compensation Table on Page 36.

(2) Included in "All other Compensation" for the median employee is Employer 401(k) Match and the annual cost of Basic Life Insurance coverage, consistent with the calculations in the Summary Compensation Table.

Grants of Plan-Based Awards Table

The following table presents information concerning awards granted to the named executive officers for 2017 under the annual executive incentive plan and the Corporation's equity incentive and stock option plans.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)[6]
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Larry J. Miller[1]	-	25,000	50,000	75,000	N/A	N/A	N/A	-	-	-	-
	12/12/17	-	-	-				2,079	-	-	60,000
Charles T. Field[2]	-	22,500	45,000	67,500	N/A	N/A	N/A	-	-	-	-
	12/12/17	-	-	-				1,169	1,863	28.86	44,982
A. Dwight Utz[3]	-	48,750	97,500	146,250	N/A	N/A	N/A	-	-	-	-
		-	-	-				-	-	-	-
Diane E. Baker[4]	-	22,550	45,100	67,650	N/A	N/A	N/A	-	-	-	-
	12/12/17	-	-	-				1,169	1,863	28.86	44,982
Amy L. Doll[5]	-	25,000	50,000	75,000	N/A	N/A	N/A	-	-	-	-
	12/12/17	-	-	-				1,299	2,070	28.86	49,984

(1) In accordance with the annual executive incentive plan applicable to the Executive Chairman, amounts reported are the following percentages of Mr. Miller's base salary: Threshold - 10%; Target - 20%; and Maximum - 30%. Based on the Company's performance in 2017, Mr. Miller received an award of $60,413 pursuant to the plan, which was paid in March 2018. For further information regarding the executive incentive plan and awards made thereunder, please refer to the "Compensation Discussion and Analysis" section of this proxy statement.

(2) In accordance with the annual executive incentive plan applicable to other Named Executive Officers, amounts reported are the following percentages of Mr. Field's base salary: Threshold - 10%; Target - 20%; and Maximum - 30%. Based on the Company's performance in 2017, Mr. Field received an award of $53,022 pursuant to the plan, which was paid in March 2018. For further information regarding the executive incentive plan and awards made thereunder, please refer to the "Compensation Discussion and Analysis" section of this proxy statement.

(3) In accordance with the annual executive incentive plan applicable to the Chief Executive Officer, amounts reported are the following percentages of Mr. Utz's base salary: Threshold - 12.5%; Target - 25%; and Maximum - 37.5%. Based on the Company's performance in 2017, and in accordance with the terms set forth in the "Acknowledgement of Termination Benefits and Release," Mr. Utz received an award of $97,500 pursuant to the plan, which was paid in March 2018. For further information regarding the executive incentive plan and awards made thereunder, please refer to the "Compensation Discussion and Analysis" section of this proxy statement.

(4) In accordance with the annual executive incentive plan applicable to other Named Executive Officers, amounts reported are the following percentages of Ms. Baker's base salary: Threshold - 10%; Target - 20%; and Maximum - 30%. Based on the Company's performance in 2017, Ms. Baker received an award of $53,140 pursuant to the plan, which was paid in March 2018. For further information regarding the executive incentive plan and awards made thereunder, please refer to the "Compensation Discussion and Analysis" section of this proxy statement.

(5) In accordance with the annual executive incentive plan applicable to other Named Executive Officers, amounts reported are the following percentages of Ms. Doll's base salary: Threshold - 10%; Target - 20%; and Maximum - 30%. Based on the Company's performance in 2017, Ms. Doll received an award of $58,913 pursuant to the plan, which was paid in March 2018. For further information regarding the executive incentive plan and awards made thereunder, please refer to the "Compensation Discussion and Analysis" section of this proxy statement.

(6) Amounts represent the grant date fair values of restricted stock awards and options granted. For further information regarding the calculation of these amounts, please refer to the "Summary Compensation Table" section of this proxy statement.

Outstanding Equity Awards at Fiscal Year-End Table

The following table presents outstanding stock option and non-vested stock awards as of December 31, 2017.

Outstanding Equity Awards at 2017 Fiscal Year End [1]

	Option Awards					**Stock Awards**			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable[2]	Number of Securities Underlying Unexercised Options (#) Unexercisable[2]	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price ($)[2]	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Larry J. Miller	3,992	-	-	6.5406	12/9/2018	6,133[4]	168,841	-	-
Charles T. Field	-	1,863[5]	-	28.8600	12/12/2027	1,575[6]	43,360	-	-
A. Dwight Utz	11,904	-	-	17.4927	10/13/2025	4,310[7]	118,654	-	-
Diane E. Baker	895	-	-	11.5570	11/13/2022			-	-
	730	-		15.8370	11/19/2023				
	1,950	-		17.0176	12/16/2024				
	2,763	1,379[8]		18.9478	11/17/2025				
	1,083	2,166[9]		20.4762	11/15/2026				
	-	1,863[10]		28.8600	12/12/2027				
						2,530[11]	69,651		
Amy L. Doll	1,216	-	-	16.9724	8/12/2024			-	-
	834	-		17.0176	12/16/2024				
	3,867	1,933[12]		18.9478	11/17/2025				
	1,083	2,166[13]		20.4762	11/15/2026				
	-	2,070[14]		28.8600	12/12/2027				
						2,765[15]	76,120		

(1) Includes shares issued under the Corporation's 2000 Stock Incentive Plan, 2007 Long-Term Incentive Plan and 2017 Long Term Incentive Plan.

(2) As adjusted for stock dividends distributed through December 31, 2017.

(3) Based on the closing price of the Corporation's common stock of $27.53 on December 31, 2017.

(4) 2,427 shares vest on November 17, 2018. 814 and 813 shares vest on November 15, 2018 and 2019, respectively. 693 shares vest on December 12, 2018, 2019 and 2020.

(5) Options for 621 shares vest on December 12, 2018, 2019 and 2020.

(6) 203 shares vest on November 15, 2018 and 2019. 390 shares vest on December 12, 2018 and 2020. 389 shares vest on December 12, 2019.

(7) 1,249 shares vest on October 13, 2018. 1,531 and 1,530 shares vest on November 15, 2018 and 2019, respectively.

(8) Options for 1,379 vest on November 17, 2018.

(9) Options for 1,084 and 1,082 shares vest on November 15, 2018 and 2019, respectively.

(10) Options for 621 shares vest on December 12, 2018, 2019 and 2020.

(12) Options for 1,933 shares vest on November 17, 2018.

(13) Options for 1,084 and 1,082 shares vest on November 15, 2018 and 2019, respectively.

(14) Options for 690 shares vest on December 12, 2018, 2019 and 2020.

(15) 368 shares vest on November 17, 2018. 549 shares vest on November 15, 2018 and 2019. 433 shares vest on December 12, 2018, 2019 and 2020.

Option Exercises and Stock Vested

The following table presents a summary of options exercised and stock vested during the year ended December 31, 2017.

Option Exercises and Stock Vested

	Option Awards		**Stock Awards**	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)[1]	Total Value Realized on Vesting ($)[2]
Larry J. Miller	-	N/A	5,222	156,305
Charles T. Field	-	N/A	207	6,141
A. Dwight Utz	-	N/A	2,805	87,766
Diane E. Baker	-	N/A	1,156	34,517
Amy L. Doll	-	N/A	1,213	35,715

(1) Includes shares from reinvested cash dividends received during the vesting period that were subject to the same restrictions as the stock awards.

(2) Vested shares are valued at the closing price of the Corporation’s common stock on the vesting date.

Nonqualified Deferred Compensation Table

The following table presents information related to the salary continuation agreements (“SERP”) between the Bank and Mr. Miller, which is the Corporation’s only non-qualified deferred compensation plan maintained for the benefit of its named executive officers.

Mr. Miller’s SERP was originally executed on October 1, 1998, and provides for certain payments to Mr. Miller following his normal retirement date and continuing for 240 months. The SERP provides an annual benefit at

41

normal retirement age (age 60) of $130,433. On December 23, 2008, the SERP was amended to increase the amount of normal retirement benefit at an annual rate of 4% for each month the executive remains employed beyond his normal retirement age, up to a maximum of five (5) years. On May 10, 2016, the SERP was further amended to extend the post-normal retirement age employment period during which the normal retirement benefit would increase at an annual rate of 4% from five (5) years to one hundred two (102) months. The agreement contains provisions for early retirement, disability benefits, death benefits and payments on specified changes of control. The agreement also contains non-competition provisions that prohibit him from competing with the Corporation or the Bank within fifty (50) miles of the Bank's registered office for a period of three (3) years following a termination of employment for any reason other than a change of control. Because payments due under the SERP vest gradually over a period of time, the SERP serves to encourage longevity with the Corporation and Bank. The Committee believes that it is appropriate to reward long-term executives with benefits that provide for a retirement lifestyle commensurate with that they experienced during their professional careers.

Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last FY ($)	Registrant Contributions in last FY ($)[1]	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Larry J. Miller	N/A	65,551	N/A	N/A	1,749,750
Charles T. Field	N/A	N/A	N/A	N/A	N/A
A. Dwight Utz	N/A	N/A	N/A	N/A	N/A
Diane E. Baker	N/A	N/A	N/A	N/A	N/A
Amy L. Doll	N/A	N/A	N/A	N/A	N/A

[1] The Corporation's contributions toward nonqualified deferred compensation for each of the NEO's are listed in this column. Amounts listed as registrant contributions in the Nonqualified Deferred Compensation Table are also included as part of the Executive's "Total All Other Compensation" in the Summary Compensation Table.

42

Employment Agreements

The Corporation and the Bank have entered into an employment agreement with Mr. Miller, the material terms of which are described below.

Larry J. Miller, Chairman, President & Chief Executive Officer. On December 27, 2005, the Corporation, the Bank and Mr. Miller entered into an employment agreement for an initial term of three years. The term of the agreement renews automatically for an additional twelve (12) months at the end of each calendar year, unless the Corporation and the Bank provide written notice to Mr. Miller of non-renewal.

Under the terms of the agreement, as amended effective March 8, 2016, Mr. Miller serves as the Chairman, President and Chief Executive Officer of the Corporation and Executive Chairman of the Bank. The agreement contains a confidentiality provision and a non-competition provision that prohibits Mr. Miller from competing with the Corporation or the Bank within fifty (50) miles of the Bank’s registered office for a period of one (1) year following his termination of employment for any reason other than a change of control.

Mr. Miller received an annual salary of $250,000 in 2017. Pursuant to his agreement, the Board of Directors has discretion to pay a periodic bonus to Mr. Miller. At the present time, Mr. Miller is not entitled to receive director’s fees or other compensation for serving on the Corporation’s or the Bank’s Board of Directors or any committee thereof. Mr. Miller is also entitled to receive the employee benefits made available to Bank employees, generally; to the use of a vehicle provided by the Bank; and for reimbursement of country club dues.

The agreement with Mr. Miller provides that if his employment is terminated by the Corporation or the Bank due to death, disability or “for cause,” then he is entitled to the full annual salary and any accrued benefits through the date of termination. “For cause” termination includes termination for willful failure to perform his duties; engaging in misconduct injurious to the Corporation or to the Bank; violation of certain terms of the agreement; dishonesty or gross negligence in the performance of his duties; violation of banking laws and regulations; failure to win election or to serve on the Board of Directors of the Corporation; or moral turpitude which brings public discredit to the Corporation or to the Bank.

If Mr. Miller’s employment is terminated by the Corporation or the Bank other than as a result of death, disability or “for cause,” then he is entitled to a lump sum payment equal to his full annual salary from the date of termination through the last day of the term of the agreement or to an amount equal to his current annual salary, whichever is greater, and to a continuation of employee benefits for one (1) year.

If Mr. Miller terminates his employment for “good reason,” then he is entitled to an amount equal to his direct annual salary and to a continuation of employee benefits for one (1) year. “Good reason” includes reduction in title or responsibilities; geographic reassignment; removal from office; reduction in salary or benefits; failure to extend the term of the agreement; or any other material breach of the agreement by the Corporation or the Bank.

If Mr. Miller’s employment is terminated by the Corporation or the Bank other than “for cause” or if Mr. Miller terminates his employment for good reason within two (2) years following a change in control of the Corporation or the Bank, he is entitled to receive a lump sum payment equal to three (3) times the sum of his then current direct annual salary and the highest bonus paid to him with respect to one of the last three years of employment, and he will continue to receive all benefits to which he was previously entitled for a period of three (3) years. Change of control is defined to include a more than fifty percent (50%) change in ownership of the Corporation or the Bank, a change in effective control of the Corporation or the Bank or a change in ownership of a substantial portion of the Corporation’s or the Bank’s assets. Change of control is determined consistently under all of the Corporation’s and the Bank’s compensation plans and employment agreements.

In the event the amounts and benefits payable under the agreement resulting from a change of control, when added to all other benefits and amounts which may become payable to Mr. Miller by the Corporation and/or the Bank in such a circumstance, are such that they become subject to Section 280G of the Internal Revenue Code and, therefore, to the excise tax provisions of Section 4999 of the Internal Revenue Code, then Mr. Miller is to be paid the additional amount necessary to reimburse him for the economic detriment of the excise tax. If the amounts and benefits paid under the agreement are subject to Section 280G, they are not deductible by the Corporation.

A. Dwight Utz. The Corporation and Bank also were parties to an employment agreement with Mr. Utz, dated as of September 17, 2015. In connection with Mr. Utz's termination without cause on February 5, 2018, the Corporation and Bank agreed to compensate him in accordance with Section 7(a) of his employment agreement, which was described in the Corporation's current report on Form 8-K filed on September 22, 2015 and was attached as Exhibit 10.1 thereto.

Change of Control Agreements

The named executive officers and other employees of the Bank have built the Corporation into the successful enterprise that it is today, and the Compensation Committee believes that it is important to protect them in the event of a change of control. Further, it is the Committee's belief that the shareholders will be best served if the interests of management are aligned with the interests of the shareholders. Providing change of control benefits should eliminate, or at least reduce, the reluctance of management to pursue potential change of control transactions that may be in the best interests of the Corporation. Relative to the overall value of the Corporation, these potential change of control benefits are relatively minor. The level of change of control benefits are based on industry practices and negotiations with the affected named executive officers and other executive officers.

Change of control benefits for Mr. Miller are described above in the section describing his employment agreement. The other named executive officers with an agreement providing for change in control benefits are Ms. Baker, Ms. Doll and Mr. Field, which are described below.

Diane E. Baker, Executive Vice President, Chief Operating and Chief Risk Officer; Amy Doll, Senior Vice President, Chief Revenue and Chief Lending Officer and Charles T. Field, Executive Vice President and Chief Financial Officer. On June 23, 2016, the Corporation and the Bank entered into a Change of Control Agreement with each of Ms. Baker and Ms. Doll. On November 9, 2016, the Corporation and the Bank entered into a Change of Control Agreement with Mr. Field. Each Agreement contains substantially similar terms to those contained in the other Agreements.

The terms and condition of the Agreements provide that Ms. Baker, Ms. Doll and Mr. Field are entitled to receive certain cash compensation and employee benefits in the event that their respective employment is terminated by the

Corporation or Bank (or an acquirer or successor thereof) without “good cause,” or, in certain specified circumstances, by Ms. Baker, Ms. Doll or Mr. Field, in each case within two (2) years after the occurrence of a “change of control.”

More specifically, the agreements provide that upon a termination pursuant to a “change of control,” Ms. Baker, Ms. Doll and Mr. Field are entitled to be paid cash compensation in an amount equal to one (1) times the sum of his or her highest annual base salary during one of the three immediately preceding calendar years, plus his or her highest cash bonus earned during the same time period. Payment of this cash compensation is to be made in a single lump sum within ten (10) days after the termination of employment. In addition, each would be entitled to continue participation in the Bank’s employee benefit plans for a period of one (1) year; provided that if participation in any health, medical, life insurance or disability plan is barred, the Bank will be required to pay for an individual plan with substantially equivalent coverage.

As used in the agreement, a “change of control” means:

A change in ownership of the Corporation or the Bank such that any person or group of persons acquires stock that causes such person or group to own more than 50 percent of the total fair market value or total voting power of the stock of the Corporation or the Bank;

A change in the effective control of the Corporation or the Bank such that any person or group of persons acquires, during any 12-month period, the ownership of stock of the Corporation or Bank possessing 35 percent or more of the total voting power of the stock of the Corporation or the Bank, or a majority of the Corporation's Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Corporation's board of directors prior to the date of the appointment or election; or

A change in the ownership of a substantial portion of the assets of the Corporation or the Bank during any 12-month period such that any person or group of persons acquires assets from the Corporation or the bank that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Corporation or the Bank immediately prior to such acquisitions.

"Good cause" is defined in the Agreements to mean: the willful failure to substantially perform his or her duties as an officer of the Corporation or Bank following receipt of written notice of such failure; the willful engaging in misconduct injurious to the Corporation or Bank; dishonesty or gross negligence in the performance of his or her duties; breach of a fiduciary duty involving personal profit; the violation of any law, rule or regulation governing banks or bank officers or any final cease and desist order issued by a bank regulatory authority, any of which materially jeopardizes the business of the Corporation or Bank; or moral turpitude or other conduct which brings public discredit to the Corporation or Bank.

Should Ms. Baker, Ms. Doll or Mr. Field terminate his or her employment for any of the following reasons following a change of control of the Corporation or the Bank, he or she will be entitled to receive the benefits payable under their respective Agreement: reduction in title or responsibilities or authority which are inconsistent with, or assignment of duties inconsistent with, his or her position; removal from office other than for "good cause"; reassignment to a principal place of employment which is more than twenty-five (25) miles from his or her respective principal place of employment immediately preceding the termination of employment; reduction in annual base salary; failure to provide Ms. Baker, Ms. Doll or Mr. Field with benefits as favorable as those enjoyed by he or she prior to the termination of employment; requirement that he or she travel in the performance of his or her duties for a significantly greater period of time than was required of he or she during the year preceding the change in control; or any material breach of the agreement by the Corporation or Bank.

The Agreements provide that in the event the amounts and benefits payable to Ms. Baker, Ms. Doll or Mr. Field under the Agreements resulting from a change in control, when added to all other benefits and amounts which may become payable to them in such a circumstance, are such that they become subject to Section 280G of the Internal Revenue Code and, therefore, to the excise tax provisions of Section 4999 of the Internal Revenue Code, then the Bank shall reduce the amounts payable to Ms. Baker, Ms. Doll and Mr. Field under the Agreements so that the amounts payable to each of them under the Agreements and any other agreements, plans or programs of the Bank shall be $1.00 less than the amount which would trigger the excise tax under Section 4999 of the Internal Revenue Code and corresponding lack of deduction to the Corporation.

Potential Payments upon Termination or Change in Control

The tables below show the value of estimated payments pursuant to the employment and change in control agreements, stock incentive plans and other non-qualified plans described above upon a termination of employment, including gross-up payments for any excise tax on the parachute payments upon a change of control, for Mr. Miller (our only named executive officer with an agreement providing for such payments). The payments represent the maximum possible payments under interpretations and assumptions most favorable to the executive officer. All termination events are assumed to occur on December 31, 2017, and termination upon a change of control is assumed to be involuntary. Corporation payments to a terminated executive may be more or less than the amounts contained in the various agreements and plans. In addition, certain amounts currently are vested and, thus, do not represent an increased amount of benefits.

Larry J. Miller

Assuming one of the following events had occurred on December 31, 2017, Mr. Miller's payments and benefits had an estimated value as follows:

Termination Reason	Change in Control Payment ($)(1)	Severance Payment ($)	Accelerated Vesting of Stock Awards ($)	Stock Options ($)	Accelerated Vesting of Deferred Compensation Benefit (9)	Value of Employee Benefit Plans and Programs ($)	Life Insurance Benefit Paid ($)(13)	Disability Payments ($)(14)	Excise Tax Gross-Up Payment ($)(15)	Total (
Voluntary	-	-	-	83,790 (6)	-	-	-	-	-	83,790
Voluntary for 'Good Reason'	-	250,000 (2)	-	83,790 (6)	-	16,838 (10)	-	-	-	350,62
Involuntary without 'Cause'	-	750,000 (3)	-	83,790 (6)	-	16,838 (10)	-	-	-	850,62
Involuntary for 'Cause'	-	-	-	83,790 (6)	-	-	-	-	-	83,790
Permanent Disability	-	-	69,151 (4)	83,790 (7)	-	8,419 (11)	-	173,333	-	334,69
Death	-	-	69,151 (4)	83,790 (7)	-	-	1,000,000	-	-	1,152,9
Change in Control (with Double Trigger Adverse Employmt. Action)	1,176,600	-	172,746(5)	83,790 (8)	-	50,514 (12)	-	-	-	1,483,6

(1) If Mr. Miller's employment is terminated during the period commencing with the date of any Change in Control and ending on the second anniversary of the date of the Change in Control, then Mr. Miller shall be paid an amount equal to three (3) times the sum of (a) his then current annual direct salary, and (b) the highest bonus paid to him with respect to one of the three calendar years immediately preceding the year of termination. Such amount will be paid in a lump sum within ten (10) days following the date of termination of employment.

(2) In the event of Mr. Miller's termination for 'Good Reason', the Bank shall pay Mr. Miller an amount equal to his annual direct salary. Such amount shall be paid in a lump sum within ten (10) days following the date of termination of employment.

(3) In the event of employment termination by the Bank without 'Cause' and not following a Change in Control, the Bank shall pay Mr. Miller his full annual direct salary from the date of termination through the last day of the term of the employment agreement or an amount equal to his current annual direct salary, whichever is greater. Such amount shall be paid in a lump sum within ten (10) days following the date of termination of employment.

(4) In the event an Executive terminates employment during the restricted period by reason of death, disability, or retirement, and the Executive had completed a minimum of one year of employment during the restricted period, restrictions shall lapse on the number of shares (if any) determined by multiplying the full number of shares subject to restriction by a fraction, the numerator of which is the number of full months of employment the Executive had completed in such restriction period, and the denominator of which is the total number of full months in such restriction period. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

(5) In the event of any Change in Control, all restrictions applicable to any outstanding Restricted Stock Award shall lapse as of the date of such Change in Control. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

(6) In the event that the Executive would terminate employment for any reason other than death or disability, the options must be exercised within three months following the Executive's termination date and prior to the options' expiration. All options which are not exercisable on the date of termination shall be cancelled. The value of the vested and "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.

(7) In the event that the Executive would terminate employment due to death or disability, the options must be exercised within one year following the Executive's termination of employment and prior to is expiration. The value of all "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.

(8) In the event of any Change in Control, all Stock Options shall immediately become exercisable without regard to the exercise period. The value of all "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.

(9) Under the deferred compensation plan, Mr. Miller is entitled to receive the Normal Retirement Benefit amount if he is terminated for any reason other than

Involuntary for 'Cause', in which case Mr. Miller would not be entitled to any deferred compensation payments. As of December 31, 2017, Mr. Miller has attained "Normal Retirement Age" as outlined in the deferred compensation plan, and is entitled to receive the Normal Retirement Benefit amount of $168,324 per year, paid in twelve (12) equal monthly installments payable on the first day of each month commencing with the month following the Executive's Normal Retirement Date and continuing for 239 additional months. There would be no acceleration of vesting and Mr. Miller would not receive accelerated deferred compensation payments if his employment was terminated as of December 31, 2017.

(10) Reflects the value of twelve (12) months of employee benefit plans and programs to which Mr. Miller was entitled prior to the date of termination, to be provided pursuant to Mr. Miller's employment agreement.
(11) Reflects the value of six (6) months of employee benefit plans and programs to which Mr. Miller was entitled prior to the date of termination, to be provided pursuant to Mr. Miller's employment agreement.
(12) Reflects the value of thirty-six (36) months of employee benefit plans and programs to which Mr. Miller was entitled prior to the date of termination, to be provided pursuant to Mr. Miller's employment agreement.
(13) The life insurance payment reflects three (3) times the highest annual base salary of the executive with maximum benefit of $1,000,000.
(14) In the event that Mr. Miller becomes disabled, he is eligible for up to six (6) months of Short Term and twenty-four (24) months of Long Term disability in accordance with the Bank's employee benefit program, assuming permanent disability on December 31, 2017.
(15) Calculation in accordance with Section 280G of the Internal Revenue Code. This calculation does not include executive deferred compensation payments as they were vested immediately upon grant.

Charles T. Field

Assuming one of the following events had occurred on December 31, 2017, Mr. Field's payments and benefits had an estimated value as follows:

Termination Reason	**Change in Control Payment ($)[1]**	**Severance Payment ($)**	**Accelerated Vesting of Stock Awards ($)**	**Stock Options ($)**	**Accelerated Deferred Compensation Payments ($)**	**Value of Employee Benefit Plans and Programs ($)**	**Life Insurance Benefit Paid ($)[8]**	**Disability Payments ($)[9]**	**Excise Tax Gross-Up Payment ($)**	**Total ($)**
Voluntary	-	-	-	-[4]	-	-	-	-	-	-
Voluntary for 'Good Reason'	-	-	-	-[4]	-	-	-	-	-	-
Involuntary without 'Cause'	-	-	-	-[4]	-	-	-	-	-	-
Involuntary for 'Cause'	-	-	-	-[4]	-	-	-	-	-	-
Permanent Disability	-	-	5,197[2]	-[5]	-	-	-	880,000	-	885,197
Death	-	-	5,197[2]	-[5]	-	-	675,000	-	-	680,197
	237,500	-	43,602[3]	-[6]	-	23,087[7]	-	-	-	304,189

Change in Control
(with Double Trigger
Adverse Employment
Action)

(1) Under Mr. Field's Change in Control agreement, payment is calculated as one (1) times the sum of (a) the highest annualized base salary at the time of or during one of the three calendar years immediately preceding the termination pursuant to a Change in Control, and (b) the highest cash bonus earned with respect to one of the three calendar years immediately preceding the date of the termination pursuant to a Change in Control. Such amount will be paid in a lump sum within ten (10) days after termination of employment.

(2) In the event an Executive terminates employment during the restricted period by reason of death, disability, or retirement, and the Executive had completed a minimum of one year of employment during the restricted period, restrictions shall lapse on the number of shares (if any) determined by multiplying the full number of shares subject to restriction by a fraction, the numerator of which is the number of full months of employment the Executive had completed in such restriction period, and the denominator of which is the total number of full months in such restriction period. The value of the accelerated vesting was calculated using the closing price of 27.53 on 12/31/2017.

(3) In the event of any Change in Control, all restrictions applicable to any outstanding Restricted Stock Award shall lapse as of the date of such Change in Control. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

(4) In the event that the Executive would terminate employment for any reason other than death, disability, retirement, or Change of Control, vested options must be exercised within three months following the Executive's termination date and prior to its expiration. All options which are not exercisable on the date of termination shall be cancelled. Mr. Field had no outstanding excercisable stock option awards as of December 31, 2017.

47

(5) In the event that the Executive would terminate employment due to death, disability, or retirement, vesting is accelerated on all unvested options. All vested options must be exercised within one year following the Executive's termination of employment and prior to the expiration of the options. Mr. Field had no outstanding "in the money" stock option awards as of December 31, 2017.
(6) In the event of any Change in Control, all Stock Options shall immediately become exercisable without regard to the exercise period. Mr. Field had no outstanding "in the money" stock option awards as of December 31, 2017.
(7) Reflects the value of twelve (12) months of employee benefit plans and programs to which Mr. Field was entitled prior to the date of termination, to be provided pursuant to Mr. Field's Change of Control agreement.
(8) The life insurance payment reflects three (3) times the annual bases salary of the executive with maximum benefit of $1,000,000.
(9) In the event that Mr. Field becomes disabled, he is eligible for up to six (6) months of Short Term and Long Term disability payments until the age of 67, in accordance with the Bank's employee benefit program, assuming permanent disability on December 31, 2017.

48

Diane E. Baker

Assuming one of the following events had occurred on December 31, 2017, Ms. Baker's payments and benefits had an estimated value as follows: **Termination Reason**	**Change in Control Payment ($)[1]**	**Severance Payment ($)**	**Accelerated Vesting of Stock Awards ($)**	**Stock Options ($)**	**Accelerated Deferred Compensation Payments ($)**	**Value of Employee Benefit Plans and Programs ($)**	**Life Insurance Benefit Paid ($)[8]**	**Disability Payments ($)[9]**	**Excise Tax Gross-Up Paymt. ($)**	**Total ($)**
Voluntary	-	-	-	74,683 [4]	-	-	-	-	-	74,683
Voluntary for 'Good Reason'	-	-	-	74,683[4]	-	-	-	-	-	74,683
Involuntary without 'Cause'	-	-	-	74,683[4]	-	-	-	-	-	74,683
Involuntary for 'Cause'	-	-	-	74,683[4]	-	-	-	-	-	74,683
Permanent Disability	-	-	19,211[2]	-	101,796[5]	-	-	1,210,167	-	1,331,174
Death	-	-	19,211[2]	-	101,796[5]	-	676,500	-	-	797,507
Change in Control (with Double Trigger Adverse Employment Action)	265,982	-	70,555[3]	-	101,796[6]	9,712[7]	-	-	-	448,045

[1] Under Ms. Baker's Change in Control agreement, payment is calculated as one (1) times the sum of (a) the highest annualized base salary at the time of or during one of the three calendar years immediately preceding the termination pursuant to a Change in Control, and (b) the highest cash bonus earned with respect to one of the three calendar years immediately preceding the date of the termination pursuant to a Change in Control. Such amount will be paid in a lump sum within ten (10) days after termination of employment.

[2] In the event an Executive terminates employment during the restricted period by reason of death, disability, or retirement, and the Executive had completed a minimum of one year of employment during the restricted period, restrictions shall lapse on the number of shares (if any) determined by multiplying the full number of shares subject to restriction by a fraction, the numerator of which is the number of full months of employment the Executive had completed in such restriction period, and the denominator of which is the total number of full months in such restriction period. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

[3] In the event of any Change in Control, all restrictions applicable to any outstanding Restricted Stock Award shall lapse as of the date of such Change in Control. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

[4] In the event that the Executive would terminate employment for any reason other than death, disability, retirement, or Change of Control, vested options must be exercised within three months following the Executive's termination date and prior to its expiration. All options which are not exercisable on the date of termination shall be cancelled. The value of the vested and "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.

(5) In the event that the Executive would terminate employment due to death, disability, or retirement, vesting is accelerated on all unvested options. All vested options must be exercised within one year following the Executive's termination of employment and prior to the expiration of the options. The value of all "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.

(6) In the event of any Change in Control, all Stock Options shall immediately become exercisable without regard to the exercise period. The value of all "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.
(7) Reflects the value of twelve (12) months of employee benefit plans and programs to which Ms. Baker was entitled prior to the date of termination, to be provided pursuant to Ms. Baker's Change of Control agreement.
(8) The life insurance payment reflects three (3) times the annual bases salary of the executive with maximum benefit of $1,000,000.
(9) In the event that Ms. Baker becomes disabled, she is eligible for up to six (6) months of Short Term and Long Term disability payments until the age of 67, in accordance with the Bank's employee benefit program, assuming permanent disability on December 31, 2017.

Amy L. Doll

Assuming one of the following events had occurred on December 31, 2017, Ms. Doll’s payments and benefits had an estimated value as follows:

Termination Reason	Change in Control Payment ($)[1]	Severance Payment ($)	Accelerated Vesting of Stock Awards ($)	Stock Options ($)	Accelerated Deferred Compensation Payments ($)	Value of Employee Benefit Plans and Programs ($)	Life Insurance Benefit Paid ($)[8]	Disability Payments ($)[9]	Excise Tax Gross-Up Payment ($)	Total ($)
Voluntary	-	-	-	62,432[4]		-	-	-	-	62,432
Voluntary for ‘Good Reason’	-	-	-	62,432[4]		-	-	-	-	62,432
Involuntary without ‘Cause’	-	-	-	62,432[4]		-	-	-	-	62,432
Involuntary for ‘Cause’	-	-	-	62,432[4]		-	-	-	-	62,432
Permanent Disability	-	-	21,352[2]	94,300[5]		-	-	1,760,833	-	1,876,485
Death	-	-	21,352[2]	94,300[5]		-	750,000	-	-	865,652
Change in Control (with Double Trigger Adverse Employment Action)	295,701	-	77,210[3]	94,300[6]		22,206[7]	-	-	-	489,417

[1] Under Ms. Doll’s Change in Control agreement, payment is calculated as one (1) times the sum of (a) the highest annualized base salary at the time of or during one of the three calendar years immediately preceding the termination pursuant to a Change in Control, and (b) the highest cash bonus earned with respect to one of the three calendar years immediately preceding the date of the termination pursuant to a Change in Control. Such amount will be paid in a lump sum within ten (10) days after termination of employment.

[2] In the event an Executive terminates employment during the restricted period by reason of death, disability, or retirement, and the Executive had completed a minimum of one year of employment during the restricted period, restrictions shall lapse on the number of shares (if any) determined by multiplying the full number of shares subject to restriction by a fraction, the numerator of which is the number of full months of employment the Executive had completed in such restriction period, and the denominator of which is the total number of full months in such restriction period. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

[3] In the event of any Change in Control, all restrictions applicable to any outstanding Restricted Stock Award shall lapse as of the date of such Change in Control. The value of the accelerated vesting was calculated using the closing price of $27.53 as of December 31, 2017.

[4] In the event that the Executive would terminate employment for any reason other than death, disability, retirement, or Change of Control, vested options must be exercised within three months following the Executive’s termination

date and prior to its expiration. All options which are not exercisable on the date of termination shall be cancelled. The value of the vested and "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.
(5) In the event that the Executive would terminate employment due to death, disability, or retirement, vesting is accelerated on all unvested options. All vested options must be exercised within one year following the Executive's termination of employment and prior to the expiration of the options. The value of all "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.
(6) In the event of any Change in Control, all Stock Options shall immediately become exercisable without regard to the exercise period. The value of all "in the money" stock options was calculated using the closing price of $27.53 on December 31, 2017.
(7) Reflects the value of twelve (12) months of employee benefit plans and programs to which Ms. Doll was entitled prior to the date of termination, to be provided pursuant to Ms. Doll's Change of Control agreement.
(8) The life insurance payment reflects three (3) times the annual bases salary of the executive with maximum benefit of $1,000,000.
(9) In the event that Ms. Doll becomes disabled, she is eligible for up to six (6) months of Short Term and Long Term disability payments until the age of 67, in accordance with the Bank's employee benefit program, assuming permanent disability on December 31, 2017.

51

Compensation Committee Interlocks and Insider Participation

Throughout 2017, the members of the Compensation Committee were D. Reed Anderson, Esq. (Chair) (through his retirement date of July 9, 2017), Jeffrey R. Hines, P.E. (Vice Chair and Chair effective July 11, 2017), Brian D. Brunner, Cynthia A. Dotzel, John W. Giambalvo, Esq. (Vice Chair effective July 11, 2017), MacGregor S. Jones, Harry R. Swift, Esq. and Dallas L. Smith. Relationships that members of the Compensation Committee have had and/or maintain with the Corporation are described in the “Related Person Transactions and Policies” section of this Proxy Statement.

Additionally, Larry J. Miller, Chief Executive Officer of the Corporation, is also Chairman of the Board of Directors. Mr. Miller makes recommendations to the Compensation Committee regarding compensation for employees. Mr. Miller does not participate in conducting their respective reviews.

Director Compensation

The Corporation uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Corporation considers the significant time commitment required of directors in fulfilling their duties to the Corporation.

Cash Compensation Paid to Board Members

In 2017, the Bank’s non-employee directors were compensated for their services rendered as follows:

a monthly retainer of $1,500;

directors’ fees of $850 for each regular or special meeting attended;

committee meeting fees paid at the flat rate of $500 per meeting; and monthly retainer paid to committee chairs of $250 (Wealth Management Committee); $350 (Enterprise Risk Management Committee) and $500 (Audit Committee).

The Corporation's Lead Director and Bank's Vice Chairman received a monthly retainer of $2,000 in 2017. In addition, each non-employee director recognized imputed income for insurance premiums paid on behalf of the non-employee Bank directors, which totaled $7,448 in 2017. The Bank provides a directors' life insurance program for non-employee directors. This program is designed to provide a death benefit to the director's beneficiary in the amount of $200,000. Under this program, the Bank is the direct beneficiary of death benefits equal to the greater of: (1) the cash surrender value of the policy; (2) the aggregate premiums paid on the policy by the Bank less any outstanding indebtedness to the insurer; or (3) the amount in excess of $200,000. In the aggregate, the Bank paid $258,215 in cash compensation to the directors in 2017.

Independent Directors' Deferred Compensation Plan

The Corporation maintains a deferred compensation plan for independent directors. Participants may elect to defer receipt of compensation in order to gain certain tax benefits under Internal Revenue Code Section 451. This plan is not funded by the Corporation.

2017 Long-Term Incentive Plan

The Corporation maintains a 2017 Long-Term Incentive Plan ("2017 Plan"), which was approved by the Corporation's shareholders. The purposes of the 2017 Plan are to advance the long-term success of the Corporation and to increase shareholder value by providing the incentive of long-term stock-based rewards to officers, directors and key Bank employees as determined by the Compensation Committee. The 2017 Plan provides for awards of incentive stock options, non-statutory stock options, restricted stock awards, stock appreciation rights, and stock awards. The Compensation Committee administers the 2017 Plan. Persons eligible to receive awards under the 2017 Plan are those officers, directors and key Bank employees as determined by the Compensation Committee.

Name [1]	Fees Earned or Paid in Cash ($)[2]	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)[3]	Total ($)
D. Reed Anderson, Esq.[4]	22,450	17,500	-	-	-	7,308	47,258
Brian D. Brunner	31,550	34,990	-	-	-	520	67,060
Cynthia A. Dotzel, CPA	40,900	34,990	-	-	-	492	76,382
John W. Giambalvo, Esq.[5]	30,900	17,489				142	48,531
Jeffrey R. Hines, P.E.	30,200	34,990	-	-	-	308	65,498
MacGregor S. Jones	32,900	34,990	-	-	-	1,192	69,082
Dallas L. Smith	35,040	34,990	-	-	-	1,494	71,524
Harry R. Swift, Esq.	43,700	34,990	-	-	-	992	79,682

(1) Mr. Miller, Executive Chairman, President and Chief Executive Officer of the Corporation, and Mr. Utz, Chief Executive Officer and President of PeoplesBank, did not receive separate compensation as directors of the Corporation or the Bank. Mr. Miller and Mr. Utz's compensation is described and disclosed in the Executive Compensation section of this proxy statement.

(2) Includes fees for attendance at Board of Directors meetings of the Bank. The Board of Directors of the Bank met fourteen (14) times in 2017.

(3) Imputed cost of life insurance for non-employee directors for a life insurance benefit of $200,000 for the named beneficiary of each director.

(4) Mr. Anderson retired from the Board of Directors on July 9, 2017. A $5,000 retirement gift is included in Mr. Anderson's other compensation total.

(5) Mr. Giambalvo was appointed to the Board of Directors effective January 10, 2017.

RELATED PERSON TRANSACTIONS AND POLICIES

Some of the Corporation and Bank's directors and executive officers and the companies with which they are associated were clients of and had banking transactions with the Bank during 2017. All loans and loan commitments made to them and their immediate family members and to their companies were made in the ordinary course of business, on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with other clients of the Bank, and did not involve more than a normal risk of collectability or present other unfavorable features. The principal loan balance outstanding for these persons on December 31, 2017, was approximately $8,579,659, which did not include unfunded commitments of approximately $1,598,126 . The Bank anticipates that it will enter into similar transactions in the future.

The Bank's Board of Directors is responsible for ensuring compliance with Federal Reserve Board Regulation O, including its lending, record-keeping and reporting requirements and, to that end, has adopted and maintains a written Regulation O compliance policy. The Bank's Chief Risk Officer is the executive officer responsible for administration of the Regulation O compliance policy. The Chief Risk Officer maintains a list of insiders (directors, executive officers, principal shareholders and their related interests) who are subject to the Regulation O compliance policy. Each year, a Directors and Officers questionnaire is circulated to all directors and executive officers in order to update related party information and to assist in the identification of potential related party transactions. Any direct or indirect extension of credit to an insider, including related interests, must be approved by the Bank's Board of Directors. Approval is only granted if the transaction will be made on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at that time for comparable transactions with other persons, and if the transaction does not involve more than the normal risk of collection and does not present any other unfavorable features.

In addition to its Regulation O compliance policy, the Bank's Code of Ethics and Conflicts of Interest Policies address, among other things, related party transactions and potential conflicts of interest. Both policies apply to all directors, officers and employees as well as their immediate family members and related business entities, trusts or estates.

To identify related persons and entities, the Bank requires directors and executive officers to complete a Directors' and Officers' Questionnaire annually. This information is utilized to identify real or potential transactions in which conflicts of interest covered by the above-referenced policies and guidelines may arise.

Proposed transactions with such persons or entities are reviewed and voted on by the Board of Directors of the Corporation or the Bank, as applicable. Interested parties do not participate in such review and vote.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors, executive officers and shareholders who beneficially own more than 10% of the Corporation's outstanding common stock to file initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Corporation with the Securities and Exchange Commission, and deliver a copy of such reports to the Corporation. Based on a review of copies of the reports we received, and on the statements of the reporting persons, we believe that all Section 16(a) filing requirements were complied with in a timely fashion during 2017, except that Mr. Smith made a late filing on September 25, 2017 related to the sale of common stock held by his spouse. The late filing was due to administrative oversight.

PROPOSAL 2 –ADVISORY VOTE

REGARDING EXECUTIVE COMPENSATION

Pursuant to section 14A of the Securities Exchange Act of 1934, we are again providing our shareholders the opportunity to vote on an advisory, non-binding resolution to approve the compensation paid to our named executive officers, as described in this Proxy Statement. This advisory vote, commonly referred to as a "say-on-pay" vote, gives our shareholders the opportunity to endorse, or not endorse, the compensation of our named executive officers on an annual basis. Shareholders are encouraged to carefully review the "Executive Compensation" section of this Proxy Statement for a detailed discussion of our executive compensation programs.

We believe that our executive compensation policies and programs, which are reviewed and approved by our Compensation Committee, are designed to align our named executive officers' compensation with our short-term and long-term performance and to provide the compensation and incentives that are necessary to attract, motivate and retain key executives who are important to our continued success. The Compensation Committee regularly reviews all elements of our executive compensation program and takes any actions it deems necessary to continue to fulfill the objectives of our compensation programs. These programs have been designed to promote a performance-based culture which aligns the interests of our executive officers and other managers with the interests of our shareholders.

The Corporation's shareholders approved the compensation payable to our named executive officers at the 2017 Annual Meeting of Shareholders by a majority of the votes cast, and we note that the Corporation has not made any material changes to its compensation programs or philosophies in the past year.

For the reasons discussed above, our shareholders are asked to again provide their support with respect to the compensation of the Corporation's named executive officers by voting in favor of the following non-binding resolution:

"Resolved, that the shareholders of Codorus Valley Bancorp, Inc. approve the compensation of the Corporation's Named Executive Officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission."

Because this shareholder vote is advisory, it will not be binding on our Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

54

Vote Required for Approval

The approval of the non-binding advisory proposal on our executive compensation requires the affirmative vote of a majority of the shares of common stock present at the meeting, in person or by proxy. Abstentions and broker non-votes that are counted only for purposes of determining a quorum will have the effect of a vote against this proposal.

Recommendation of the Board of Directors

The Board of Directors recommends a vote **FOR** the advisory, non-binding resolution approving the compensation paid to the Corporation’s named executive officers.

PROPOSAL 3-

AMENDMENT TO THE CORPORATION’S

ARTICLES OF INCORPORATION

Vote Required for Approval

The Board of Directors of the Corporation, at a meeting held on February 13, 2018, unanimously adopted a resolution approving and recommending to the shareholders for their adoption an amendment to the Articles of Incorporation of the Corporation in order to increase the number of authorized shares of common stock from 15 million to 30 million.

The Corporation’s Articles of Incorporation currently provide for 15 million authorized shares of common stock, par value $2.50 per share, and 1 million shares of preferred stock, par value $2.50 per share. As of February 28, 2018, there were 8,913,098 shares of common stock outstanding. In addition, the Corporation has reserved shares of common stock for issuance pursuant to its dividend reinvestment and stock purchase plans and its equity compensation programs. Currently no preferred shares are issued or outstanding.

Proposed Amendment

The proposed amendment would increase the number of authorized shares of common stock from 15 million shares to 30 million shares. The full text of the amendment is as follows:

"Article 4.(a) of the Articles of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

"4.(a) The aggregate number of shares which the Corporation shall have authority to issue is Thirty Million (30,000,000) shares of Common Stock of the par value of Two Dollars and Fifty Cents ($2.50) per share (the "Common Stock") and One Million (1,000,000) shares of Series Preferred Stock of the par value of Two Dollars and Fifty Cents ($2.50) per share (the "Preferred Stock")."

All other provisions of the Articles of Incorporation will remain unaffected and in full force and effect. No change is being proposed with respect to the preferred shares.

All shares of common stock, including those currently authorized and those which would be authorized by the proposed amendment, are equal in rank and have the same voting, dividend and liquidation rights. There are no preemptive rights associated with the Corporation's common stock.

Reasons for the Proposed Increase in Common Stock

The Board of Directors believes that the proposed increase in the number of authorized shares of common stock is desirable so that a sufficient number of shares of common stock will be available for issuance from time to time without further action or authorization by the shareholders. The additional authorized shares of common stock may be used as consideration in acquisitions, in connection with equity financing, stock splits, dividends, employee and non-employee director benefit plans, dividend reinvestment and stock purchase plans and other corporate purposes determined by the Board of Directors to be in the best interests of the Corporation.

The Board of Directors has no specific present plans, arrangements, or undertakings for the issuance of the additional shares of common stock.

The authorization of the additional shares will not, by itself, have any effect on the rights of the Corporation's shareholders. The issuance of additional shares for corporate purposes other than a stock dividend or stock split could have, among other things, a dilutive effect on earnings per share and on the equity percentage and voting power of shareholders at the time of issuance.

Effective Date

If the proposed amendment is approved by the shareholders, it will become effective on the date upon which the necessary filings are made with the Pennsylvania Secretary of State. Such filings will be made as soon as practicable following shareholder approval.

Vote Required for Approval

The affirmative vote of a majority of the votes cast is required to approve the proposed amendment.

Recommendation of the Board of Directors

The Board of Directors recommends a vote **FOR** approval of the amendment to the Articles of Incorporation to increase the number of authorized shares of common stock from 15 million to 30 million.

PROPOSAL 4 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Corporation's Audit Committee has selected the firm of BDO USA, LLP ("BDO") as our independent registered public accounting firm for the fiscal year ending December 31, 2018. Although shareholder approval of the selection of BDO is not required by law, the Board of Directors believes that it is advisable to give shareholders an opportunity to ratify this selection as is the common practice with other publicly traded companies.

Vote Required for Approval

Assuming the presence of a quorum at the Annual Meeting, the affirmative vote of the majority of the votes cast at the meeting, in person or by proxy, is required to ratify the appointment of BDO as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2018. If our shareholders at the 2018 Annual Meeting do not approve this proposal, the Audit Committee may reconsider its selection of BDO, but no determination has been made as to what action the Audit Committee would take if shareholders do not ratify the appointment of BDO.

Recommendation of the Board of Directors

The Board of Directors recommends that shareholders vote **FOR** ratification of the appointment of BDO USA, LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2018.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met with management periodically during the year to consider the adequacy of the Corporation's internal controls and the objectivity of its financial reporting. The Audit Committee discussed these matters with the Corporation's independent registered public accounting firm.

The Audit Committee met privately at its regular meetings with both the independent registered public accounting firm and the internal auditors, each of whom has unrestricted access to the Audit Committee.

The Audit Committee appointed, and the Board approved, BDO as the independent registered public accounting firm for the Corporation after reviewing the firm's performance with management and independence.

Management has primary responsibility for the Corporation's consolidated financial statements and the overall reporting process, including the Corporation's system of internal controls. The independent registered public accounting firm audited the annual consolidated financial statements prepared by management, expressed an opinion as to whether those consolidated financial statements fairly present the financial position, results of operations and cash flows of the Corporation in conformity with generally accepted accounting principles in the United States of America and discussed with the Audit Committee any issues they believe should be raised with the Audit Committee.

The Audit Committee reviewed with management and BDO, the Corporation's independent registered public accounting firm, the Corporation's audited consolidated financial statements and met separately with both management and BDO to discuss and review those consolidated financial statements and reports prior to issuance. Management has represented, and BDO has confirmed to the Audit Committee, that the consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America.

The Audit Committee received from and discussed with BDO the written disclosure and the letter required by PCAOB Rule 3526 Communication With Audit Committees Concerning Independence. These items relate to that firm's independence from the Corporation. The Audit Committee also discussed with BDO matters required to be discussed by Auditing Standard No. 16 Communication with Audit Committees. The Audit Committee monitored certified public accounting firm independence and reviewed audit and non-audit services performed by BDO.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors and the Board has approved that the audited consolidated financial statements be included in the Annual Report on Form 10-K as of and for the year ended December 31, 2017, for filing with the Securities and Exchange Commission.

Audit Committee of the Board of Directors of

Codorus Valley Bancorp, Inc.

Cynthia A. Dotzel, CPA, Chair

Jeffrey R. Hines, P.E. Vice Chair

John W. Giambalvo, Esq.

Dallas L. Smith

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors has selected BDO as the independent registered public accounting firm for the examination of its consolidated financial statements as of and for the fiscal year ending December 31, 2018. BDO served as the Corporation's independent registered public accounting firm for the year ended December 31, 2017.

We expect a representative of BDO to be present at the Annual Meeting to respond to appropriate questions and to make a statement if the representative desires to do so.

57

Fees of Independent Public Accountants

Aggregate fees billed to the Corporation by BDO for services rendered for 2017 and 2016 are presented below:

	Year Ended December 31,	
	2017	2016
Audit Fees	$170,560	$147,531
Audit Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total Fees	$170,560	$147,531

Audit fees include professional services rendered for the audit of the Corporation's annual consolidated financial statements included in Form 10-K and review of consolidated financial statements included in Form 10-Q and services normally provided in connection with statutory and regulatory filings, including out-of-pocket expenses. These fees also include an audit of internal controls over financial reporting in accordance with the Federal Deposit Insurance Corporation Improvement Act and the Sarbanes-Oxley Act of 2002. For 2017, audit fees include $6,123 related to S-8 filing fees. For 2016, audit fees include $20,467 related to S-3 filing fees.

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services, and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of particular services on a case-by- case basis. The Audit Committee approved all fees, including tax fees, during 2017 and 2016.

The Audit Committee has considered BDO's provision of non-audit services and determined that such services are compatible with maintaining BDO's independence.

ADDITIONAL INFORMATION

Any shareholder may obtain a copy of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2017, including the consolidated financial statements and related schedules and exhibits, required to be filed with the Securities and Exchange Commission, without charge, by submitting a written request to the Treasurer, Codorus Valley Bancorp, Inc., P.O. Box 2887, York, PA 17405-2887. You may also view these documents on the Corporation's website at *www.peoplesbanknet.com*., click on "Investor Relations" at the bottom of the page, click on "Filings" on the right side , and then click on "Documents." In the middle of the page click on "Latest 10-K."

OTHER MATTERS

The Board of Directors knows of no matters other than those discussed in this Proxy Statement that will be presented at the Annual Meeting. However, if any other matter should be properly presented for consideration and voting at the annual meeting or any adjournments of the meeting, the proxy holders will vote the proxies in accordance with the instructions of the Board of Directors of the Corporation.

58

INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 15, 2018. This Notice of Annual Meeting and Proxy Statement, proxy card and 2017 Annual Report are available at: www.proxyvote.com.

59

ANNEX A

GAAP RECONCILIATION

As previously described, the Compensation Committee may terminate, modify, or amend the Executive Incentive Plan due to any significant extraordinary financial items that occur during the relevant time period. On this basis, the Compensation Committee has the discretion to make adjustments to the Corporation's GAAP results to ensure that the participants are compensated for the Corporation's financial performance. These adjustments may include isolated or specific Board identified and approved performance items, on an after-tax basis, and would be made so that participants are compensated for the Corporation's performance and are neither penalized nor rewarded for one-time charges, unusual gains, or similar events.

In light of the Corporation's performance, including progress on 2017 strategic actions, the Compensation Committee determined that an adjustment to the reported GAAP financial results to exclude the reduction in net income due to the impacts of acceleration of certain expenses, net of tax, and the net deferred tax asset revaluation due to the new corporate tax rate of 21 percent enacted as part of the Tax Cuts and Jobs Act that totaled $2.8 million after-tax for the twelve months ended December 31, 2017, was appropriate. This adjustment to the Corporation's GAAP net income is set forth in the tables below ("Adjusted Net Income").

The adjustments for 2017 impact the Plan's performance metrics of Net Income, Return on Average Equity ("ROE") and Efficiency Ratio. The Corporation derives each of these performance metrics from its Adjusted Net Income, which, as described above, is a non-GAAP financial measure, and accordingly, each of these adjusted financial measures is determined by methods other than in accordance with GAAP. See the below reconciliation of the Corporation's non-GAAP financial measures within the meaning of Regulation G adopted by the Securities and Exchange Commission. Using Adjusted Net Income resulted in ROE of 9.14% and an Efficiency Ratio of 61.92%. Accordingly, the Compensation Committee scored the performance measures based upon these adjusted metrics.

2017 Adjusted Net Income for Annual Incentive Award

	Adjusted Net Income ($ in thousands)
2017 GAAP net income as reported:	$ 12,004

Adjustments:	
Acceleration of expenses, net of tax	73
Deferred tax asset revaluation impact due to Tax Cuts and Jobs Act	2,755
Adjusted net income	$ 14,832

A-1

60

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 14, 2018. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

CODORUS VALLEY BANCORP, INC.
105 LEADER HEIGHTS ROAD
P.O. BOX 2887
YORK, PA 17405-2887

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 14, 2018. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:
E38955-P01842 KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

CODORUS VALLEY BANCORP, INC.

The Board of Directors recommends you vote FOR Proposals 1, 2, 3 and 4.

1. Election of Directors

Nominees:	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line above.
01) Brian D. Brunner				
02) Jeffrey R. Hines, P. E.				
03) Dallas L. Smith				

	For	Against	Abstain
2. Approve an advisory, non-binding resolution regarding executive compensation.			
3. Amend the Codorus Valley Bancorp, Inc.'s Articles of Incorporation to increase the aggregate number of shares of the Corporation's common stock that the Corporation may issue from 15 million to 30 million.			
4. Ratify the appointment of BDO USA, LLP as Codorus Valley Bancorp, Inc.'s Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2018.			

The undersigned acknowledges receipt of the Notice of Annual Meeting and Proxy Statement dated April 6, 2018.

[Please check] Do you plan to attend the Annual Meeting?

Yes No

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

CODORUS VALLEY BANCORP, INC.

ANNUAL MEETING OF SHAREHOLDERS

Tuesday, May 15, 2018

9:00 a.m. Prevailing Time

CODORUS VALLEY CORPORATE CENTER

105 Leader Heights Road

York, PA 17403

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice of Annual Meeting and Proxy Statement and 2017 Annual Report
are available at www.proxyvote.com.

E38956-P01842

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2018
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned holder of common stock of Codorus Valley Bancorp, Inc. (the "Corporation") hereby appoints Cindy L. Baugher, Jann Allen Weaver and Wanda Waugh, and each or any of them, proxies of the undersigned, with full power of substitution and to act without the other, to vote all of the shares of common stock of the Corporation that the undersigned may be entitled to vote at the Annual Meeting of Shareholders of the Corporation to be held at the Codorus Valley Corporate Center, 105 Leader Heights Road, York, Pennsylvania 17403 on Tuesday, May 15, 2018, commencing at 9:00 a.m., prevailing time, and at any adjournment or postponement thereof, as fully and effectually as the undersigned could do if personally present, and hereby revokes all previous proxies for said meeting.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder of record. **When a vote is not specified, the proxy holders will vote shares represented by this proxy FOR Proposals 1, 2, 3 and 4, and in accordance with the instructions of the Board of Directors of the Corporation on such other matters that may properly come before the meeting.**

PLEASE COMPLETE, DATE, SIGN AND MAIL THIS PROXY CARD PROMPTLY IN THE ENCLOSED, POSTAGE-PAID ENVELOPE OR PROVIDE YOUR INSTRUCTIONS TO VOTE VIA THE INTERNET OR BY TELEPHONE.

(continued, and to be marked, dated and signed, on the other side)

See reverse for voting instructions