

ACNB CORP  
Form DEF 14A  
March 31, 2006  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**ACNB CORPORATION**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

March 31, 2006

Dear Fellow Shareholders of ACNB Corporation:

On behalf of the Board of Directors, I am pleased to invite you to attend our Annual Meeting of Shareholders to be held on Tuesday, May 9, 2006, at 1:00 p.m., prevailing time, at the ACNB Corporation Operations Center, 100 V-Twin Drive, Gettysburg, Pennsylvania 17325. At the annual meeting, you will have the opportunity to ask questions and to make comments. Enclosed with the proxy statement is the notice of meeting, proxy card, ACNB Corporation's 2005 Annual Review, and ACNB Corporation's 2005 Annual Report on Form 10-K.

The principal business of the meeting is : To fix the number of Directors of the corporation at thirteen (13); To fix the number of Class 1 Directors at five (5); To fix the number of Class 2 Directors at four (4); To fix the number of Class 3 Directors at four (4); To elect one (1) Class 1 Director to serve for a term of 1 year and until his successor is elected and qualified; To elect four (4) Class 2 Directors for a term of 3 years and until their successors are elected and qualified; To ratify the selection of bmc (Beard Miller Company LLP) as ACNB Corporation's independent auditors; and to transact any other business that is properly presented at the annual meeting. The notice of meeting and proxy statement accompanying this letter describe the specific business to be acted upon in more detail.

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

I look forward to seeing you on May 9, 2006, at the corporation's annual meeting.

Sincerely,

Thomas A. Ritter  
President & Chief Executive Officer

---

**ACNB CORPORATION**

**OTC BB TRADING SYMBOL: ACNB**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**AND**

**PROXY STATEMENT**

**2006**

**[www.acnb.com](http://www.acnb.com)**

---

**TABLE OF CONTENTS**

	<b>PAGE</b>
<u>NOTICE OF ANNUAL MEETING OF SHAREHOLDERS</u>	
<u>PROXY STATEMENT</u>	1
<u>GENERAL INFORMATION</u>	1
<u>VOTING PROCEDURES</u>	1
<u>GOVERNANCE OF THE CORPORATION</u>	3
<u>ELECTION OF DIRECTORS</u>	6
<u>SHARE OWNERSHIP</u>	9
<u>COMPENSATION AND PLAN INFORMATION</u>	11
<u>BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION</u>	16
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	18
<u>REPORT OF THE AUDIT COMMITTEE</u>	18
<u>SHAREHOLDER RETURN PERFORMANCE GRAPH</u>	20
<u>INDEPENDENT AUDITORS</u>	21
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	21
<u>PROPOSALS</u>	22
<u>ADDITIONAL INFORMATION</u>	23
<u>OTHER MATTERS</u>	23
<u>AUDIT COMMITTEE CHARTER</u>	Appendix A

Proxy Statement

Dated and to be mailed to shareholders on or about March 31, 2006.

---

**ACNB CORPORATION**  
**16 LINCOLN SQUARE**  
**GETTYSBURG, PENNSYLVANIA 17325**  
**(717) 334-3161**

***NOTICE OF ANNUAL MEETING OF SHAREHOLDERS***

TO BE HELD ON MAY 9, 2006

TO THE SHAREHOLDERS OF ACNB CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of ACNB Corporation will be held at the ACNB Corporation Operations Center, 100 V-Twin Drive, Gettysburg, Pennsylvania 17325 on Tuesday, May 9, 2006, at 1:00 p.m., prevailing time, for the purpose of considering and voting upon the following matters:

1. To fix the number of Directors of the corporation at thirteen (13);
2. To fix the number of Class 1 Directors at five (5);
3. To fix the number of Class 2 Directors at four (4);
4. To fix the number of Class 3 Directors at four (4);
5. To elect one (1) Class 1 Director to serve for a term of 1 year and until his successor is elected and qualified;
6. To elect four (4) Class 2 Directors for a term of 3 years and until their successors are elected and qualified;
7. To ratify the selection of bmc (Beard Miller Company LLP) as ACNB Corporation's independent auditors;  
and,
8. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

Only those shareholders of record, at the close of business on March 15, 2006, are entitled to notice of and to vote at the meeting.

Please promptly sign the enclosed proxy card and return it in the enclosed postage-paid envelope. We cordially invite you to attend the meeting. Your proxy is revocable and you may withdraw it at any time prior to it being voted. You may deliver notice of revocation or deliver a later dated proxy to the Secretary of the corporation before the vote at the meeting.

The corporation's Board of Directors is distributing the proxy statement, proxy card, ACNB Corporation's 2005 Annual Review, and ACNB Corporation's 2005 Annual Report on Form 10-K on or about March 31, 2006.

**BY ORDER OF THE BOARD OF DIRECTORS,**

Thomas A. Ritter  
President & Chief Executive Officer

Gettysburg, Pennsylvania  
March 31, 2006

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



**PROXY STATEMENT**

**GENERAL INFORMATION**

*Date, Time and Place of the Annual Meeting*

ACNB Corporation, a Pennsylvania business corporation and registered financial holding company, furnishes this proxy statement in connection with the solicitation by the Board of Directors of proxies to be voted at the corporation's Annual Meeting of Shareholders. The Annual Meeting of Shareholders will be held on May 9, 2006, at 1:00 p.m. at the ACNB Corporation Operations Center, 100 V-Twin Drive, Gettysburg, Pennsylvania 17325. Included with this proxy statement is a copy of ACNB Corporation's 2005 Annual Review and ACNB Corporation's 2005 Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

The corporation's principal executive office is located at 16 Lincoln Square, Gettysburg, Pennsylvania 17325. The corporation's telephone number is (717) 334-3161. All inquiries regarding the annual meeting should be directed to Lynda L. Glass, Executive Vice President, Secretary and Treasurer of ACNB Corporation, at (717) 339-5085.

*Description of ACNB Corporation*

ACNB Corporation was established in 1983 as a bank holding company under the laws of Pennsylvania and the Bank Holding Company Act of 1956. ACNB Corporation's wholly-owned banking subsidiary is Adams County National Bank. Farmers National Bank of Newville is a division of Adams County National Bank. The corporation's primary activity consists of owning and supervising its banking subsidiary.

On January 5, 2005, the corporation completed its acquisition of Russell Insurance Group, Inc. The corporation also now owns and supervises Russell Insurance Group, Inc. as its insurance subsidiary.

We have not authorized anyone to provide you with information about the corporation; therefore, you should rely only on the information contained in this document or on documents to which we refer you. Although we believe we have provided you with all the information helpful to you in your decision to vote, events may occur at ACNB Corporation subsequent to printing this proxy statement that might affect your decision or the value of your stock.

**VOTING PROCEDURES**

*Solicitation and Voting of Proxies*

The Board of Directors solicits this proxy for use at the corporation's 2006 Annual Meeting of Shareholders. The corporation's directors and officers and bank employees may solicit proxies in person or by telephone, facsimile, email or other similar electronic means without additional compensation. The corporation will pay the cost of preparing, assembling, printing, mailing and soliciting proxies and any additional material that the corporation sends to its shareholders. The corporation will make arrangements with brokerage firms and other custodians, nominees, and fiduciaries to forward proxy solicitation materials to the beneficial owners of stock held by these entities. The corporation will reimburse these third parties for their reasonable forwarding expenses. This proxy statement and the related proxy card are being distributed on or about March 31, 2006.

Shareholders of record at the close of business on Wednesday, March 15, 2006 (the voting record date), are entitled to vote at the meeting. The corporation's records show that, as of the voting record date, 5,436,101 shares of the corporation's common stock, par value \$2.50 per share, were outstanding. On all matters to come before the annual meeting, shareholders may cast one vote for each share held. Cumulative voting rights do not exist with respect to the election of directors.

## Edgar Filing: ACNB CORP - Form DEF 14A

You can vote your shares by completing and returning a written proxy card. You can also vote in person at the meeting. Submitting your voting instructions by returning a proxy card will not affect your right to attend the meeting and vote, if you later decide to attend in person.

If your shares are registered directly in your name with ACNB Corporation's transfer agent, Registrar and Transfer Company, you are considered, with respect to those shares, the shareholder of record, and these proxy materials are being sent directly to you by the corporation. As the shareholder of record, you have the right to grant your voting proxy directly to the proxyholders or to vote in person at the meeting. The corporation has enclosed a proxy card for your use.

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

By properly completing a proxy, you appoint D. Richard Guise and Edgar S. Heberlig as proxyholders to vote your shares, as indicated on the proxy card. Any signed proxy card not specifying to the contrary will be voted **FOR**:

- Fixing the number of Directors of the corporation at thirteen (13);
- Fixing the number of Class 1 Directors at five (5);
- Fixing the number of Class 2 Directors at four (4);
- Fixing the number of Class 3 Directors at four (4);
- Electing one (1) Class 1 Director to serve for a 1 year term and until his successor is elected and qualified;
- Electing four (4) Class 2 Directors to serve for a 3 year term and until their successors are elected and qualified;
- Ratifying the selection of bmc (Beard Miller Company LLP) as ACNB Corporation's independent auditors; and,
- Transacting such other business as may properly come before the meeting and any adjournment or postponement thereof.

You may revoke your written proxy by delivering written notice of revocation to Lynda L. Glass, Executive Vice President, Secretary and Treasurer of the corporation, or by executing a later dated proxy and giving written notice of the revocation to Ms. Glass at any time before the proxy is voted at the meeting. Proxyholders will vote shares represented by proxies on the accompanying proxy, if properly signed and returned, in accordance with instructions of shareholders.

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

This proxy statement is being mailed to the corporation's shareholders on or about March 31, 2006.



*Quorum and Vote Required for Approval*

As of the close of business on March 15, 2006, the corporation had 5,436,101 shares of common stock, par value \$2.50 per share, issued and outstanding.

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

If a quorum is present, approval to fix the number of directors of the Board of Directors and to fix the number of directors in each class requires the affirmative **FOR** vote of a majority of all shares present, in person or by proxy. Abstentions and broker non-votes are not deemed to constitute votes cast and, therefore, do not count either for or against the proposals. Abstentions and broker non-votes, however, have the practical effect of reducing the number of affirmative votes required to achieve a majority for the matter by reducing the total number of shares voted from which the required majority is calculated.

If a quorum is present, the shareholders will elect the nominees for director receiving the highest number of **FOR** votes cast by those shareholders entitled to vote for the election of directors. The proxyholders will not cast votes for or against any director nominees where the broker withheld authority.

**GOVERNANCE OF THE CORPORATION**

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices which the Board and senior management believe promote this purpose, are sound, and represent best practices. We continually review these governance practices, Pennsylvania law (the state in which we are incorporated), the rules and listing standards of the OTC Bulletin Board, SEC regulations, as well as best practices suggested by recognized governance authorities. Currently, our Board of Directors has twelve (12) members. Under the SEC and Nasdaq standards for independence, all non-employee directors meet the standards for independence. This constitutes more than a majority of our Board of Directors. Only independent directors serve on our Audit Committee.

*Directors of ACNB Corporation*

The following table sets forth, as of March 15, 2006 (in alphabetical order), selected information about the corporation's directors and director nominees.

Name	Class of Director	Director Since	Age as of March 15, 2006
Philip P. Asper	3	1988	57
Frank Elsner, III	3	2002	45
D. Richard Guise, Vice Chairman	1	1988	72
Ronald L. Hankey, Chairman	1	1982	65
Edgar S. Heberlig	1	1999	71
Wayne E. Lau	2	1987	71
Daniel W. Potts	3	2004	53
Thomas A. Ritter	3	2001	54
Frank C. Russell, Jr.	1		57
Marian B. Schultz	1	1992	56
Alan J. Stock	2	2005	48
Jennifer L. Weaver	2	1992	59
Harry L. Wheeler	2	1999	65

*Executive Officers of ACNB Corporation*

The following table sets forth, as of March 15, 2006, selected information about the corporation's executive officers, each of whom is appointed by the Board of Directors and each of whom holds office at the Board's discretion.

Name and Position	Position Held	Age as of March 15, 2006
<b>Ronald L. Hankey</b> Chairman of the Board	1982	65
Chief Executive Officer	1982-2003	
President	1982-2000	
<b>Thomas A. Ritter</b> Chief Executive Officer	2003	54
President	2001	
Executive Vice President	2000-2001	
<b>Lynda L. Glass</b> Secretary and Treasurer	2006	45
Executive Vice President	2003	
Assistant Secretary	1993-2003	

*Meetings and Committees of the Board of Directors*

The Board of Directors of ACNB Corporation met twelve (12) times during 2005. The corporation maintains an Audit Committee and an Executive Committee which performed the functions of a nominating committee as well as the functions of a compensation committee in 2005. In January of 2006, the corporation formed a compensation committee. A total of twenty-nine (29) Board and committee meetings of the corporation's Board of Directors were held in 2005. During 2005, each of the directors attended at least 75% of the combined total number of meetings of the corporation's Board of Directors.

meetings and the committees of which he or she was a member. All of the directors attended the 2005 Annual Meeting of Shareholders, and we expect that they will all attend the 2006 annual meeting.

**Audit Committee.** Members of the Audit Committee during 2005 were Directors Philip P. Asper, Wayne E. Lau, Daniel W. Potts and Harry L. Wheeler. Each of these directors is independent as defined in the SEC and Nasdaq standards for independence. The principal duties of the Audit Committee, as set forth in its charter which is attached to this proxy statement as Appendix A, include reviewing significant audit and accounting principles, policies and practices; reviewing performance of internal auditing procedures; reviewing reports of examination received from regulatory authorities; and, recommending annually to the Board of Directors the engagement of an independent auditor. The committee met five (5) times during 2005.

**Executive Committee.** Members of the Executive Committee during 2005 were Directors Philip P. Asper, D. Richard Guise, Wayne E. Lau, Marian B. Schultz and Jennifer L. Weaver. In addition, Ronald L. Hankey, Thomas A. Ritter and Lynda L. Glass serve as ex-officio members of this committee. The Executive Committee served as both the Nominating and Compensation Committees for the corporation in 2005. The principal duties of the Executive Committee are to act on behalf of the Board between meetings; to evaluate potential Board candidates; to establish policies concerning compensation plans; and, to evaluate governance issues and strategic plans. The committee met twelve (12) times in 2005.

**Compensation Committee.** As of January 24, 2006, the corporation has a Compensation Committee comprised of Frank Elsner, III, Chairperson, Philip P. Asper, D. Richard Guise, Wayne E. Lau, Marian B. Schultz, Jennifer L. Weaver and Harry L. Wheeler. The principal duties of the Compensation Committee include evaluating and approving the officer compensation plans and policies and programs of the corporation.

#### *Shareholder Communications*

The Board of Directors has a formal shareholder communications process for the submission of shareholder proposals and nomination of directors, as described below. In addition, shareholders may contact any member of the Board personally, by telephone or by written correspondence, including email. Written communications received by the corporation from shareholders are shared with the full Board as deemed appropriate.

#### *Submission of Shareholder Proposals*

In order for a shareholder proposal (other than director nominations) to be considered for inclusion in ACNB Corporation's proxy statement for next year's annual meeting, the written proposal must be received by the corporation no later than December 5, 2006.

All proposals must comply with Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials. If a shareholder proposal is submitted to the corporation after December 5, 2006, it is considered untimely; and, although the proposal may be considered at the annual meeting, the corporation is not obligated to include it in the 2007 proxy statement.

#### *Nomination of Directors*

Currently, the corporation's Executive Committee serves as the Nominating Committee. Recommendations to the Board of Directors as to the nominees for election as directors at the annual meeting of the shareholders are provided by the Executive Committee. A shareholder who desires to propose an individual for consideration by the Board of Directors as a nominee for director should submit a recommendation in writing to the Secretary of the corporation in compliance with the requirements of

Article II, Sections 202 and 203, of the corporation's Bylaws. Any shareholder who intends to nominate a candidate for election to the Board of Directors must notify the Secretary of the corporation in writing not less than fourteen (14) days prior to the date of any shareholder meeting called for the election of directors.

***Employee Code of Ethics***

Since May 1994, Adams County National Bank has had a Conflict of Interest/Code of Ethics. In 2003, as required by law and regulation, the corporation's Board of Directors first adopted a Code of Ethics which is applicable to our directors, officers and employees.

The Code of Ethics encourages individuals to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethics. We have filed a copy of the Code of Ethics with the SEC as an exhibit to the Form 8-K filed by the corporation on March 27, 2006.

**ELECTION OF DIRECTORS**

***Qualification and Nomination of Directors***

The corporation's Articles of Incorporation and Bylaws authorize the number of directors to be not less than five (5) and not more than twenty-five (25). They also provide for three (3) classes of directors with staggered three-year terms of office that expire at successive annual meetings. Pursuant to Article II, Section 205, of the corporation's Bylaws, directors who reach the age of seventy-two (72), prior to the date of the annual meeting when such director's term expires, may not stand for re-election to the Board of Directors. Currently, the number of directors is set at twelve (12): Class 1 consists of four (4) directors, Class 2 consists of four (4) directors, and Class 3 consists of four (4) directors. However, pursuant to Article 11 of the corporation's Articles of Incorporation and Article I, Section 105, of the corporation's Bylaws, at each shareholder meeting for the election of directors, the shareholders determine how many directors will be elected to serve in each class. The Board of Directors believes that it is in the corporation's best interest to fix the number of directors to be elected at the 2006 annual meeting at thirteen (13). The proposed thirteen (13) member Board of Directors will consist of five (5) Class 1 Directors, four (4) Class 2 Directors, and four (4) Class 3 Directors. Shareholders will elect one (1) Class 1 Director to serve for a one-year term that expires at the corporation's 2007 annual meeting and four (4) Class 2 Directors to serve for a three-year term that expires at the corporation's 2009 annual meeting.

The Executive Committee, acting in its capacity as the Nominating Committee, believes that a director nominee must have the following attributes/qualifications before being recommended as a nominee: stock ownership in the corporation, commitment of time, commitment to independence, commitment to community, financial competence, good reputation, integrity, good communication skills, and willingness and ability to speak up for the interests of the corporation. The process for evaluating nominees for directors is the same for those nominees recommended by shareholders.

The Board of Directors nominated Frank C. Russell, Jr. to serve as Class 1 Director until the 2007 Annual Meeting of Shareholders or until his earlier death, resignation, or removal from office. Mr. Russell is not currently a member of the Board of Directors, but has consented to serve as a director if elected. The Board of Directors also nominated Wayne E. Lau, Alan J. Stock, Jennifer L. Weaver and Harry L. Wheeler to serve as Class 2 Directors until the 2009 Annual Meeting of Shareholders or until their earlier death, resignation, or removal from office. The nominees for Class 2 Director are presently members of the Board of Directors, and all have consented to serve another term as a director if re-elected. If any of the nominees should be unavailable to serve for any reason, a majority of the Board of Directors then in office may fill the vacancy until the expiration of the term of the class of directors to which he or she was appointed.

The proxyholders intend to vote all proxies for the election of each of the nominees named below, unless you indicate that your vote should be withheld from any or all of them.

The Board of Directors proposes the following nominee for election as Class 1 Director at the annual meeting:

Frank C. Russell, Jr.

*The Board of Directors recommends that shareholders vote **FOR** the proposal to elect the nominee listed above as Class 1 Director.*

The Board of Directors proposes the following nominees for election as Class 2 Directors at the annual meeting:

Wayne E. Lau  
Alan J. Stock  
Jennifer L. Weaver  
Harry L. Wheeler

*The Board of Directors recommends that shareholders vote **FOR** the proposal to elect the nominees listed above as Class 2 Directors.*

***Information as to Nominees and Directors***

Set forth below, as of March 15, 2006, are the principal occupation and certain other information regarding the nominees and other directors whose terms of office will continue after the annual meeting. You will find information about their share ownership on pages 9 through 11.

***Class 1 Directors*** (to serve until 2007)

***D. Richard Guise***

Mr. Guise, age 72, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 1988. Mr. Guise has served as the Vice Chairman of the corporation and Adams County National Bank since 1998. He was the President of Adams County Motors Corp., an automobile dealership located in Gettysburg, Pennsylvania, until September 2001. He is now retired.

***Ronald L. Hankey***

Mr. Hankey, age 65, is the Chairman of the corporation and Adams County National Bank. He served as the corporation's Chief Executive Officer from 1982 until December 31, 2003. He also served as the corporation's President from 1982 until December 31, 2000. He served as Adams County National Bank's President from 1975 until December 31, 2000. Mr. Hankey has been a member of the corporation's Board of Directors and has served as the Chairman of the Board since 1982. He also has been a member of Adams County National Bank's Board of Directors and has served as the Chairman of the Board since 1975.

*Edgar S. Heberlig*

Mr. Heberlig, age 71, has been a member of the corporation's Board of Directors since March 1, 1999, and of Adams County National Bank's Board of Directors since October 1, 2000. He served as a director of Farmers National Bank of Newville from 1970 until October 1, 2000. Mr. Heberlig is a retired farm structure salesman and a retired Navy pilot. He is also the owner of Ed Heberling Enterprises located in Newville, Pennsylvania.

*Marian B. Schultz*

Ms. Schultz, age 56, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 1992. She is Dean, Academic Programs and Services, at Shippensburg University located in Shippensburg, Pennsylvania.

***Class 1 Director Nominee (to serve until 2007)***

*Frank C. Russell, Jr.*

Mr. Russell, age 57, is President and Chief Executive Officer of Russell Insurance Group, Inc., a subsidiary of ACNB Corporation.

***Class 2 Directors (to serve until 2006)(nominees to serve until 2009)***

*Wayne E. Lau*

Mr. Lau, age 71, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 1987. He is a retired sales representative for Destinations, a travel agency located in East Berlin, Pennsylvania.

*Alan J. Stock*

Mr. Stock, age 48, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 2005. He is the owner of Eicholtz Company, an office equipment and furniture dealership located in New Oxford, Pennsylvania.

*Jennifer L. Weaver*

Ms. Weaver, age 59, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 1992. She is the Dean of the Gettysburg Campus of Harrisburg Area Community College.

*Harry L. Wheeler*

Mr. Wheeler, age 65, has been a member of the corporation's Board of Directors since March 1, 1999, and of Adams County National Bank's Board of Directors since October 1, 2000. He served as a director of Farmers National Bank of Newville from 1987 until October 1, 2000. Mr. Wheeler is the proprietor of Wheeler Drywall located in Carlisle, Pennsylvania.

***Class 3 Directors (to serve until 2008)***

*Philip P. Asper*

Mr. Asper, age 57, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 1988. He is a building contractor in Biglerville, Pennsylvania.

*Frank Elsner, III*

Mr. Elsner, age 45, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 2002. He is the President and Chief Executive Officer of Elsner Engineering Works, Inc., an engineering and manufacturing company located in Hanover, Pennsylvania.

*Daniel W. Potts*

Mr. Potts, age 53, has been a member of both the corporation's and Adams County National Bank's Boards of Directors since 2004 and serves as the audit committee financial expert. He has 25 years of global business experience, including 10 years with major accounting firms. Following his retirement from the financial services industry, Mr. Potts has been involved in residential real estate development.

*Thomas A. Ritter*

Mr. Ritter, age 54, served as Executive Vice President of the corporation and of Adams County National Bank from January 1, 2000, until December 31, 2000. Effective January 1, 2001, he became President of the corporation and President and Chief Executive Officer of Adams County National Bank. Effective December 31, 2003, Mr. Ritter became the corporation's Chief Executive Officer. He has been a member of both the corporation's Board of Directors and Adams County National Bank's Board of Directors since 2001. Mr. Ritter had previously served as a member of both the corporation's and Adams County National Bank's Boards of Directors from 1997 until his retirement from each Board in December 1999. From 1986 until December 1999, Mr. Ritter was an insurance agent in Gettysburg, Pennsylvania.

## SHARE OWNERSHIP

### *Principal Shareholders*

As of March 15, 2006, the Board of Directors knows of no person who owns of record or who is known to be the beneficial owner of more than 5% of the corporation's outstanding common stock.

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

The following table sets forth, as of March 15, 2006, and from information received from the respective individuals, the amount and percentage of the common stock beneficially owned by each director, each nominee for director, each executive officer and all executive officers, directors and nominees of the corporation as a group. Unless otherwise noted, shares are held individually and the percentage of class is less than 1% of the outstanding common stock.

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

- Voting power, which includes the power to vote or to direct the voting of the stock; or,
- Investment power, which includes the power to dispose or direct the disposition of the stock; or,
- The right to acquire beneficial ownership within 60 days after March 15, 2006.

Edgar Filing: ACNB CORP - Form DEF 14A

Unless otherwise indicated in a footnote appearing below the table, all shares reported in the table below are owned directly by the reporting person. The number of shares owned by the directors, nominees, and executive officers is rounded to the nearest whole share.

Name of Individual or Identity of Group	Amount and Nature of Beneficial Ownership(1)	Percentage of Class
<b>Class 1 Directors</b>		
D. Richard Guise	8,788 (2)	
Ronald L. Hankey	19,150 (3)	
Edgar S. Heberlig	31,082 (4)	
Marian B. Schultz	2,300 (5)	
<b>Nominee for Class 1 Director</b>		
Frank C. Russell, Jr.	1,000 (6)	
<b>Class 2 Directors</b>		
Wayne E. Lau	4,962 (7)	
Alan J. Stock	5,197 (8)	
Jennifer L. Weaver	600	
Harry L. Wheeler	9,265 (9)	
<b>Class 3 Directors</b>		
Philip P. Asper	5,234 (10)	
Frank Elsner, III	1,304 (11)	
Daniel W. Potts	1,000	
Thomas A. Ritter	5,187 (12)	
<b>Officers</b>		
Lynda L. Glass, Executive Vice President, Secretary and Treasurer	114 (13)	
All Officers, Directors and Nominees as a Group(13 Directors/Nominees, 4 Officers, 14 persons in total)	95,183	1.75 %

(1) The securities beneficially owned by an individual are determined in accordance with the definitions of beneficial ownership set forth in the General Rules and Regulations of the Securities and Exchange Commission and may include securities owned by or for the individual's spouse and minor children and any other relative who has the same home, as well as securities to which the individual has or shares voting or investment power, or has the right to acquire beneficial ownership within 60 days after March 15, 2006. Beneficial ownership may be disclaimed as to certain of the securities.

(2) These shares are held jointly with Mr. Guise's spouse.

(3) Figure includes 6,228 shares held solely by Mr. Hankey and 12,922 shares held jointly with Mr. Hankey's spouse.

(4) Figure includes 28,595 shares held solely by Mr. Heberlig; 2,266 shares held jointly with Mr. Heberlig's spouse; and, 221 shares held solely by Mr. Heberlig's spouse.

(5) Figure includes 700 shares held jointly with Mrs. Schultz's spouse and 1,600 shares held solely by Mrs. Schultz's spouse.

(6) These shares are held jointly with Mr. Russell's spouse.

(7) These shares are held jointly with Mr. Lau's spouse.





(8) Figure includes 1,227 shares held solely by Mr. Stock; 1,400 shares held jointly with Mr. Stock's spouse; and, 2,570 shares held solely by Mr. Stock's spouse.

(9) Figure includes 6,933 shares held solely by Mr. Wheeler; 1,654 shares held jointly with Mr. Wheeler's spouse; and, 678 shares held solely by Mr. Wheeler's spouse.

(10) These shares are held jointly with Mr. Asper's spouse.

(11) Figure includes 804 shares held solely by Mr. Elsner and 500 shares held jointly with Mr. Elsner's spouse.

(12) Figure includes 3,029 shares held solely by Mr. Ritter and 2,158 shares held solely by Mr. Ritter's spouse.

(13) These shares are held jointly with Ms. Glass's spouse.

#### **COMPENSATION AND PLAN INFORMATION**

##### ***Compensation of the Board of Directors of ACNB Corporation and Adams County National Bank***

Directors of the corporation are not compensated for their services. Further, Adams County National Bank does not compensate employee directors for attendance at Board of Directors meetings or committee meetings. However, in 2005, Adams County National Bank's non-employee directors were compensated for their services rendered to the corporation and to Adams County National Bank as follows:

- \$6,000 annual retainer;
- \$300 per Board meeting;
- \$125 per hour for committee meetings with a minimum payment of \$125; and,
- \$400 allowance for a half-day seminar plus expenses, if applicable, and \$600 allowance for a full-day seminar plus expenses, if applicable.

Adams County National Bank Directors Emeriti received \$150 per Board meeting and \$62.50 for committee meetings in 2005. The Honorary Directors of Farmers National Bank of Newville, a division of Adams County National Bank, were paid an annual retainer of \$4,000 in 2005.

In the aggregate, the non-employee directors of the corporation and Adams County National Bank received \$151,438 for all services rendered in 2005. Directors Emeriti of Adams County National Bank and Honorary Directors of Farmers National Bank of Newville were paid an aggregate of \$32,233 for all services rendered in 2005.

**Executive Compensation**

The following table summarizes the total compensation, for each of the last three fiscal years for the Chief Executive Officer and the three other most highly compensated persons who were serving as executive officers at the end of 2005. These individuals are referred to as the Named Executive Officers .

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards	Securities Underlying Options/SARs (#)	Payouts	
<b>Ronald L. Hankey</b>	<b>2005</b>	39,000	6,390	0	0	0	0	46,004 (1)
Chairman of the Board of the corporation and Adams County National Bank	<b>2004</b>	39,000	6,390	0	0	0	0	45,892 (1)
	<b>2003</b>	39,000	390	0	0	0	0	45,558 (1)
<b>Thomas A. Ritter</b>	<b>2005</b>	205,000	2,050	0	0	0	0	44,910 (2)
President and Chief Executive Officer of the corporation and Adams County National Bank	<b>2004</b>	195,000	1,950	0	0	0	0	19,212 (2)
	<b>2003</b>	175,000	5,750	0	0	0	0	60,997 (2)
<b>Lynda L. Glass</b>	<b>2005</b>	146,615	7,466	0	0	0	0	11,968 (3)
Executive Vice President of the corporation and Executive Vice President and Chief Operating Officer of Adams County National Bank	<b>2004</b>	137,033	1,366	0	0	0	0	8,242 (3)
	<b>2003</b>	120,107	15,320	0	0	0	0	9,996 (3)
<b>John W. Krichten</b>	<b>2005</b>	122,893	7,229	0	0	0	0	11,210 (4)
Secretary and Treasurer of the corporation and Senior Vice President, Cashier and Chief Financial Officer of Adams County National Bank(5)	<b>2004</b>	119,025	1,190	0	0	0	0	5,087 (4)
	<b>2003</b>	114,459	13,150	0	0	0	0	22,699 (4)

(1) Figure includes the following: Adams County National Bank 401(k) Plan matching contributions of \$1,816, \$1,815 and \$1,576 in 2005, 2004 and 2003, respectively; deferred compensation payments (under Mr. Hankey's Salary Continuation Plan) of \$42,996, \$42,996 and \$42,996 in 2005, 2004 and 2003, respectively; and, supplemental life insurance payments of \$1,192, \$1,080 and \$986 in 2005, 2004 and 2003, respectively.

(2) Figure includes the following: Adams County National Bank 401(k) Plan matching contributions of \$8,282, \$7,878 and \$7,230 in 2005, 2004 and 2003, respectively; deferred compensation accruals (under Mr. Ritter's Salary Continuation Plan) of \$36,275, \$11,028 and \$53,486 in 2005, 2004 and 2003, respectively; and, supplemental life insurance payments of \$353, \$306 and \$281 in 2005, 2004 and 2003, respectively.

(3) Figure includes the following: Adams County National Bank 401(k) Plan matching contributions of \$6,163, \$5,535 and \$5,417 in 2005, 2004 and 2003, respectively; deferred compensation accruals (under Ms. Glass' Salary Continuation Plan) of \$5,698, \$2,617 and \$4,463 in 2005, 2004 and 2003, respectively; and, supplemental life insurance payments of \$107, \$89 and \$116 in 2005, 2004 and 2003, respectively.

(4) Figure includes the following: Adams County National Bank 401(k) Plan matching contributions of \$5,205, \$4,808 and \$5,104 in 2005, 2004 and 2003, respectively; deferred compensation accruals (under Mr. Krichten's Salary Continuation Plan) of \$5,686, \$0 and \$17,335 in 2005, 2004 and 2003, respectively; and, supplemental life insurance payments of \$319, \$278 and \$260 in 2005, 2004 and 2003, respectively.

(5) Mr. Krichten's employment was terminated as of March 10, 2006.

***Equity Compensation***

The corporation does not maintain any equity compensation plans (i.e., stock option or restricted stock award plans) for employees or directors.

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

Adams County National Bank maintains a defined contribution profit-sharing 401(k) plan. Adams County National Bank is the plan sponsor and plan administrator. Thomas A. Ritter and John W. Krichen are the plan trustees. The plan is subject to certain laws and regulations under the Internal Revenue Code, and participants are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974.

An employee is eligible to participate in the plan after working for six (6) months and attaining the age of twenty (20) years and six (6) months. An eligible employee may elect to contribute a portion of all wages or other direct remuneration to the plan. Generally, an eligible employee may not contribute more than 15% of his or her compensation. Adams County National Bank matches a percentage of the employee's contribution. In 2005, Adams County National Bank's contribution equaled 100% of the employee's contribution up to a maximum of 4% of earned compensation. Effective January 1, 2000, Adams County National Bank adopted a safe harbor provision for its 401(k) plan, which vests eligible contributions immediately upon entering the plan for both employer and employee contributions.

***Pension Plan***

The employees of Adams County National Bank are covered under the bank's Group Pension Plan for Employees. The plan is a defined benefit pension plan under the Employee Retirement Income Security Act of 1974. The plan was restated November 1, 1998, effective January 1, 1999, and subsequently amended effective November 1, 2000. Adams County National Bank is the plan administrator.

Amounts are set aside each year to fund the plan on the basis of actuarial calculations. The amount of contribution to a defined pension plan on behalf of a specific employee cannot be separately or individually calculated. The total pension expense in 2005 for Adams County National Bank's plan was \$691,192. The contribution to the plan made by the bank on behalf of all employees in 2005 was \$1,250,000. This contribution was sufficient to meet the legal minimum funding requirements.

Each employee of Adams County National Bank who attains the age of twenty (20) years and six (6) months and who completes six (6) months of eligible service, whichever is later, is eligible to participate in the plan on the following anniversary of the plan. The plan generally provides for a prospective benefit at the age of sixty-five (65) years for the employee's remaining lifetime with payments certain for five (5) years, calculated as follows: 1% of final average compensation below the applicable Social Security Covered Compensation and 1.3% of such earnings above the covered compensation, the total being multiplied by years of credited service up to a maximum of forty-five (45) years of credited service. The minimum benefit is the amount an employee accrued as of October 31, 1998. If an employee has completed thirty (30) or more years of vested service, he or she is eligible to retire at age sixty-two (62) with no reduction applied to his or her benefit.

The following table shows, for different final average compensation and for different years of vested service, the annual benefits currently payable upon retirement at age sixty-five (65) to a participating employee.

Final Average Compensation	Annual Retirement Income(1) Years of Service			
	15	25	35	45 or more
\$ 50,000	\$ 8,796	\$ 14,661	\$ 20,525	\$ 26,389
75,000	13,671	22,786	32,900	41,014
100,000	18,546	30,911	43,275	55,639
125,000	23,421	39,036	54,650	70,264
150,000	28,296	47,161	66,025	84,889
175,000	33,171	55,286	77,400	99,514
200,000	38,046	63,411	88,775	112,221

(1) Assumes normal retirement date (age 65) occurs in 2005. Actual benefits may be slightly higher on account of benefits earned under the plan since the 1998 restatement. Later retirement dates produce smaller retirement benefits as Social Security Covered Compensation increases.

Management cannot determine the extent of the benefits that any participating employee may be entitled to receive under the plan on the date of termination of employment because the amount of the benefits is dependent upon, among other things, the participant's future compensation and the number of years of vested service on the employee's date of retirement. For 2005, the covered compensation, as reported above in the Summary Compensation Table, includes all earned compensation. At December 31, 2005, under the plan, Mr. Hankey had forty-five (45) years of vested service; Mr. Krichten had twenty-five (25) years of vested service; Ms. Glass had twenty-one (21) years of vested service; and Mr. Ritter had six (6) years of vested service.

***Group Term Life Insurance Plan***

Adams County National Bank maintains a group term life insurance plan. All full-time bank employees are eligible to participate in the plan. The insurance benefit for employees is calculated as two (2) times salary, with a maximum of \$50,000.

***Management Supplemental Life Insurance Plan***

In January 2001, Adams County National Bank implemented a supplemental life insurance plan for certain officers of the bank to provide death benefits for each officer's designated beneficiaries. Beneficiaries designated by an officer are entitled to a split dollar share of the death proceeds from the life insurance policies on each officer which vary depending on the officer's age at death, employment status with the bank at the time of death, and eligibility to receive payments. The plan is unsecured and unfunded, and there are no plan assets. The bank has purchased single premium bank-owned life insurance policies ( BOLI ) on the lives of the officers and intends to use income from the BOLI policies to offset the plan benefit expenses.

***Executive Retirement Income Agreements***

Adams County National Bank entered into retirement income agreements with certain executive officers of Adams County National Bank to provide supplemental retirement income benefits to these officers when they reach their normal retirement date. The benefits are payable in 180 equal monthly installments. Benefits are also payable upon change of control or death. Benefit amounts will be determined by the individual's number of years of service and compensation at retirement age. Benefits accrue annually, but may be reduced if termination of service occurs before the normal retirement date.

Estimated liability under the agreements is accrued as earned by the employee. Adams County National Bank is the owner and beneficiary of life insurance policies on each officer that, at December 31, 2005, had an aggregate cash value of approximately \$3,501,000. Adams County National Bank purchased these policies to fund the retirement income agreements entered into with these individuals. Further information with respect to these agreements is set forth in the Notes to Consolidated Financial Statements contained in ACNB Corporation's 2005 Annual Report on Form 10-K, which is enclosed with this proxy statement.

***Director Life Insurance Plan***

Effective January 1, 2001, the bank established a director life insurance plan. All non-employee directors are eligible for the life insurance benefit, subject to medical underwriting acceptance. The plan currently insures nine (9) directors and one (1) director emeritus. The director life insurance benefit of \$100,000 per participating director will be provided through a single premium BOLI program because BOLI is a more cost-efficient way of providing the benefits. The eligible participating directors will not be required to pay any premiums on the life insurance policy, but will have the imputed value of the insurance coverage included in their taxable incomes. Benefits are payable upon death, disability, early retirement, or change in control.

***Director Fee Deferral Plan***

In January 2001, the bank established a director fee deferral plan. Directors Elsner, Guise, Schultz, Weaver and Wheeler are current participants. Directors may defer up to 100% of the director's income. Benefits are payable upon termination of service. The deferred fees earn interest, and the interest and plan expenses are funded by BOLI. The aggregate deferred fees for 2005 were \$68,171 for the above-named directors.

***Employment Agreement with Thomas A. Ritter***

Effective January 1, 2000, Adams County National Bank, the corporation and Thomas A. Ritter entered into an employment agreement for a period of three (3) years. The agreement renews automatically for additional one (1) year periods, unless one party provides the other with written notice of termination. Pursuant to the agreement, Mr. Ritter was initially employed by the corporation and Adams County National Bank as Executive Vice President. The agreement specifies Mr. Ritter's position and duties, compensation and benefits, and indemnification and termination provisions. The agreement also contains a non-competition provision, a confidentiality provision, and a change-in-control provision.

Pursuant to the terms of his employment agreement, Mr. Ritter initially served as Executive Vice President of the corporation and the bank and had other powers and duties that were from time to time prescribed by the Board of Directors of the corporation and the bank. As compensation for services rendered to the bank under the agreement, Mr. Ritter, in 2000, was entitled to receive from the bank an annual salary of \$140,000 per year and was subject to future yearly increases as deemed appropriate by the Board of Directors. The Board of Directors of the bank, in its discretion, was entitled to pay an incentive yearly bonus to Mr. Ritter to reward him for his performance. According to the terms of the agreement, Mr. Ritter was appointed to, and agreed to serve, without additional compensation, as a director of the Board of Directors of the bank and the corporation, subject to shareholder approval. Mr. Ritter further agreed to serve without additional compensation in other positions of the bank and/or the corporation. Mr. Ritter is also entitled to receive the employee benefits made available by Adams County National Bank to its employees.

Mr. Ritter's employment agreement provides that, if his employment is terminated due to his death, disability, or by the corporation or Adams County National Bank for cause, or the agreement is not renewed by the bank and the corporation, he is entitled to his full annual salary through the date of

termination at the rate in effect at the time of termination. If Mr. Ritter terminates his employment for good reason (which includes a change in control of the corporation), he is entitled to his full annual salary from the date of termination through the last day of the term of the agreement and he may continue to participate in all employee benefit plans and programs in which he was previously entitled to participate. In the event Mr. Ritter serves the full term of his employment agreement, and the bank and the corporation do not renew his agreement, Mr. Ritter is not entitled to any severance payment.

In accordance with the corporation's and Adams County National Bank's succession plans, in December 2000, the respective Boards of Directors elected Mr. Ritter as President of the corporation and President and Chief Executive Officer of Adams County National Bank, effective January 1, 2001. Further, effective December 31, 2003, Mr. Ritter was named by the corporation's Board of Directors as the Chief Executive Officer of the corporation.

#### *Transactions with Directors and Executive Officers*

Some of ACNB Corporation's directors and executive officers and the companies with which they are associated were customers of and had banking transactions with ACNB Corporation's subsidiary bank during 2005. All loans and loan commitments made to them and to their companies were made in the ordinary course of bank business, on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with other customers of the bank, and did not involve more than a normal risk of collectibility or present other unfavorable features. Total loans to these persons at December 31, 2005, amounted to approximately \$1,220,000. The aggregate amount of indebtedness outstanding as of the latest practicable date, March 1, 2006, to the above group was approximately \$1,044,000. ACNB Corporation's subsidiary bank anticipates that they will enter into similar transactions in the future.

The corporation also purchased \$463,160 worth of office furniture, equipment and supplies from Eicholtz Company in 2005. Eicholtz Company is owned by Alan J. Stock who is also a member of the corporation's Board of Directors.

### **BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

#### *Executive Committee Compensation Report*

ACNB Corporation's Board of Directors governs the corporation and its subsidiary bank. In fulfilling its fiduciary duties, the Board of Directors acts in the best interests of the corporation's shareholders, customers, and the communities served by the corporation and the bank. To accomplish the corporation's strategic goals and objectives, the Board of Directors engages competent persons who undertake to accomplish these objectives with integrity and cost-effectiveness. The Board of Directors fulfills part of its strategic mission through the compensation of these individuals. Officers of the corporation are not compensated. The bank provides compensation to its officers and employees.

The corporation seeks to offer competitive compensation opportunities for all employees based on the individual's contribution and personal performance. The Executive Committee, comprised of five (5) non-employee directors, administers the compensation program. The committee seeks to establish a fair compensation policy to govern executive officers' base salaries and bonus plans to attract and motivate competent, dedicated and ambitious managers, whose efforts will enhance the corporation's products and services, the results of which will be improved profitability, increased dividends to the corporation's shareholders, and subsequent appreciation in the market value of the corporation's shares.

The committee annually reviews and recommends to the Board the compensation of the bank's President and Chief Executive Officer as well as the Chairman. As a guideline in determining base salaries, the committee uses a regional financial industry salary survey which covers financial institutions in the

Pennsylvania marketplace. The referenced survey includes more institutions than are contained in the peer group index in the performance graph. Additionally, the committee has in the past engaged a recognized human resource consultant specializing in the financial services industry.

The Board of Directors does not deem Section 162(m) of the Internal Revenue Code to be applicable to the corporation at this time. The Board of Directors intends to monitor the future application of IRC Section 162(m) to the compensation paid to its executive officers; and, in the event that this section becomes applicable, the Board of Directors intends to amend the corporation's and the bank's compensation plans to preserve the deductibility of the compensation payable under the plans.

#### ***Chief Executive Officer Compensation***

The Board of Directors determined that the President and Chief Executive Officer's 2005 base salary of \$205,000 combined with a \$2,050 bonus, a 401(k) plan matching contribution payment of \$8,282, and a salary continuation plan accrual of \$36,275, is appropriate for Thomas A. Ritter. Key performance measures include profitability and growth; however, no direct correlation exists between the President and Chief Executive Officer's compensation and ACNB Corporation's 2005 performance. The committee subjectively determines the President and Chief Executive Officer's compensation based on a review of all relevant information.

#### ***Executive Officers Compensation***

The committee delegates to the President and Chief Executive Officer the responsibility of conducting annual reviews for the other executive officers. The compensation of the bank's executive officers increased by approximately 4.43% in 2005. The President and Chief Executive Officer determined the increases based on his subjective analysis of the individual's contribution to the corporation's strategic goals and objectives. In determining whether strategic goals have been achieved, the President and Chief Executive Officer considers numerous factors, including the following: the corporation's performance as measured by earnings, revenues, return on assets, return on equity, market share, total assets, and nonperforming loans. Although the President and Chief Executive Officer measured the performance and increases in compensation in light of these factors, no direct correlation exists between any specific criterion and the employees' compensation; nor does the President and Chief Executive Officer, in his analysis, attribute specific weight to any such criteria. Furthermore, in 2004, the bank implemented a Wage and Salary Administration Program which establishes ranges for these executive officers. The President and Chief Executive Officer makes a subjective determination after review of all relevant information, including the above.

In addition to base salary, executive officers of the bank may participate in the bank's 401(k) plan, pension plan, and discretionary bonuses as determined by the Board of Directors. (See pages 12-15 for more information.)

General labor market conditions, the individual's specific responsibilities and the individual's contributions to the corporation's success influence total compensation opportunities available to the bank's executive officers. The President and Chief Executive Officer reviews individuals on a calendar year basis and strives to offer compensation that is competitive with that offered by employers of comparable size in our industry. Through these compensation policies, the corporation strives to meet its strategic goals and objectives to its constituencies and provide compensation that is fair and meaningful to its executive officers.



This report is furnished by the Executive Committee which performed the functions of a compensation committee in 2005.

*D. Richard Guise, Chairman*  
*Philip P. Asper*  
*Wayne E. Lau*  
*Marian B. Schultz*  
*Jennifer L. Weaver*  
*Ronald L. Hankey (ex-officio member)*  
*Thomas A. Ritter (ex-officio member)*  
*Lynda L. Glass (ex-officio member)*

**COMPENSATION COMMITTEE INTERLOCKS  
AND INSIDER PARTICIPATION**

Ronald L. Hankey, Thomas A. Ritter and Lynda L. Glass are ex-officio members of the Executive Committee that also performs the functions of a compensation committee. Messrs. Hankey and Ritter and Ms. Glass make recommendations to the Executive Committee regarding merit raise increases for all employees based on a merit appraisal in connection with recommendations provided by an outside consultant. A merit review of Mr. Ritter is conducted by the Executive Committee. The merit review is submitted to the entire Board of Directors to be voted upon. Neither, Mr. Ritter Mr. Hankey nor Ms. Glass participate in matters concerning their own compensation.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of the Board of Directors is comprised of directors who meet SEC and Nasdaq standards for independence. The Audit Committee operates under a written charter adopted by the Board of Directors in April 2000, which was reviewed and revised in March 2005 and again in March 2006, and which is attached to this proxy statement as Appendix A.

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 auditors and with appropriate corporation financial personnel and internal auditors. The Audit Committee also discussed with the corporation's management and independent auditors the process used for certifications by the corporation's Chief Executive Officer and Chief Financial Officer, which are required for certain of the corporation's filings with the Securities and Exchange Commission.

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

The Audit Committee appointed bmc (Beard Miller Company LLP) as the independent auditors for the corporation after reviewing the firm's performance and independence from management.

Management has primary responsibility for the corporation's financial statements and the overall reporting process, including the corporation's system of internal controls.

The independent auditors audited the annual financial statements prepared by management, expressed an opinion as to whether those financial statements fairly present the financial position, results of operations, and cash flows of the corporation in conformity with generally accepted accounting principles, and discussed with the Audit Committee any issues they believe should be raised with the Audit Committee.

The Audit Committee reviewed with management and bmc (Beard Miller Company LLP), the corporation's independent auditors, the corporation's audited financial statements, as well as reviewed

those financial statements and reports prior to issuance. Management has represented, and bmc (Beard Miller Company LLP) has confirmed, to the Audit Committee that the financial statements were prepared in accordance with generally accepted accounting principles.

The Audit Committee received from and discussed with bmc (Beard Miller Company LLP) the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from the corporation. The Audit Committee also discussed with bmc (Beard Miller Company LLP) matters required to be discussed by the Statement on Auditing Standards No. 61 (Communication with Audit Committees) of the Auditing Standards Board of the American Institute of Independent Auditors to the extent applicable. The Audit Committee implemented a procedure to monitor auditor independence, reviewed audit and non-audit services performed by bmc (Beard Miller Company LLP), and discussed with the auditors their independence.

Both the Audit Committee and the Board of Directors reviewed the audited financial statements to be included in the Annual Report on Form 10-K for the year ended December 31, 2005, which is then filed with the Securities and Exchange Commission.

At present, the corporation has an audit committee financial expert. The Board of Directors has determined that Daniel W. Potts is qualified to serve as the corporation's audit committee financial expert and is independent as defined under applicable SEC and Nasdaq rules.

This report is furnished by the Audit Committee.

*Philip P. Asper, Chairman*  
*Wayne E. Lau*  
*Daniel W. Potts*  
*Harry L. Wheeler*

**SHAREHOLDER RETURN PERFORMANCE GRAPH**

The following graph compares the yearly dollar change in the cumulative total shareholder return on ACNB Corporation's common stock against the cumulative total return of the S&P 500 Stock Index, the NASDAQ Composite Index, and the Mid-Atlantic Custom Peer Group for the period of five (5) fiscal years commencing December 31, 2000, and ending December 31, 2005. The graph shows the cumulative investment return to shareholders based on the assumption that a \$100 investment was made on December 31, 2000, in each of ACNB Corporation's common stock, the S&P 500 Stock Index, the NASDAQ Composite Index and the Mid-Atlantic Custom Peer Group. We computed returns assuming the reinvestment of all dividends. The shareholder return shown on the following graph is not indicative of future performance.

**ACNB Corporation**

## Total Return Performance

Index	Period Ending					
	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
ACNB Corporation	100.00	118.25	143.06	186.33	187.10	149.65
S&P 500	100.00	88.11	68.64	88.33	97.94	102.74
NASDAQ Composite	100.00	79.18	54.44	82.09	89.59	91.54
Mid-Atlantic Custom Peer Group*	100.00	118.58	149.09	200.81	225.74	222.32

\* Mid-Atlantic Custom Peer Group consists of Mid-Atlantic commercial banks with assets less than \$1B.

**INDEPENDENT AUDITORS**

Aggregate fees billed to ACNB Corporation by bmc (Beard Miller Company LLP) for services rendered are presented below:

	<b>Year Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
Audit Fees	\$ 182,550	\$ 147,000
Audit Related Fees	4,500	
Tax Fees	9,575	5,000
All Other Fees		19,400
<b>Total Fees</b>	<b>\$ 196,625</b>	<b>\$ 171,400</b>

*Audit Fees* include fees billed for professional services rendered for the audit of annual financial statements and fees billed for the review of financial statements included in the corporation's Forms 10-Q and 10-K or services that are normally provided by bmc (Beard Miller Company LLP) in connection with statutory and regulatory filings or engagements, including out-of-pocket expenses.

*Audit Related Fees* include fees billed for assurance and related services by bmc (Beard Miller Company LLP) that are reasonably related to the performance of the audit or review of the corporation's financial statements and are not reported under the Audit Fees section of the table above. These services include assisting with accounting for the acquisition of Russell Insurance Group, Inc.

*Tax Fees* include fees billed for professional services rendered by bmc (Beard Miller Company LLP) for tax compliance, tax advice, and tax planning. These services include assistance with the method change for prepaid expenses, review of state and federal tax returns, and performance of a cost segregation study.

*All Other Fees* include fees billed for products and services provided by bmc (Beard Miller Company LLP), other than the services reported under the Audit Fees, Audit Related Fees, or Tax Fees sections of the table above. Other fees for 2004 include the evaluation of the purchase of Russell Insurance Group, Inc. and the build to own versus sale leaseback analysis for the new Operations Center.

The Audit Committee has considered whether, and determined that, the provision of the non-audit services is compatible with maintaining the independence of bmc (Beard Miller Company LLP).

The Audit Committee preapproves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit related services, tax services, and other services. Preapproval will generally be provided for up to one (1) year, and any preapproval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also preapprove particular services on a case by case basis. For each proposed service, the independent auditor is required to provide detailed back-up documentation at the time of approval. None of the services related to the Audit Related Fees, Tax Fees, or All Other Fees described above was approved by the Audit Committee pursuant to the preapproval waiver provisions set forth in the applicable SEC rules. In addition, the Audit Committee annually considers and recommends to the Board of Directors the selection of the corporation's independent auditors.

**SECTION 16(a) BENEFICIAL  
OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires ACNB Corporation's directors, executive officers, and shareholders who beneficially own more than 10% of ACNB Corporation's outstanding equity stock to file initial reports of ownership and reports of changes in ownership of common stock and other equity securities of ACNB Corporation with the Securities and Exchange



Commission. 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 2005.

**PROPOSALS**

1. TO FIX THE NUMBER OF DIRECTORS OF THE CORPORATION AT THIRTEEN (13).

*The Board of Directors recommends a vote **FOR** this proposal.*

2. TO FIX THE NUMBER OF CLASS 1 DIRECTORS AT FIVE (5).

*The Board of Directors recommends a vote **FOR** this proposal.*

3. TO FIX THE NUMBER OF CLASS 2 DIRECTORS AT FOUR (4).

*The Board of Directors recommends a vote **FOR** this proposal.*

4. TO FIX THE NUMBER OF CLASS 3 DIRECTORS AT FOUR (4).

*The Board of Directors recommends a vote **FOR** this proposal.*

5. TO ELECT ONE (1) CLASS 1 DIRECTOR FOR A TERM OF ONE YEAR.

Nominee for Class 1 Director is:

Frank C. Russell, Jr.

*The Board of Directors recommends a vote **FOR** the election of this nominee as Class 1 Director.*

6. TO ELECT FOUR (4) CLASS 2 DIRECTORS FOR A TERM OF THREE YEARS.

Nominees for Class 2 Director are:

Wayne E. Lau  
Alan J. Stock  
Jennifer L. Weaver  
Harry L. Wheeler

*The Board of Directors recommends a vote **FOR** the election of these nominees as Class 2 Directors.*

Cumulative voting rights do not exist with respect to the election of directors. The affirmative vote of the majority of shares present (in person or by proxy and entitled to vote at the annual meeting) is needed to elect a director.

In the election of directors, you may vote **FOR** all of the nominees or your vote may be **WITHHELD** with respect to one or more of the nominees. For the other proposals, you may vote **FOR**, **AGAINST** or **ABSTAIN**. If you **ABSTAIN**, it has the same effect as a vote **AGAINST**. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board ( **FOR** all of the Board's nominees and **FOR** all other proposals described in this proxy statement).

**7. TO RATIFY THE SELECTION OF BMC (BEARD MILLER COMPANY LLP) AS ACNB CORPORATION'S INDEPENDENT AUDITORS.**

**RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The Board of Directors has selected bmc (Beard Miller Company LLP) as independent auditors for the examination of its financial statements for the fiscal year ending December 31, 2006. bmc (Beard Miller Company LLP) served as the company's independent auditors for the year ended December 31, 2005.

bmc (Beard Miller Company LLP) has advised us that neither the firm nor any of its associates has any relationship with the corporation or its subsidiaries other than the usual relationship that exists between independent certified public auditors and clients.

We expect a representative of bmc (Beard Miller Company LLP) to be present at the Annual Meeting of Shareholders to respond to appropriate questions and to make a statement if the representative desires to do so.

*The Board of Directors recommends that the shareholders vote **FOR** ratification of the selection of bmc (Beard Miller Company LLP) as independent auditors for the fiscal year ending December 31, 2006.*

**8. TO TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING AND ANY ADJOURNMENT OR POSTPONEMENT THEREOF.**

**ADDITIONAL INFORMATION**

Any shareholder may obtain a copy of ACNB Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, including the 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 Shareholder Relations, ACNB Corporation, 16 Lincoln Square, P. O. Box 3129, Gettysburg, Pennsylvania 17325, or calling 717-339-5085. You may also view these documents on our website at [www.acnb.com](http://www.acnb.com), select ACNB Corporation, and then click on SEC Filings.

Pursuant to Securities and Exchange Commission rules, ACNB Corporation intends to send a single proxy statement and annual report to multiple shareholders who share the same address and who have the same last name, unless we receive instructions to the contrary from one or more of the shareholders. This method of delivery is known as "householding". Upon written or oral request, a separate copy of the annual report and/or proxy statement, as applicable, will be delivered promptly to a security holder at a shared address to which a single copy of the documents was delivered or, if you wish to receive a separate proxy statement or annual report in the future, please call 717-339-5085 or send a written request to Shareholder Relations, ACNB Corporation, 16 Lincoln Square, P. O. Box 3129, Gettysburg, Pennsylvania 17325. If you are receiving multiple copies of the proxy statement and annual report and want to request one copy, please also notify Shareholder Relations.

**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 matters are properly brought before the meeting, any proxy given pursuant to this solicitation will be voted in accordance with the recommendations of the Board of Directors.

**Appendix A**

**ACNB CORPORATION & SUBSIDIARIES  
AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS CHARTER**

**ORGANIZATION**

The Audit Committee is a committee of outside members of the Board of Directors. Its function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to any governmental body, the shareholders or the public, the systems of internal controls which management and the Board of Directors have established, and the audit process.

**AUTHORIZATION**

The Audit Committee of ACNB Corporation and Subsidiaries is a standing committee of the Board of Directors authorized by the Bylaws of ACNB Corporation.

**PURPOSE**

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; (ii) the performance of the internal audit function; (iii) the annual independent audit of the Company's financial statements, the engagement of the independent auditors, and the evaluation of the independent auditors' qualifications, independence and performance; (iv) the Company's compliance with legal and regulatory requirements, including the Company's disclosure controls and procedures; (v) the fulfillment of the other responsibilities set out herein; and (vi) monitoring the Company's compliance with the Code of Ethics. The report of the Audit Committee required by the rules of the Securities and Exchange Commission (SEC) shall be included in the Company's annual proxy statement.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors. In carrying out its oversight responsibilities, as permitted under the Pennsylvania Business Corporation Law of 1988, as amended, the Audit Committee members are entitled to rely in good faith on the expertise, integrity and knowledge of management, the internal and independent auditors, and corporate counsel.

**MEMBERSHIP AND STRUCTURE**

The Audit Committee shall be comprised of at least three members of the Board, and the members shall meet the independence, experience and expertise requirements set forth by the Board of Directors and applicable laws and regulations (including the Sarbanes-Oxley Act of 2002).

All members of the Audit Committee will have a general understanding of finance and accounting practices, and at least one member of the Committee shall be an audit committee financial expert as defined by the Securities and Exchange Commission. Each member shall be free of any relationship that, in the opinion of the Board, would under applicable laws and regulations make the director not independent. No Committee member shall simultaneously serve on the audit committees of more than two other public companies. A Chair shall be elected by the full Board. The Chair shall lead all regular sessions of the Committee and set the agenda for the Committee meetings.

A-1

---



**AUTHORITY**

The Audit Committee shall have the sole authority to select, evaluate, appoint and replace the independent auditors (subject to shareholder ratification) and shall approve in advance all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Audit Committee shall consult with management, but shall not delegate these responsibilities.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Audit Committee. The Company shall provide funding, as determined by the Audit Committee, for payment of compensation to the independent auditors and to any advisors employed by the Audit Committee. Any communications between the Audit Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Audit Committee will take all necessary steps to preserve the privileged nature of those communications.

The Audit Committee may form and delegate authority to subcommittees, comprised of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the Audit Committee.

The Audit Committee may conduct or authorize investigations into any matter, within the Audit Committee's scope of responsibilities, brought to its attention.

**MEETINGS**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee may hold special meetings upon the call of the Chair of the Committee. At Committee meetings, a majority of the total members will constitute a quorum. A member of the Audit Committee or a person designated by the Audit Committee shall keep minutes. The Committee shall regularly report to the Board on the Audit Committee's activities, and annually review and evaluate its own performance. The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

As part of its job to foster open communication, the Committee should meet at least annually with management, the manager of the internal audit function, and the independent auditors to discuss any matters that the Committee or each of these groups believe should be discussed privately.

In addition, the Committee, or at least its Chair, should meet with the independent auditors and management annually to review the Company's financial reports.

All members of the Board who are not members of the Committee may attend meetings of the Committee, but may not vote. The Committee may invite to its meetings any management or other personnel of the Company, or any third parties, as it deems appropriate in order to carry out its responsibilities.

**RESPONSIBILITIES AND DUTIES**

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and ensure to the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements.

*The Audit Committee's duties and responsibilities are designated by the categories listed below:*

1. Financial Statement and Disclosure Matters

- Review the regular internal reports to management prepared by the internal audit function and management's response.
- Review and discuss with management and the independent auditors the annual audited financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- Prepare annually a report for inclusion in the Company's proxy statement relating to its annual shareholders meeting. In that report, the Audit Committee will state whether it has: (i) reviewed and discussed the audited financial statements with management; (ii) discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as that statement may be modified or supplemented from time to time; and (iii) received from the independent auditors written disclosures and the letter required by Independence Standards Board Standard No. 1, as that standard may be modified or supplemented from time to time, and discussed with the independent auditors the independence of the independent auditors.
- Review and discuss with management and the independent auditors the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements.
- Discuss generally the Company's earnings press releases, including the use of pro forma or adjusted non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies to the extent required by applicable law or listing standards. The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
- Receive a disclosure from the Chief Executive Officer and Chief Financial Officer during their certification process for the 10-K and 10-Qs about (i) any significant deficiencies in design or operation of internal controls or material weaknesses therein and (ii) any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls.
- At least annually prior to the filing of the Audit Committee Report with the SEC (and more frequently if appropriate), review and discuss reports from the independent auditors on, among other things, certain:
  - Critical accounting policies and practices to be used;
  - Alternative treatments of financial information within generally accepted accounting principles;
  - Other material written communications between the independent auditors and management, such as any management letter and the Company's response to such letter or schedule of unadjusted differences; and,
  - Difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and communications between the audit team and the audit firm's office with respect to difficult auditing or accounting issues presented by the engagement.

A-3

---

- Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
- Review and discuss with management and the independent auditors, at least annually, significant accounting and financial reporting issues, including complex or unusual transactions and judgments concerning significant estimates or significant changes in the Company's selection or application of accounting principles, and recent professional, accounting and regulatory pronouncements and initiatives, and understand their impact on the Company's financial statements.
- Review with management the Audit Committee's evaluation of the Company's internal control structure and procedures for financial reporting and review periodically, but in no event less frequently than quarterly, management's conclusions about the efficacy of such internal controls and procedures, including any significant deficiencies in or material noncompliance with such controls and procedures.
- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

2. Authorization of the Company's Whistleblower Policy

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
- Treatment of Certain Complaints
- The protection of corporate whistleblowers shall be the responsibility of the Audit Committee.
- The Audit Committee shall protect anyone who comes forth with any information concerning any irregularities or fraudulent activity being performed. The Sarbanes-Oxley Act of 2002 expands the federal statute concerning retaliation against a witness to prohibit interference with the lawful employment or livelihood of a witness for providing information relating to the commission of a federal offense.
- The Audit Committee shall provide for employees of a public company who provide evidence of fraud. The Company may not fire, demote, suspend, threaten, harass, or otherwise discriminate against an employee because of the employee's involvement in a securities or fraud-related investigation involving the Company. Any employee who is adversely treated because of his or her whistleblowing activities may sue the Company within 90 days after the date of the discriminatory act for compensatory damages and attorney's fees. The employee must make a prima facie case showing that his or her whistleblowing activities were a contributing factor in the unfavorable personnel action alleged in the complaint, while the employer must show by clear and convincing evidence that it would have taken the same unfavorable personnel action in the absence of the whistleblowing behavior.

3. Oversight of the Company's Relationship with Independent Auditors

- The independent auditors shall report directly to the Audit Committee.
- Review and discuss the scope and plan of the independent audit.
- Review and appraise the audit efforts of the Company's independent auditors and internal auditing department.

A-4

---

- Provide an open avenue of communication with the independent auditors.
- On an annual basis, review and discuss with the auditors all significant relationships the auditors have with the Company to determine the independence of the internal and independent auditors.
- Review the performance of the independent auditors and approve any proposed discharge of the independent auditors when circumstances warrant.
- Review with management and the independent auditors at the completion of the annual examination:
  - The Company's annual financial statements and related footnotes;
  - The independent audit of the financial statements and report thereon;
  - Any significant changes required in the independent audit plan; and,
  - Any serious difficulties or disputes with management encountered during the course of the audit.
- Review the internal audit function of the Company including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, and the coordination of such plans with the independent auditors.
- Provide sufficient opportunity for the internal and independent auditors to meet with the members of the Audit Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial, accounting and internal controls.
- Receive and discuss a report from the independent auditors at least annually regarding:
  - The independent auditors' internal quality control procedures;
  - Any material issues raised by the most recent quality control review, or peer review (if applicable), of the independent auditors, or by any inquiry or investigation by governmental professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditors;
  - Any steps taken to deal with any such issues; and,
- All relationships between the independent auditors and the Company, in order to assess the independent auditors' independence.
- Approve guidelines for the retention of the independent auditors for any non-audit services and determine procedures for the approval of audit and non-audit services in advance. In accordance with such procedures, the Audit Committee shall approve in advance any audit or non-audit services provided to the Company by the independent auditors, all as required by applicable law or listing standards. Preapproval authority may be delegated to one or more members of the Audit Committee.
- Evaluate the qualifications, performance and independence of the independent auditors, including whether the provision of non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management and the Company's legal counsel. This shall include a review and discussion of the annual communication as to independence delivered by the independent auditors (Independence Standards Board Standard

No. 1 - Independence Discussions with Audit Committees ). The Audit Committee shall present its conclusions to the Board and, if so determined by the Audit Committee, recommend that the Board

A-5

---

take additional action to satisfy itself of the qualifications, performance and independence of the auditors.

- Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditors which guidelines shall meet the requirements of applicable law and listing standards.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, as well as consider whether there should be regular rotation of the audit firm itself.

#### 4. Financial Reporting Processes

- In consultation with the independent auditors and the internal auditors, review the integrity of the Company's financial reporting processes, both internal and external.
- Review any differences in the independent auditors' judgments relating to the interpretation of the Company's accounting principles as applied in its financial reporting.
- Review and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management, or the internal audit function.
- Review with the Chief Executive Officer, Chief Financial Officer, independent auditors, and the manager of the internal audit function the financial report before it is filed with the SEC or other regulators.
- Receive prior to each meeting, a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.
- Review the financial statements contained in the annual report to shareholders with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders. Any changes in accounting principles, the effect of any regulatory and accounting initiatives, and off-balance sheet structures should be reviewed.
- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.

#### 5. Oversight of Audit and Risk Review (ARR)

The Audit Committee may contract for internal audit services as necessary to assess the adequacy and effectiveness of internal accounting controls, financial systems or financial statements, and the accuracy of management reporting and compliance with laws, regulations and Company policy. As used in this section or subsequent sections, the lead or coordinating auditor refers to the Company's internal auditor or, if such services are outsourced, to the auditor of the public accounting firm primarily responsible for the Company's internal audit functions.

- Review and discuss the appointment and replacement of the lead or coordinating auditor.
- Review and discuss the ARR findings that have been reported to management, management's responses, and the progress of the related corrective action plans.
- Review and evaluate the adequacy of the work performed by the lead or coordinating auditor and ARR function, and ensure that the ARR function is independent and has adequate resources to fulfill its duties, including implementation of the annual audit plan.





- Review any significant disagreement among management and the independent auditors or the internal audit function in connection with the preparation of the financial statements.
- Review with the independent auditors, the lead or coordinating auditor, and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.
- Inquire of management, the lead or coordinating auditor of the internal audit function, and the independent auditors about significant risks or exposures and assess the steps management has taken to minimize such risk to the Company.
- Consider, in consultation with the independent auditors and the lead or coordinating auditor of the internal audit function, the audit scope and plan of the internal auditors.
- Review with the lead or coordinating auditor of the internal audit function and the independent auditors the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- Consider and review with the independent auditors and the lead or coordinating auditor of the internal audit function:
  - The adequacy of the Company's internal controls including computerized information, system controls, and security;
  - Any related significant findings and recommendations of the independent auditors and internal auditors together with management's responses thereto;
  - Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information;
  - Any changes required in the planned scope of their audit plans; and,
  - The Internal Audit Department Charter.

6. Compliance Oversight Responsibilities

- Review periodically with management and the independent auditors any correspondence with, or other action by, regulators or governmental agencies, any material legal affairs of the Company, and the Company's compliance with applicable law and listing standards.
- Review and discuss the report of the lead or coordinating auditor regarding the expenses of, the perquisites paid to, and the conflicts of interest, if any, of members of the Company's senior management.
- Review and discuss with management and the independent auditors any correspondence with, or the findings of any examinations by, regulatory agencies, published reports or auditor observations that raise significant issues regarding the Company's financial statements or accounting policies.
- Obtain regular updates from management and Company counsel regarding compliance matters and legal matters that may have a significant impact on the financial statements or the Company's compliance policies.

- Advise the Board with respect to policies and procedures regarding compliance with the Company's Code of Ethics including review of the process for communicating the Code of Ethics to Company personnel and for monitoring compliance.

A-7

---

- Review periodically the Code of Ethics and ensure that management has established a system to enforce this Code.
- Review activities, organizational structure, and qualifications of the internal audit function.
- Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements, related Company compliance policies, and programs and reports received from regulators.
- Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
- Possess the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
- Perform such other functions as assigned by law, the Bylaws, or the Board of Directors.
- Ensure no improper influence by the Board of Directors or management in the conduct of internal or external audits.

A-8

---

**ACNB CORPORATION  
PROXY**

**PLEASE MARK VOTES  
AS IN THIS EXAMPLE**  
**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 9, 2006.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE  
BOARD OF DIRECTORS.**

The undersigned hereby constitutes and appoints D. Richard Guise and Edgar S. Heberlig and each or either of them, proxies of the undersigned, with full power of substitution to vote all of the shares of ACNB Corporation that the undersigned shareholder(s) may be entitled to vote at the Annual Meeting of Shareholders to be held at the ACNB Corporation Operations Center, 100 V-Twin Drive, Gettysburg, Pennsylvania 17325, on Tuesday, May 9, 2006, at 1:00 p.m., prevailing time, and at any adjournment or postponement of the meeting, as indicated upon the matters referred to in the proxy statement, and upon any matters which may properly come before the Annual Meeting.

	For	Against	Abstain
1. TO FIX THE NUMBER OF DIRECTORS OF  ACNB CORPORATION AT THIRTEEN (13).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. TO FIX THE NUMBER OF CLASS 1  DIRECTORS AT FIVE (5).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. TO FIX THE NUMBER OF CLASS 2  DIRECTORS AT FOUR (4).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. TO FIX THE NUMBER OF CLASS 3  DIRECTORS AT FOUR (4).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	<b>For</b>	<b>With- hold</b>	<b>For All Except</b>
5. TO ELECT ONE (1) CLASS 1 DIRECTOR TO SERVE FOR A ONE-YEAR TERM. <b>Frank C. Russell, Jr.</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. TO ELECT FOUR (4) CLASS 2 DIRECTORS TO SERVE FOR A THREE-YEAR TERM. <b>Wayne E. Lau                      Jennifer L. Weaver Alan J. Stock                      Harry L. Wheeler</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**INSTRUCTION: To withhold authority to vote for any individual nominee, mark For All Except and strike the name above.**

	For	Against	Abstain
7. TO RATIFY THE SELECTION OF BMC (BEARD)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

MILLER COMPANY LLP) AS ACNB

CORPORATION S INDEPENDENT  
AUDITORS

FOR THE YEAR ENDING DECEMBER  
31, 2006.

Please be sure to sign and date Date  
this Proxy in the box below.

The Board of Directors recommends a vote **FOR** all nominees listed above and **FOR** proposals

1, 2, 3, 4 and 7.

8. In their discretion, the proxyholders are authorized to vote upon such other matters as may properly come before the meeting and any adjournment or postponement of the meeting.

Stockholder  
sign above

Co-holder (if any)  
sign above

**Detach above card, sign, date and mail in postage paid envelope provided.**

Edgar Filing: ACNB CORP - Form DEF 14A

ACNB CORPORATION

THIS PROXY, WHEN PROPERLY SIGNED AND DATED, WILL BE VOTED IN THE MANNER DIRECTED BY THE ABOVE-SIGNED SHAREHOLDER(S).

IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED **FOR** ALL NOMINEES LISTED ABOVE AND **FOR** PROPOSALS 1, 2, 3, 4 and 7.

This Proxy must be dated, signed by the shareholder(s), and returned promptly to Registrar & Transfer Company in the enclosed envelope. When signing as Attorney, Executor, Administrator, Trustee or Guardian, please give full title. If more than one trustee, all should sign. If stock is held jointly, each owner should sign.

**PLEASE ACT PROMPTLY.  
SIGN, DATE AND MAIL YOUR PROXY CARD TODAY.**

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED