

ACNB CORP
Form DEF 14A
March 24, 2015

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

**INFORMATION REQUIRED IN
PROXY STATEMENT**

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the Appropriate Box:

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

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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (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:
-

Table of Contents

March 24, 2015

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 5, 2015, 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 2014 Annual Review, and ACNB Corporation's 2014 Annual Report on Form 10-K.

The principal business of the meeting is to fix the number of Directors of ACNB 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 four (4) Class 2 Directors to serve for terms of three (3) years and until their successors are elected and qualified; to conduct a non-binding vote on executive compensation; to ratify the selection of BDO USA, LLP as ACNB Corporation's independent registered public accounting firm; 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.

Whether or not you plan to attend the annual meeting, I urge you to vote as soon as possible by completing, signing and returning the enclosed proxy card in the envelope provided or to vote via the internet or telephone. Your prompt vote will save the Corporation expenses involved in further communications. Your vote is important. Voting by written proxy, internet or telephone will ensure your representation at the annual meeting if you do not attend in person.

I look forward to seeing you on May 5, 2015, at the Corporation's annual meeting.

Sincerely,

Thomas A. Ritter
President & Chief Executive Officer

Table of Contents

ACNB CORPORATION

NASDAQ TRADING SYMBOL: ACNB

acnb.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

AND

PROXY STATEMENT

2015

Table of Contents

TABLE OF CONTENTS

	PAGE
<u>NOTICE OF ANNUAL MEETING OF SHAREHOLDERS</u>	
<u>GENERAL INFORMATION</u>	<u>1</u>
<u>VOTING PROCEDURES</u>	<u>1</u>
<u>GOVERNANCE OF THE CORPORATION</u>	<u>3</u>
<u>ELECTION OF DIRECTORS</u>	<u>8</u>
<u>SHARE OWNERSHIP</u>	<u>12</u>
<u>COMPENSATION AND PLAN INFORMATION</u>	<u>15</u>
<u>COMPENSATION COMMITTEE REPORT.</u>	<u>29</u>
<u>EXECUTIVE COMPENSATION AND EMPLOYEE BENEFITS</u>	<u>30</u>
<u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u>	<u>35</u>
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	<u>38</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>39</u>
<u>INDEPENDENT AUDITORS</u>	<u>40</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>41</u>
<u>PROPOSALS</u>	<u>41</u>
<u>ADDITIONAL INFORMATION</u>	<u>43</u>
<u>OTHER MATTERS</u>	<u>43</u>

Proxy Statement

Dated and to be mailed to shareholders on or about March 24, 2015.

Table of Contents

**ACNB CORPORATION
16 LINCOLN SQUARE
P.O. BOX 3129
GETTYSBURG, PENNSYLVANIA 17325
(717) 334-3161**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 5, 2015**

TO THE SHAREHOLDERS OF ACNB CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of ACNB Corporation will be held at the ACNB Corporation Operations Center, 100 V-Twin Drive, Gettysburg, Pennsylvania 17325 on Tuesday, May 5, 2015, 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 ACNB 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 four (4) Class 2 Directors to serve for terms of three (3) years and until their successors are elected and qualified;
6. To conduct a non-binding vote on executive compensation;
7. To ratify the selection of BDO USA, LLP as ACNB Corporation's independent registered public accounting firm; and,
8. To transact such other business as may properly come before the 2015 Annual Meeting and any adjournment or postponement thereof.

Only those shareholders of record, at the close of business on March 10, 2015, 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 or vote by internet or telephone. 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 2014 Annual Review, and ACNB Corporation's 2014 Annual Report on Form 10-K on or about March 24, 2015.

BY ORDER OF THE BOARD OF DIRECTORS,

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Thomas A. Ritter
President & Chief Executive Officer

Gettysburg, Pennsylvania
March 24, 2015

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

Table of Contents

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 Tuesday, May 5, 2015, at 1:00 p.m., prevailing time, 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 2014 Annual Review and ACNB Corporation's 2014 Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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 & Chief Governance Officer of ACNB Corporation, at (717) 339-5085.

Description of ACNB Corporation

ACNB Corporation was formed in 1982 and became the holding company for the banking subsidiary in 1983. ACNB Corporation's wholly-owned banking subsidiary is ACNB Bank, a Pennsylvania state-chartered bank and trust company, formerly Adams County National Bank. The Corporation's primary activity consists of owning and supervising its banking subsidiary.

The Corporation also 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.

Internet Availability of Proxy Materials

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 5, 2015. The notice of meeting, proxy statement, proxy card, ACNB Corporation's 2014 Annual Review, and ACNB Corporation's 2014 Annual Report on Form 10-K are available at [acnb.com](http://www.acnb.com) under the ACNB Corporation tab or directly at <http://www.acnb.com/acnb-corporation>.

VOTING PROCEDURES

Solicitation and Voting of Proxies

The Board of Directors solicits this proxy for use at the Corporation's 2015 Annual Meeting of Shareholders. The Corporation's directors and officers and ACNB 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, as well as 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 24, 2015.

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Table of Contents

Shareholders of record at the close of business on March 10, 2015 (the annual meeting record date), are entitled to vote at the meeting. The Corporation's records show that, as of the annual meeting record date, 6,015,650 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 (1) vote for each share held. Cumulative voting rights do not exist with respect to the election of directors.

You may vote your shares by completing and returning a written proxy card or voting by internet or telephone. You may also vote in person at the meeting. Submitting your voting instructions by returning a proxy card, internet or telephone 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, Computershare, 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, as well as instructions to vote by internet or telephone, 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 or nominee how to vote and you are also invited to attend the meeting. However, because you are not the shareholder of record, you may not vote your street name shares in person at the meeting, unless you obtain a proxy executed in your favor from the holder of record. 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 J. Emmett Patterson and Marian B. Schultz as proxyholders to vote your shares, as indicated on the proxy card. Any signed proxy card or vote by internet or telephone not specifying to the contrary will be voted **FOR**:

1. Fixing the number of Directors of ACNB Corporation at thirteen (13);
2. Fixing the number of Class 1 Directors at five (5);
3. Fixing the number of Class 2 Directors at four (4);
4. Fixing the number of Class 3 Directors at four (4);
5. Electing four (4) Class 2 Directors to serve for terms of three (3) years and until their successors are elected and qualified;
6. Approving the non-binding vote on executive compensation; and,
7. Ratifying the selection of BDO USA, LLP as ACNB Corporation's independent registered public accounting firm.

You may revoke your written proxy by delivering written notice of revocation to Lynda L. Glass, Executive Vice President, Secretary & Chief Governance Officer of the Corporation, by executing a later dated proxy and giving written notice of the revocation to Ms. Glass or voting again by internet or telephone at any time before the proxy is voted at the meeting. Proxyholders will vote shares represented by proxies on the accompanying proxy card, if properly signed and returned, or by internet or telephone 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 24, 2015.

Table of Contents

Quorum and Vote Required for Approval

As of the close of business on March 10, 2015, the Corporation had 6,015,650 shares of common stock, par value \$2.50 per share, outstanding.

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. A majority of the outstanding shares of common stock, represented in person or by proxy, constitutes a quorum. 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 (1) 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, fixing the number of directors of the Board of Directors, fixing the number of directors in each class, approving the non-binding proposal on executive compensation, and ratifying the independent registered public accounting firm for the year ending December 31, 2015, requires the affirmative "**FOR**" vote of a majority of all votes cast, 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 executive 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), rules and listing standards of The Nasdaq Stock Market, SEC regulations, as well as best practices suggested by recognized governance authorities. Currently, our Board of Directors has thirteen (13) members. Pursuant to the Corporation's mandatory retirement requirements, Harry L. Wheeler will retire at the annual meeting. Under the SEC and Nasdaq standards for independence, all non-employee directors and nominees meet the standards for independence. This constitutes more than a majority of our Board of Directors. Only independent directors serve on our Audit Committee, Nominating Committee, and Compensation Committee.

Leadership Structure

The Corporation chooses to separate the roles of Chairman and President & Chief Executive Officer. The President & Chief Executive Officer is responsible for implementing the strategic direction of the Corporation, as determined by the Board of Directors, and the day-to-day leadership and performance of the Corporation. The Chairman oversees the agenda for and presides over Board of Director meetings, as well as provides leadership to the Board and facilitates communication between

Table of Contents

the Board of Directors and executive management. The Corporation's Chairman of the Board is considered independent under the SEC and Nasdaq standards for independence.

Risk Oversight

The Board of Directors has a role in overseeing the Corporation's risks as a whole and at the committee level. The Audit Committee is primarily responsible for overseeing the risks the Corporation faces on behalf of the Board of Directors. The Audit Committee works closely with the Corporation's Chairman of the Board, President & Chief Executive Officer, and ACNB Bank's Chief Risk Officer, as well as with other members of management with respect to matters relating to risk management. The Audit Committee receives reports on risk management and the processes in place to monitor and control such exposures. The Audit Committee may also receive updates, from time to time, between meetings from management relating to risk oversight matters. The Audit Committee provides updates on its risk management activities to the full Board of Directors via the committee's meeting minutes. Further, members of management may make presentations on risk management to the full Board of Directors or another committee of the Board of Directors.

In addition to the Audit Committee, other committees of the Board of Directors consider the risks within their areas of responsibility. For example, the Compensation Committee considers the risks that may be implicated by the Corporation's compensation practices. Also, the Strategic Planning Committee assesses the risks associated with the Corporation's executive management succession plans.

Director Independence

In determining each director's and nominee's independence, the Board of Directors considered loan transactions between ACNB Bank and the individuals, their family members, and businesses with which they are associated. The table below includes a description of other categories or types of transactions, relationships or arrangements considered by the Board (in addition to those listed above and those transactions set forth under "Transactions with Directors and Executive Officers" below) in reaching its determination that the directors are independent.

Name	Independent	Other Transactions/ Relationships/Arrangements
Richard L. Alloway II	Yes	None
Frank Elsner, III	Yes	None
Scott L. Kelley	Yes	None
James J. Lott	Yes	None
Robert W. Miller	Yes	None
Donna M. Newell	Yes	None
J. Emmett Patterson	Yes	None
Daniel W. Potts	Yes	None
Marian B. Schultz	Yes	None
David L. Sites	Yes	Vendor Relationship
Alan J. Stock	Yes	Vendor Relationship
Harry L. Wheeler	Yes	None
James E. Williams	Yes	Vendor Relationship

In each case, the Board of Directors determined that none of the transactions impaired the independence of the director.

Table of Contents**Directors of ACNB Corporation**

The following table sets forth, as of March 10, 2015 (in alphabetical order), selected information about the Corporation's directors and director nominees.

Name	Class of Director	Director Since	Age as of March 10, 2015
Richard L. Alloway II	2	New Nominee	47
Frank Elsner, III, Chairman	3	2002	54
Scott L. Kelley	3	2012	63
James J. Lott	1	2007	52
Robert W. Miller	1	2007	66
Donna M. Newell	2	2012	44
J. Emmett Patterson	1	2012	67
Daniel W. Potts	3	2004	62
Thomas A. Ritter	3	2001	63
Marian B. Schultz	1	1992	65
David L. Sites	2	2010	59
Alan J. Stock, Vice Chairman	2	2005	57
Harry L. Wheeler ⁽¹⁾	2	1999	74
James E. Williams	1	2007	61

(1) Due to the Corporation's mandatory retirement requirements, Mr. Wheeler will retire at the annual meeting.

Executive Officers of ACNB Corporation and/or Subsidiary

The following table sets forth, as of March 10, 2015, 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 10, 2015
Thomas A. Ritter		
Chief Executive Officer	2003-Present	63
President	2001-Present	
Executive Vice President	2000-2001	
Frank C. Russell, Jr.		
President & Chief Executive Officer of Russell Insurance Group, Inc.	2005-Present	66
Lynda L. Glass		
Chief Governance Officer	2011-Present	54
Secretary	2008-Present	
Secretary & Treasurer	2006-2008	
Executive Vice President	2003-Present	
Assistant Secretary	1993-2003	
David W. Cathell		
Executive Vice President, Treasurer & Chief Financial Officer	2008-Present	60
Senior Vice President & Chief Financial Officer	2007-2008	
Principal Financial Officer	2006-2007	
James P. Helt		
Executive Vice President of Banking Services of ACNB Bank	2008-Present	48

Table of Contents

Meetings and Committees of the Board of Directors

The Board of Directors of ACNB Corporation met twelve (12) times during 2014. The Corporation maintains an Audit Committee (which is established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934), Executive Committee, Compensation Committee, Nominating Committee, and Strategic Planning Committee. A total of thirty-one (31) Board and committee meetings of the Corporation's Board of Directors were held in 2014. During 2014, each of the directors attended at least 75% of the combined total number of meetings of the Corporation's Board of Directors and the committees of which he or she was a member. The Board of Directors has a written attendance policy statement which encourages and expects each director to attend the Annual Meeting of Shareholders. All of the directors attended the 2014 Annual Meeting of Shareholders, and we expect that they will all attend the 2015 Annual Meeting of Shareholders.

Audit Committee. Members of the Audit Committee during 2014 were Daniel W. Potts, who served as Chair, Frank Elsner, III, Robert W. Miller, Donna M. Newell, J. Emmett Patterson, Marian B. Schultz, David L. Sites and Harry L. Wheeler. Each of these directors is "independent" as defined in the SEC and Nasdaq standards for independence. In addition, Thomas A. Ritter, David W. Cathell, Lynda L. Glass and James P. Helt were invited to attend committee meetings. The principal duties of the Audit Committee, as set forth in its charter, include reviewing significant audit and accounting principles, policies and practices; reviewing performance of internal auditing procedures; overseeing risk management; and, recommending annually to the Board of Directors the engagement of an independent auditor. The Audit Committee has a charter which is available under the Corporate Governance Documents section of the ACNB Corporation page of ACNB Bank's website at www.acnb.com. The Audit Committee met five (5) times during 2014.

Executive Committee. Members of the Executive Committee during 2014 were Frank Elsner, III, who served as Chair, Daniel W. Potts, Marian B. Schultz, David L. Sites, Alan J. Stock and James E. Williams. Each of these directors is "independent" as defined in the SEC and Nasdaq standards for independence. In addition, Thomas A. Ritter served as an ex-officio member of this committee, and David W. Cathell, Lynda L. Glass and James P. Helt were invited to attend committee meetings. The principal duties of the Executive Committee are to act on behalf of the Board between meetings and to evaluate governance issues. The Executive Committee has a charter which is available under the Corporate Governance Documents section of the ACNB Corporation page of ACNB Bank's website at www.acnb.com. The Executive Committee met one (1) time during 2014.

Compensation Committee. Members of the Compensation Committee during 2014 were James E. Williams, who served as Chair, Frank Elsner, III, Scott L. Kelley, James J. Lott, J. Emmett Patterson, Marian B. Schultz and Alan J. Stock. Each of these directors is "independent" as defined in the SEC and Nasdaq standards for independence. The principal duties of the Compensation Committee include evaluating and recommending to the Board of Directors the executive officer compensation plans, policies and programs of the Corporation. The Compensation Committee has a charter which is available under the Corporate Governance Documents section of the ACNB Corporation page of ACNB Bank's website at www.acnb.com. The Compensation Committee met five (5) times during 2014.

Nominating Committee. Members of the Nominating Committee during 2014 were Marian B. Schultz, who served as Chair, Frank Elsner, III, Donna M. Newell, Alan J. Stock, Harry L. Wheeler and James E. Williams. Each of these directors is "independent" as defined in the SEC and Nasdaq standards for independence. The principal duties of the Nominating Committee include identifying qualified individuals to serve on the Board and recommending nominees to the Board. The Nominating Committee has a charter which is available under the Corporate Governance Documents section of the ACNB Corporation page of ACNB Bank's website at www.acnb.com. The Nominating Committee met two (2) times during 2014.

Table of Contents

Strategic Planning Committee. Members of the Strategic Planning Committee during 2014 were Frank Elsner, III, who served as Chair, Daniel W. Potts, Thomas A. Ritter, Marian B. Schultz, David L. Sites, Alan J. Stock and James E. Williams. The principal duties of the Strategic Planning Committee include overseeing the development of and monitoring the progress of the Corporation's strategic plan; keeping the Board of Directors informed of developments, trends and opportunities in the industry that might help improve the Corporation's profitability, growth and/or customer service; and, establishing Board and senior management succession plans. The Strategic Planning Committee has a charter which is available under the Corporate Governance Documents section of the ACNB Corporation page of ACNB Bank's website at www.acnb.com. The Strategic Planning Committee met six (6) times during 2014.

Shareholder Communications

The Board of Directors has formal shareholder communications processes 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 November 25, 2015. Proposals may be sent to Lynda L. Glass, Executive Vice President, Secretary & Chief Governance Officer of ACNB Corporation, at 16 Lincoln Square, P.O. Box 3129, Gettysburg, Pennsylvania 17325.

All proposals must comply with SEC regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials. If a shareholder proposal is submitted to the Corporation after November 25, 2015, 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 2016 proxy statement.

Employee Code of Ethics

Since May 1994, ACNB Bank, formerly 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 adopted a Code of Ethics which is applicable to our directors, officers and employees, and which has been amended as necessary from time to time.

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 to ACNB Corporation's Chief Governance Officer. The Code of Ethics is available under the Corporate Governance Documents section of the ACNB Corporation page of ACNB Bank's website at www.acnb.com.

Table of Contents

ELECTION OF DIRECTORS

Nomination of Directors

The Corporation has a standing Nominating Committee with a charter. Recommendations to the Board of Directors as to the nominees for election as directors at the Annual Meeting of Shareholders are provided by the Nominating Committee. The Nominating Committee will consider shareholder-recommended nominees for director, and shareholders who desire 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.

Qualification and Nomination of Directors

The Corporation's Articles of Incorporation authorize the number of directors to be not less than five (5) and not more than twenty-five (25). Further, the Corporation's Articles of Incorporation and Bylaws provide for three (3) classes of directors with staggered terms of office of three (3) years that expire at successive annual meetings. Pursuant to Article II, Section 205, of the Corporation's Bylaws, no director or nominee shall stand for election, if as of the date of election, he or she shall have attained the age of seventy-two (72) years old. Currently, the number of directors is set at thirteen (13): Class 1 consists of five (5) 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 at the 2015 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 four (4) Class 2 Directors to serve for terms of three (3) years until their successors are elected and qualified.

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, the willingness to commit time, a commitment to independence, a commitment to the Corporation's community, financial competence, a good reputation, integrity, good communication skills, and the willingness and ability to speak up for the interests of the Corporation. A director nominee shall also have expertise that strengthens the Board of Directors. When evaluating potential director nominees, the Nominating Committee considers the skills and expertise of the current Board members and seeks director nominees with knowledge, skills and abilities that enhance and complement rather than duplicate the experiences and skills already represented on the Board of Directors. Further, the Nominating Committee ensures director nominees complement the Corporation's strategic vision and direction, a fundamental priority for the Board of Directors. The Nominating Committee follows the same process for evaluating shareholder-recommended nominees for director.

The Nominating Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating Committee believe that it is essential that members of the Board of Directors represent diverse viewpoints and experience. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate's credentials in the context of these standards.

Table of Contents

The Board of Directors nominated incumbent directors Donna M. Newell, David L. Sites and Alan J. Stock to serve as Class 2 Directors until the expiration of the term of the class or until their earlier death, resignation, or removal from office. Furthermore, after Nominating Committee review of various internal and external sources of information related to potential director nominees, upon the recommendation and approval of the Nominating Committee, the Board of Directors nominated Richard L. Alloway II to serve as a Class 2 Director until the expiration of the term of the class or until his earlier death, resignation, or removal from office. Ms. Newell and Messrs. Sites and Stock are presently members of the Board of Directors and have consented to serve another term as a director if reelected. Mr. Alloway is a new nominee to the Board of Directors and has consented to serve if 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 nominees for election as Class 2 Directors at the annual meeting:

Class 2 Director Nominees

Richard L. Alloway II	David L. Sites
Donna M. Newell	Alan J. Stock

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

Information as to Nominees and Directors

Set forth below, as of March 10, 2015, are the principal occupations and certain other information regarding nominees for director and continuing directors including the experience, qualifications, attributes or skills that contribute to the nominee's or director's ability to oversee the management of the Corporation. Unless otherwise specified, all business experience is for the past five (5) years in the same or similar position. You will find information about their share ownership on pages 12 through 14.

Class 1 Directors (to serve until 2016)

James J. Lott

Mr. Lott, age 52, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2007. He is President of Bonnie Brae Fruit Farms, Inc. located in Gardners, Pennsylvania. Mr. Lott offers extensive experience in agribusiness, a leading economic driver in Adams County and Pennsylvania, and his business insight is leveraged to provide guidance in understanding this important segment of the local economy.

Robert W. Miller

Mr. Miller, age 66, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2007 and serves as an audit committee financial expert. He is Vice President of Miller, Brown, Ohm & Associates, P.C., a certified public accounting firm located in McSherrystown, Pennsylvania. Mr. Miller has extensive experience with public and financial accounting matters and has expertise with respect to advising on financial objectives and planning.

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Table of Contents

<i>J. Emmett Patterson</i>	Mr. Patterson, age 67, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2012. He is President & Owner of JDCS Enterprise and Fry Guy Corporation, which owns nine McDonald's restaurants in southcentral Pennsylvania, including seven in the Gettysburg and Hanover markets. His career with McDonald's spans more than 40 years. Prior to becoming an owner operator, Mr. Patterson held a number of positions in management with McDonald's Corporation, as well as served as staff director for McDonald's World Training Center. Mr. Patterson's ownership and operation of McDonald's franchises brings strong financial, business and human resources background to the Board.
<i>Marian B. Schultz</i>	Ms. Schultz, age 65, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 1992. She retired in 2012 as Dean of the School of Academic Programs & Services and Library & Multi-Media Services at Shippensburg University located in Shippensburg, Pennsylvania. Ms. Schultz has extensive experience in academia with strong skills in program development and implementation, human relations, and academic administration.
<i>James E. Williams</i>	Mr. Williams, age 61, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2007. He is President of C.E. Williams Sons, Inc., a paving and excavating company located in Gettysburg, Pennsylvania. Mr. Williams is an experienced leader of a paving and excavating company and served as Chairman of the Adams County Economic Development Corporation, exhibiting proven expertise in the overall management of a company including matters related to financial oversight, human resources, and risk management.
Class 2 Directors (to serve until 2015; nominees to serve until 2018 if duly elected and qualified)	
<i>Richard L. Alloway II(New Nominee)</i>	Mr. Alloway, age 47, is a new nominee for member of the Corporation's Board of Directors. He is a State Senator representing Pennsylvania's 33 rd State Senate District since 2009. Prior to serving as a State Senator, Mr. Alloway was a magisterial district judge for four years. The Board will benefit from Mr. Alloway's legal background and extensive knowledge of ACNB Bank's marketplace.
<i>Donna M. Newell</i>	Ms. Newell, age 44, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2012. She is President & Chief Executive Officer of NTM Engineering, Inc., a firm located in Dillsburg, Pennsylvania, that specializes in water resources and structural engineering as well as engineering course development and instruction. Ms. Newell brings her engineering, technology and business expertise to the Board.
<i>David L. Sites</i>	Mr. Sites, age 59, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2010. He is Owner & Managing Partner of Realty Leasing & Management Co., a real estate development and holding company located in Gettysburg, Pennsylvania. Mr. Sites offers over 30 years of experience in real estate sales, management and development and provides proven experience in community relations, risk management, and overall management performance.

Table of Contents

Alan J. Stock

Mr. Stock, age 57, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2005. He has also served as Vice Chairman of both Boards of Directors since 2013. He is the owner of Eicholtz Company, an office equipment and furniture dealership located in New Oxford, Pennsylvania. Mr. Stock brings to the Board entrepreneurial experience and strong financial and business acumen.

Class 2 Director (to serve until 2015)

Harry L. Wheeler

Mr. Wheeler, age 74, has been a member of the Corporation's Board of Directors since March 1, 1999, and of ACNB 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 retired and the former proprietor of Wheeler Drywall located in Carlisle, Pennsylvania. Mr. Wheeler has extensive small business management experience, with proven skills in financial oversight, decision-making, and organizational and project management.

Class 3 Directors (to serve until 2017)

Frank Elsner, III

Mr. Elsner, age 54, is Chairman of the Board of the Corporation and ACNB Bank. He has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2002, and also served as Vice Chairman of both Boards of Directors from 2007 until 2013. He has been a member of the Board of Directors of Russell Insurance Group, Inc. since 2012 and has served as Vice Chairman of the Board since 2013. Mr. Elsner is Owner & Managing Director of ODT Global, LLC, a manufacturers' sales representative firm specializing in product and material handling solutions based in Hanover, Pennsylvania. He retired in 2012 as President, Chief Executive Officer & Treasurer of Elsner Engineering Works, Inc., an engineering and manufacturing company located in Hanover, Pennsylvania. Mr. Elsner has extensive management experience with a company that operates internationally, as well as strong skills in cross cultural communications, financial management, sales and marketing, and strategic planning.

Scott L. Kelley, Esquire

Mr. Kelley, age 63, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2012. He is an attorney and President of the law firm of Stonesifer and Kelley, P.C. of Hanover, Pennsylvania, and served as the Executive Director of Community Banks Insurance Services from 2007 to 2009. The Board benefits from Mr. Kelley's more than 30 years of experience practicing law in the areas of business and commercial law; real estate law; agricultural law; oil, gas and mineral law; and, estate planning and administration, as well as from his experience in the insurance industry.

Daniel W. Potts

Mr. Potts, age 62, has been a member of both the Corporation's and ACNB Bank's Boards of Directors since 2004 and serves as an audit committee financial expert. He has also been a member of the Board of Directors of Russell Insurance Group, Inc. since 2005. He has more than 25 years of global business experience, including 10 years with major accounting firms. Mr. Potts has been Director of Business Development/Global Financial Services with Capgemini, a worldwide provider of consulting, technology and outsourcing services. Mr. Potts' financial and business skills and extensive experience with financial accounting matters provide invaluable insight and guidance to the Board's oversight function.

Table of Contents

Thomas A. Ritter

Mr. Ritter, age 63, is President & Chief Executive Officer of the Corporation and ACNB Bank, as well as is Chairman of the Board of Directors of Russell Insurance Group, Inc. He served as Executive Vice President of the Corporation and ACNB Bank from January 1, 2000, until December 31, 2000. Effective January 1, 2001, he became President of the Corporation and President & Chief Executive Officer of ACNB 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 ACNB Bank's Board of Directors since 2001. He has been a member of Russell Insurance Group, Inc.'s Board of Directors and has served as Chairman of the Board since 2005. Mr. Ritter had previously served as a member of both the Corporation's and ACNB 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. Mr. Ritter's more than 25 years of experience in the financial services industry, including 11 years as the Corporation's Chief Executive Officer, provides him with unique insights into the Corporation's challenges, strategic goals, and operations.

SHARE OWNERSHIP

Principal Shareholders

As of December 31, 2014, 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 December 31, 2014, 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 Named Executive Officer, and all Named 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 SEC Rule 13d-3, which provides that a person should be credited with the ownership of any stock held, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise 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 sixty (60) days after December 31, 2014.

Table of Contents

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

Name of Individual or Identity of Group	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percentage of Class
Class 1 Directors		
James J. Lott	5,893 ⁽²⁾	
Robert W. Miller	6,401 ⁽³⁾	
J. Emmett Patterson	1,073 ⁽⁴⁾	
Marian B. Schultz	6,751 ⁽⁵⁾	
James E. Williams	6,859	
Class 2 Directors		
Richard L. Alloway II (<i>New Nominee</i>)	500	
Donna M. Newell	2,537 ⁽⁶⁾	
David L. Sites	25,053 ⁽⁷⁾	
Alan J. Stock	28,044 ⁽⁸⁾	
Harry L. Wheeler	11,029	
Class 3 Directors		
Frank Elsner, III	14,509 ⁽⁹⁾	
Scott L. Kelley	14,218	
Daniel W. Potts	1,867	
Thomas A. Ritter	9,656 ⁽¹⁰⁾	
Named Executive Officers		
Frank C. Russell, Jr. President & Chief Executive Officer of Russell Insurance Group, Inc.	0	
Lynda L. Glass Executive Vice President, Secretary & Chief Governance Officer of ACNB Corporation	4,819 ⁽¹¹⁾	
David W. Cathell Executive Vice President, Treasurer & Chief Financial Officer of ACNB Corporation	10,957 ⁽¹²⁾	
James P. Helt Executive Vice President of Banking Services of ACNB Bank	4,038	
All Officers, Directors and Nominees as a Group (14 Directors/Nominees, 5 Officers, 18 persons in total)	154,204	2.56%

(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 SEC 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 sixty (60) days after December 31, 2014. Beneficial ownership may be disclaimed as to certain of the securities.

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Table of Contents

- (2) Figure includes 1,817 shares held solely by Mr. Lott and 4,076 shares held jointly with Mr. Lott's spouse.
- (3) Figure includes 2,712 shares held solely by Mr. Miller; 3,389 shares held jointly with Mr. Miller's spouse; and, 300 shares held by Mr. Miller's spouse.
- (4) Figure includes 573 shares held solely by Mr. Patterson and 500 shares held jointly with Mr. Patterson's spouse.
- (5) Figure includes 817 shares held solely by Ms. Schultz; 1,000 shares held jointly with Ms. Schultz's spouse; and, 4,934 shares held solely by Ms. Schultz's spouse.
- (6) Figure includes 759 shares held solely by Ms. Newell and 1,778 shares held jointly with Ms. Newell's spouse.
- (7) Figure includes 15,968 shares held solely by Mr. Sites; 1,595 shares held solely by Mr. Sites' spouse; and, 7,490 shares held in a trust of which Mr. Sites is the trustee.
- (8) Figure includes 4,716 shares held solely by Mr. Stock; 15,727 shares held jointly with Mr. Stock's spouse; and, 7,601 shares held solely by Mr. Stock's spouse.
- (9) Figure includes 2,553 shares held solely by Mr. Elsner and 11,956 shares held jointly with Mr. Elsner's spouse.
- (10) Figure includes 4,519 shares held solely by Mr. Ritter; 1,814 shares held jointly with Mr. Ritter's spouse; and, 3,323 shares held solely by Mr. Ritter's spouse.
- (11) Figure includes 1,467 shares held solely by Ms. Glass and 3,352 shares held jointly with Ms. Glass' spouse.
- (12) Figure includes 9,502 shares held solely by Mr. Cathell and 1,455 shares held jointly with Mr. Cathell's spouse.

Table of Contents**COMPENSATION AND PLAN INFORMATION*****Compensation of the Board of Directors of ACNB Corporation and ACNB Bank***

Directors of the Corporation are not compensated for their services. Further, ACNB Bank does not compensate employee directors for attendance at Board of Directors meetings or committee meetings. However, beginning April 1, 2014, ACNB Bank's non-employee directors were compensated for their services rendered to the Corporation and to ACNB Bank as follows:

\$11,000 annual retainer;

\$550 per Board meeting;

\$225 per hour for committee meetings with a minimum payment of \$225;

\$200 for committee chair per meeting;

\$600 allowance for a half-day seminar plus expenses, if applicable, and \$1,000 allowance for a full-day seminar plus expenses, if applicable; and,

\$125 per hour for continuing education by external, online web-based training, given preapproval.

Fifty percent (50%) of each director's annual retainer, as paid on a quarterly basis, is submitted as a voluntary cash purchase of ACNB Corporation common stock through the Corporation's Dividend Reinvestment and Stock Purchase Plan.

The following table summarizes the compensation of directors during 2014:

Name	Fees Earned or Paid in Cash (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)⁽¹⁾	Total (\$)
Frank Elsner, III	\$ 52,579 ⁽²⁾		\$ 320	\$ 52,899
Scott L. Kelley	\$ 23,995		\$ 825	\$ 24,820
James J. Lott	\$ 24,713		\$ 203	\$ 24,916
Robert W. Miller	\$ 24,213		\$ 630	\$ 24,843
Donna M. Newell	\$ 19,920		\$ 170	\$ 20,090
J. Emmett Patterson	\$ 21,895		\$ 630	\$ 22,525
Daniel W. Potts	\$ 25,214 ⁽³⁾		\$ 728	\$ 25,942
Marian B. Schultz	\$ 27,106		\$ 1,085	\$ 28,191
David L. Sites	\$ 29,820		\$ 308	\$ 30,128
Alan J. Stock	\$ 32,099		\$ 455	\$ 32,554
Harry L. Wheeler	\$ 23,885		\$ 1,144	\$ 25,029
James E. Williams	\$ 27,626		\$ 380	\$ 28,006

(1) Represents the tax reportable imputed income attributed to the director supplemental life insurance plan.

(2)

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Includes \$16,500 paid in 2014 as Chairman of the Board, and \$1,500 paid in 2014 for Board meetings of Russell Insurance Group, Inc.

(3)

Includes \$1,500 paid in 2014 for Board meetings of Russell Insurance Group, Inc.

Table of Contents

Director Deferred Fee Plan

In January 2001, ACNB Bank established a director deferred fee plan. Directors Elsner, Kelley, Lott, Miller, Newell, Patterson, Schultz, Sites, Stock, Wheeler and Williams participated in 2014. Directors may defer up to 100% of the director's income. Benefits are payable upon termination of service, change of control, and by specific participant election in accordance with IRS Code Section 409A. The deferred fees earn interest, and the interest and plan expenses are funded by bank-owned life insurance (BOLI).

Director Supplemental Life Insurance Plan

ACNB Bank has a director supplemental life insurance plan. All non-employee directors are eligible for the life insurance benefit. The plan currently insures twelve (12) directors. The director life insurance benefit of \$250,000 per participating director shall be provided unless the director separates from service prior to reaching the retirement age, in which case the benefit is \$100,000. This life insurance benefit will be funded through a single premium BOLI program because BOLI is a more cost-efficient way of providing the benefits. The amounts of death benefits is the amount set forth in the individual's policy endorsement. The eligible participating directors are not required to pay any premiums on the life insurance policy, but have the imputed value of the insurance coverage included in their taxable incomes.

Long-Term Care Insurance

ACNB Bank provides long-term care insurance to directors, and eligibility is subject to medical underwriting acceptance. The plan currently insures ten (10) directors. The eligible participating directors are not required to pay any premiums. The long-term care insurance provides a monthly maximum base benefit of \$4,000 for long-term care needs.

Executive Compensation

Compensation Discussion and Analysis

Named Executive Officers

The Compensation Committee is charged with recommending to the Board of Directors of ACNB Corporation the compensation for all of the Named Executive Officers. For the year 2014, our Named Executive Officers include those individuals in the following table:

Named Executive Officer	Position at Corporate Level	Position at Subsidiary Level
Thomas A. Ritter	President & Chief Executive Officer	President & Chief Executive Officer of ACNB Bank Chairman of the Board of Russell Insurance Group, Inc.
Lynda L. Glass	Executive Vice President, Secretary & Chief Governance Officer	Executive Vice President, Secretary & Chief Risk Officer of ACNB Bank Vice President & Secretary of Russell Insurance Group, Inc.
David W. Cathell	Executive Vice President, Treasurer & Chief Financial Officer	Executive Vice President, Treasurer & Chief Financial Officer of ACNB Bank Vice President & Treasurer of Russell Insurance Group, Inc.

James P. Helt

Executive Vice President of Banking Services of
ACNB Bank

Frank C. Russell, Jr.

President & Chief Executive Officer of Russell
Insurance Group, Inc.

Table of Contents**Corporation Performance vs. Named Executive Officer Base Salary Increase**

The Corporation is committed to maintaining a strong, healthy financial institution and is committed to our shareholders. We highlight below our corporate performance and the Named Executive Officers' (except the President & Chief Executive Officer of Russell Insurance Group, Inc.) base salary which is the main component of our Named Executive Officers' compensation.

	2013	2014	Percent Increase
Corporate Performance Highlights			
Stock Price at 12/31 Close	\$ 18.06	\$ 21.75	20.4
Assets ⁽¹⁾	\$ 1,046,047	\$ 1,089,808	4.2
Net Income ⁽¹⁾	\$ 9,315	\$ 10,290	10.5
Earnings per Share	\$ 1.56	\$ 1.71	9.6
Named Executive Officer Compensation Base Salary⁽²⁾			
Thomas A. Ritter	\$ 305,400	\$ 313,000	2.5
Lynda L. Glass	\$ 224,400	\$ 230,000	2.5
David W. Cathell	\$ 208,000	\$ 218,500	5.0
James P. Helt	\$ 224,400	\$ 230,000	2.5

(1) In thousands.

(2) Frank C. Russell, Jr. is not included in the table as his compensation is determined by contract and not by Corporation or subsidiary performance.

Compensation Objectives and Policies

The primary objectives of the Corporation's compensation philosophy remain to attract, motivate, reward and retain executives who

maintain the safety and soundness of the Corporation,

sustain and enhance long-term investor value,

enforce internal controls deemed appropriate by our auditors and regulators, and

execute the strategic plans as prioritized by the Board of Directors.

The Compensation Committee and the Board of Directors of the Corporation seek to establish fair compensation policies in order to attract, motivate, reward and retain competent managers whose efforts will enhance the Corporation's profitability and growth without exposing the Corporation to undue risk. The Compensation Committee treats compensation as an evolving process depending on the strategic objectives of the Corporation, as determined by the Board of Directors at that time.

The Role of the Executive Officers in Setting Compensation

The Named Executive Officers do not participate in the determination process of their respective annual base salaries and are not present when their respective compensation is discussed by the Compensation Committee or discussed and approved by the Board of Directors. Only the President & Chief Executive Officer of the Corporation provides insight to the Compensation Committee on the performance and compensation of the other Named Executive Officers as illustrated below.

Table of Contents

*The Compensation Process for the Named Executive Officers,
except the President & Chief Executive Officer of Russell Insurance Group, Inc.*

*The Compensation Process for the President & Chief Executive Officer
of Russell Insurance Group, Inc.*

Table of Contents

The Role of a Consultant in Setting Compensation

The Compensation Committee may in its sole discretion retain or seek the advice of a compensation consultant or other adviser. The Compensation Committee is directly responsible for retaining, determining the independence, determining if a conflict of interest exists, compensating, and overseeing the work of its advisers. The Compensation Committee chose not to engage a compensation consultant for the year 2014 as the Compensation Committee considered the shareholders' response to the Say on Pay vote and chose not to materially change compensation for the Named Executive Officers in 2014.

Benchmarking

In 2014, the Corporation did not benchmark its compensation policies against a peer group. The Compensation Committee did use numerous resources to educate itself on current trends in compensation as outlined below.

Resource	Description
L.R. Webber Associates, Inc. Salary/Benefits Survey	The survey includes general compensation information and salary ranges for executives of financial institutions throughout Pennsylvania. The survey is not used to benchmark any specific element of executive compensation to any specific financial institution or group of financial institutions, but is only used as an educational source as to the current trends in compensation at financial institutions primarily in Pennsylvania.
American Bankers Association Compensation and Benefits Survey Report	The survey provides information on compensation trends of financial institutions nationwide. It is not used to benchmark any specific element of executive compensation to any specific financial institution or group of financial institutions, but is only used as an educational source as to the current trends in compensation at financial institutions nationwide.
Proxy Material of Other Financial Institutions	The proxy materials provide information on specific compensation at specific financial institutions. It is not used to benchmark any specific element of executive compensation to any specific financial institution or group of financial institutions, but is only used as an educational source as to the current trends in compensation at financial institutions.
Information Received at Various Seminars and Conferences	The information provides general compensation trends. It is not used to benchmark any specific element of executive compensation to any specific financial institution or group of financial institutions, but is only used as an educational source as to the current trends in compensation.

The Role of the Shareholders' Say on Pay Vote

At the 2014 Annual Meeting of Shareholders, the shareholders overwhelmingly voted in favor of approving the compensation of the Corporation's Named Executive Officers as presented in the

Table of Contents

Compensation Discussion and Analysis presented in the Corporation's proxy statement dated March 25, 2014. The Compensation Committee will take the results of the vote, which has been consistently in favor of approving the compensation of the Corporation's Named Executive Officers, as well as the shareholders' vote on the frequency of the Say on Pay vote, into consideration in awarding compensation in the future consistent with the policies and practices outlined in the Compensation Discussion and Analysis and in providing for an annual Say on Pay vote.

Components of Compensation

While the specific amount of compensation provided to the Corporation's executives may slightly differ, the components of compensation are generally the same for our Named Executive Officers. For 2014, the Corporation's executive compensation and benefits package consisted primarily of base salary, bonus, retirement plans, and employee health and welfare benefit plans.

Summary of Components of Compensation

Component	Description	Participant Pool
Base Salary	Primary component of compensation; provides security to employees on an established payment schedule.	All Employees.
Bonus	Bonuses at the discretion of the Board of Directors; aligns the interests of the employees with those of the shareholders as bonuses are only awarded if the Corporation performs well.	Bank Employees. ⁽¹⁾
Retirement Plans		
Defined Benefit Plan		Bank Employees ⁽¹⁾ hired on or before March 31, 2012.
401(k) Plan	Promotes longevity with the Bank. Encourages employees to save for retirement.	All Employees.
Supplemental Executive Retirement Plan (SERP)	Designed to account for limitations with the defined benefit plan; promotes longevity with the Bank.	Certain Bank Officers, including Named Executive Officers employed by ACNB Bank.
Employee Health and Welfare Benefits		
Insurance Plans		All Employees.
Supplemental Life Insurance Plan	Split-dollar share of death benefits to beneficiary upon executive's death; provides incentive for longevity.	Certain Bank Officers, including Named Executive Officers employed by ACNB Bank, and the President & Chief Executive Officer of Russell Insurance Group, Inc.
Long-Term Care Insurance		Certain Bank Officers, including Named Executive Officers employed by ACNB Bank.
2009 Restricted Stock Plan⁽²⁾	Used to retain executives at a minimal cost. Aligns the interests of the employees and directors with those of the shareholders.	Bank Employees ⁽¹⁾ and Directors.

(1) The President & Chief Executive Officer of Russell Insurance Group, Inc. is not employed by the Bank.

(2) Awards have not been granted under the ACNB Corporation 2009 Restricted Stock Plan.

Table of Contents

Base Salary

Named Executive Officers Employed by ACNB Bank

The Compensation Committee believes that base salary should be the primary component of compensation. By setting base salary as the primary component of compensation, we discourage excessive risk-taking by our Named Executive Officers. Fixed compensation provides the executive with the security of knowing that the majority of his or her compensation is not tied to market fluctuations. The amount of base salary is designed to retain Named Executive Officers who can further the strategic objectives of the Corporation and/or a subsidiary of the Corporation and provide leadership where needed. In recommending base salary, the Compensation Committee does not take into consideration any other forms of compensation which are and which may not be offered to the Named Executive Officers. The Compensation Committee believes that, by providing compensation without delay in the form of base salaries, it will successfully further the Corporation's goals of providing a stable environment for its Named Executive Officers which, in turn, encourages them to maintain the safety and soundness of the Corporation.

Base salaries for our Named Executive Officers are established based upon their respective responsibilities, individual performance, longevity with the Corporation and/or a subsidiary of the Corporation, and key Corporation performance measures including profitability and growth. The Compensation Committee and the Board of Directors of the Corporation do not assign specific quantitative measures to profitability and growth or performance targets for purposes of base salary increases, but uses its business judgment to determine if the Corporation's profitability and growth are sufficient enough to allow the Corporation the flexibility to award merit increases such that the increase would be a safe and sound practice. For the year ended December 31, 2013, the Corporation reported an increase of five percent (5%) in net income, net income on a per share basis increased seven cents (\$0.07), and shareholders' equity increased by five and one-half percent (5.5%).

The Named Executive Officers are expected to assist the Corporation in sustaining and enhancing long-term investor value by maintaining the safety and soundness of the Corporation, enforcing internal controls deemed appropriate by our auditors and regulators, executing the strategic plans as prioritized by the Board of Directors, providing leadership and organizational development, and assisting in public relations. A Named Executive Officer's capacity to perform these tasks and achievement of these tasks are taken into consideration in determining whether the Named Executive Officer has performed as expected or has had outstanding performance.

Although the individual performance reviews for the Named Executive Officers of the Corporation and/or ACNB Bank were very favorable, these Named Executive Officers' respective salaries were not substantially increased in an effort to preserve the assets of the Corporation and its banking subsidiary and the increases were not a true reflection of the respective Named Executive Officer's performance or the performance of the Corporation or ACNB Bank.

Named Executive Officer Employed by Russell Insurance Group, Inc.

The Board of Directors of Russell Insurance Group, Inc. recommends the amount of cash compensation for the President & Chief Executive Officer of Russell Insurance Group, Inc. to the Compensation Committee which reviews the recommendation. The Compensation Committee then makes an independent recommendation to the Board of Directors of ACNB Corporation, which sets the amount of cash compensation for all Named Executive Officers. The base amount and forms of compensation awarded the President & Chief Executive Officer of Russell Insurance Group, Inc. are based upon previous contract negotiations, the performance of Russell Insurance Group, Inc., and the role that the President & Chief Executive Officer of Russell Insurance Group, Inc. performs in the highly relationship-oriented industry of insurance sales.

Table of Contents

Bonus Awards

President & Chief Executive Officer of Russell Insurance Group, Inc. Bonus

The President & Chief Executive Officer of Russell Insurance Group, Inc. is the only Named Executive Officer who has a non-discretionary formulized bonus structure which is addressed in his employment agreement. Given that his duties include marketing and sales, the Board of Directors of Russell Insurance Group, Inc. believes that offering him a formulized bonus will increase the profitability of the subsidiary, and therefore the Corporation, because it incents him to exceed \$1 million in pre-tax profits in a calendar year. The bonus structure is equal to five percent (5%) of the pre-tax income (based on historical agency accounting system) earned by Russell Insurance Group, Inc. during the preceding calendar year, provided that the actual pre-tax profits for that year exceeds \$1 million; further provided, however, if Russell Insurance Group, Inc. is assessed with impairment charges, then the Board of Directors of Russell Insurance Group, Inc. may, at its sole discretion, award, adjust, or not award the bonus for any year in which impairment charges are applied to the Russell Insurance Group, Inc. income statement. This bonus structure also contains a clawback provision allowing the Corporation to recoup the appropriate funds if the Corporation is required to restate all or a portion of its financial statements as a result of or related to a restatement of Russell Insurance Group, Inc.'s financial statements or if the Corporation determines in its sole discretion that it is required by state or federal laws or regulations to implement the clawback provision.

Discretionary Bonuses to ACNB Bank Employees

The Compensation Committee may recommend to the Board of Directors discretionary bonus awards for the Named Executive Officers, or any other employee, for the purpose of rewarding exceptional effort and performance. For the year 2014, the Corporation had not set forth specific criteria for bonuses, but awarded bonuses on a case-by-case basis and used the Compensation Committee members' experience and individual business judgment when determining whether a bonus was appropriate. In the second quarter of 2014, after receiving and reviewing the Corporation's audited financial statements for the year ended December 31, 2013, the Compensation Committee recommended and the Board approved bonuses for the Named Executive Officers (excluding the President & Chief Executive Officer of Russell Insurance Group, Inc. as his bonus structure is provided in his employment agreement as described in the paragraph above), based upon the general financial performance of the Corporation for the year 2013 and based upon the Named Executive Officer's performance. Fifty percent (50%) of the bonus awarded to the respective Named Executive Officer was deposited for a cash purchase of Corporation stock through the Corporation's Dividend Reinvestment and Stock Purchase Plan to further align the interests of the Named Executive Officer with those of the shareholders.

ACNB Bank Variable Compensation Plan

Effective January 1, 2014, the Compensation Committee established the ACNB Bank Variable Compensation Plan (Plan), which provides guidelines for awarding cash and/or equity incentive bonuses in the future and which guidelines cover employees of the banking subsidiary, ACNB Bank. Under the Plan, the Compensation Committee may make a recommendation to the Board of Directors to award stock under the ACNB Corporation 2009 Restricted Stock Plan if it chooses to make equity awards. The Board of Directors also reserves the right to amend, suspend or terminate the Plan at any time. The guidelines contained in the Plan include general restrictions such as

the award formulas are to be constructed to align the interests of the employee with those of the shareholders;

the employee must have an overall rating of "Good" on the employee's most recent individual performance appraisal;

Table of Contents

no incentive bonuses may be awarded if the Bank's CAMELS rating assigned by its regulators falls below a certain rating;

no incentive bonuses will be awarded if the Board of Directors determines that the dividend payable to the shareholders is not reasonable; and,

all bonuses will be subject to a clawback provision.

For the 2014 year, the Compensation Committee determined that it would maintain its ability to recommend discretionary bonuses in 2015 for 2014 performance. In moving toward a non-discretionary bonus structure, the Compensation Committee set forth certain criteria that it would review, although the criteria are not binding, in determining whether to consider granting bonuses in 2015 for the 2014 year.

2014 Criteria for Review In Considering Whether to Grant a Discretionary Bonus

Factor	Rationale
Return on Average Equity (ROAE)	Measures the Bank's performance and provides for a pay for performance baseline.
Deposit Growth	Incentivizes employees to grow the Bank's deposit base.
Loan Growth	Incentivizes employees to grow the Bank's loan portfolio which will increase income.
Leverage Capital Ratio	Our regulators look at our capital ratios to help determine if our capital is adequate and may place constraints on us if they determine that it is not.
Non-Performing Loans to Total Loans	Incentivizes employees to grow the Bank's loan portfolio with quality loans.
Non-Performing Assets to Total Assets	Non-performing assets negatively affect our capital ratios.
<u>Retirement Plans</u>	

The Compensation Committee believes that retirement benefits are another important way to provide long-term financial security to employees, thus encouraging longevity and a low employee turnover rate. As the defined benefit plan and 401(k) plan are tax qualified retirement plans, the Corporation's retirement plans are not tied to Corporation or individual performance.

Defined Benefit Plan

The Corporation's banking subsidiary, ACNB Bank, maintains a defined benefit plan which is available to all eligible employees hired on or before March 31, 2012. The plan provides a prospective benefit commencing at age sixty-five (65) for the employee's lifetime. If an employee has completed thirty (30) or more years of service, the employee is eligible to retire at age sixty-two (62) and receive full benefits. The plan contains a five (5) year vesting provision to ensure that the plan rewards employees for longevity. The amount paid under the plan is based upon a formula outlined in the plan and which is applicable to all ACNB Bank employees. The defined benefit plan is a very effective tool for employee retention and for providing long-term incentive compensation. All Named Executive Officers, with the exception of the President & Chief Executive Officer of Russell Insurance Group, Inc., are employees of ACNB Bank and are eligible to participate in the plan.

401(k) Plan

Both ACNB Bank and Russell Insurance Group, Inc. maintain a 401(k) plan which allows employees to save their own money for retirement, to earn a matching contribution from the subsidiary, and to direct the investment of all funds in the 401(k) plan. The percentage of match contributed to