

PENNS WOODS BANCORP INC  
Form DEF 14A  
March 22, 2011

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 Pursuant to §240.14a-12

PENNS WOODS BANCORP, INC.  
(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.
  - (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:
- Fee paid previously with preliminary materials.
- 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.:

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(3) Filing Party:

(4) Date Filed:

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**2011 PROXY**

PENNS  
WOODS  
BANCORP, INC.

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**PENNS WOODS BANCORP, INC.**  
**300 Market Street**  
**Williamsport, PA 17701**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To Our Shareholders:

The Annual Meeting of Shareholders of Penns Woods Bancorp, Inc. (the Corporation) will be held at the Holiday Inn Williamsport, 100 Pine Street, Williamsport, PA 17701, on Wednesday, April 27, 2011 at 1:00 P.M. Only holders of record at the close of business on March 1, 2011, are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

At the 2011 Annual Meeting we will:

1. Elect four (4) Class 3 director nominees of the Board of Directors, to serve for a three-year term that will expire in 2014, and until their successors are elected and qualified (Proposal No. 1);
2. Ratify the appointment by the Corporation's Board of Directors of S.R. Snodgrass, A.C., of Wexford, Pennsylvania, Certified Public Accountants as the independent registered public accounting firm for the Corporation for the year ending December 31, 2011 (Proposal No. 2);
3. Conduct a non-binding (advisory) vote on executive compensation (Proposal No. 3);
4. Conduct a non-binding (advisory) vote on the frequency of future shareholder votes on executive compensation (Proposal No. 4); and
5. Transact such other business as may properly come before the Annual Meeting, and any adjournment or postponement thereof.

The Board of Directors recommends that you vote FOR each of the director nominees listed above, that you vote two years for how frequently a shareholder vote to approve executive compensation should occur, and that you vote FOR each of the other proposals.

You are urged to mark, sign, date, and promptly return your proxy in the enclosed postage-paid envelope so that your shares may be voted in accordance with your wishes and in order that the presence of a quorum may be assured. The prompt return of your proxy, regardless of the

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number of shares you hold, will aid the Corporation in reducing the expense of additional proxy solicitation.

You may access the following proxy materials at <http://www.cfpproxy.com/4823>:

- Notice of the 2011 Annual Meeting of Shareholders;
- the 2011 Proxy Statement of the Corporation;
- the Corporation's Annual Report to Shareholders for the year ended December 31, 2010; and
- Proxy Card.

You are cordially invited to attend the Annual Meeting. The giving of such proxy does not affect your right to vote in person at the Annual Meeting, if you give written notice to the Secretary of the Corporation of your intention to vote at the Annual Meeting.

By Order of the Board of Directors,

Richard A. Grafmyre

President and Chief Executive Officer

Dated: March 23, 2011

**Important Notice Regarding Availability of Proxy Materials for the  
Annual Meeting of Shareholders to be held on Wednesday, April 27, 2011**

**The Proxy Statement and Annual Report to Shareholders for the year ended  
December 31, 2010 are available at <http://www.cfpproxy.com/4823>.**

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**PENNS WOODS BANCORP, INC.**

300 Market Street  
Williamsport, PA 17701

**PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD WEDNESDAY, APRIL 27, 2011**

**Introduction, Date, Time, and Place of Annual Meeting**

This Proxy Statement is being furnished in connection with the solicitation by the Board of Directors of PENNS WOODS BANCORP, INC. (the Corporation), a Pennsylvania business corporation, of proxies to be voted at the Annual Meeting (the Annual Meeting) of holders of Common Stock (the Common Stock) of the Corporation to be held on Wednesday, April 27, 2011, at 1:00 P.M., at the Holiday Inn Williamsport, 100 Pine Street, Williamsport, PA 17701, and any adjournment or postponement thereof.

The principal executive office of the Corporation is located at 300 Market Street, Williamsport, PA 17701. All inquiries should be directed to Richard A. Grafmyre, President of the Corporation, at (570) 322-1111. Jersey Shore State Bank (the Bank) is a wholly owned subsidiary of the Corporation.

**Solicitation and Revocability of Proxies**

This Proxy Statement and enclosed proxy card are first being sent to shareholders of the Corporation on or about March 23, 2011. Shares represented by the proxy, if properly signed and returned, will be voted in accordance with the specifications made thereon by the shareholders. Any proxy not specifying to the contrary will be voted FOR the Class 3 nominees noted, FOR the ratification of the appointment of S.R. Snodgrass, A.C., Certified Public Accountants, as the independent registered public accounting firm of the Corporation for the year ending December 31, 2011, FOR the non-binding vote on executive compensation, and FOR the frequency of the non-binding vote on executive compensation to be every two years. The execution and return of the enclosed proxy card will not affect the right of a shareholder of record to attend the Annual Meeting and to vote in person if such shareholder gives written notice to the Secretary of the Corporation. The cost of assembling, printing, mailing, and soliciting proxies and any additional material that the Corporation may furnish shareholders in connection with the Annual Meeting will be borne by the Corporation. In addition to the solicitation of proxies by use of the mails, directors, officers, and employees of the Corporation and/or the Bank may solicit proxies by telephone, telegraph, or personal interview, with nominal expense to the Corporation. The Corporation will also pay the standard charges and expenses of brokerage houses or other nominees or fiduciaries for forwarding proxy soliciting material to the beneficial owners of shares.

A shareholder of record who returns a proxy may revoke the proxy at any time before it is voted (1) by giving written notice of revocation to Richard A. Grafmyre, President and Chief Executive Officer, Penns Woods Bancorp, Inc., 300 Market Street, Williamsport, PA 17701, (2) by executing a later-dated proxy and giving written notice thereof to the Secretary of the Corporation, or (3) by voting in person after giving written notice to the President of the Corporation.

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If your shares are held in street name (that is, through a broker, trustee or other holder of record), you will receive a proxy card from your broker seeking instructions as to how your shares should be voted. If no voting instructions are given, your broker or nominee has discretionary authority to vote your shares on your behalf on certain routine matters. A broker non-vote results on a matter when your broker or nominee returns a proxy but does not vote on a particular proposal because it does not have discretionary authority to vote on that proposal and has not received voting instructions from you. Under the rules of The New York Stock Exchange, only Proposal No. 2, the ratification of the appointment of the Corporation's independent registered public accounting firm, is a routine matter, and therefore, is the only proposal for which your broker or nominee has discretionary authority to vote. Your broker or nominee does not have discretionary authority to vote on Proposal No. 1, the election of the four Class 3 directors, Proposal No. 3, the non-binding vote on executive compensation, or Proposal No. 4, the non-binding vote on the frequency of future shareholder votes on executive compensation. You may not vote shares held in street name at the Annual Meeting unless you obtain a legal proxy from your broker or holder of record.

### **Quorum**

Pursuant to the Bylaws of the Corporation, the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast will constitute a quorum for transaction of business at the Annual Meeting.

### **Voting Securities**

Holders of record of the Common Stock at the close of business on March 1, 2011 will be entitled to notice of and to vote at the Annual Meeting. On March 1, 2011 there were 3,835,433 shares of Common Stock outstanding. Each share of the Common Stock outstanding as of the close of business on March 1, 2011, is entitled to one vote on each matter that comes before the meeting and holders do not have cumulative voting rights with respect to the election of directors.

Under Pennsylvania law and the Bylaws of the Corporation, the presence of a quorum is required for each matter to be acted upon at the Annual Meeting. Votes withheld, abstentions, and broker non-votes will be counted in determining the presence of a quorum for the particular matter.

Assuming the presence of a quorum, the four nominees for director receiving the highest number of votes cast by shareholders entitled to vote for the election of directors shall be elected. Votes withheld from a nominee and broker non-votes will not constitute or be counted as votes cast for such nominee.

Assuming the presence of a quorum, the affirmative vote of a majority of all votes cast by shareholders at the Annual Meeting is required for the ratification of the appointment of the Corporation's independent registered public accounting firm, for the approval of the non-binding vote on executive compensation, and in connection with the non-binding vote on the frequency of future shareholder votes on executive compensation. Abstentions will not constitute or be counted as votes cast, and therefore, will not affect the outcome of the vote on these matters.

All proxies properly executed and not revoked will be voted as specified.

**THE BOARD OF DIRECTORS AND ITS COMMITTEES**

The Corporation appointed the following standing committees for 2010:

		<b>Number of Times Met During 2010</b>
<b>AUDIT:</b>	James M. Furey, II, D. Michael Hawbaker, Leroy H. Keiler, III, R. Edward Nestlerode, Jr., James E. Plummer	4
<b>EXECUTIVE:</b>	Michael J. Casale, Jr., H. Thomas Davis, Jr., R. Edward Nestlerode, Jr., Hubert A. Valencik	0

The Bank appointed the following standing committees for 2010:

<b>AUDIT:</b>	James M. Furey, II, D. Michael Hawbaker, Leroy H. Keiler, III, R. Edward Nestlerode, Jr., James E. Plummer	4
<b>BUILDING &amp; INSURANCE:</b>	Michael J. Casale, Jr., H. Thomas Davis, Jr., James M. Furey, II,  Leroy H. Keiler, III, Hubert A. Valencik	0
<b>EXECUTIVE:</b>	Michael J. Casale, Jr., H. Thomas Davis, Jr., James M. Furey, II,  R. Edward Nestlerode, Jr., Hubert A. Valencik	0
<b>COMPENSATION &amp; BENEFITS:</b>	Michael J. Casale, Jr., H. Thomas Davis, Jr., D. Michael Hawbaker, R. Edward Nestlerode, Jr., James E. Plummer	3
<b>ASSET LIABILITY:</b>	James M. Furey, II, D. Michael Hawbaker, Leroy H. Keiler, III, James E. Plummer, William H. Rockey, Hubert A. Valencik, Ronald A. Walko, Richard A. Grafmyre, Robert J. Glunk, Brian L. Knepp, Ann M. Riles, Janine E. Packer Mr. Glunk, Mr. Knepp, Mrs. Riles, and Mrs. Packer are employees of the Bank.	4

The Audit Committee is composed of five (5) independent directors within the meaning of the NASDAQ listing standards. The Audit Committee operates under a written charter, a copy of which is available on our website, [www.jssb.com](http://www.jssb.com), under Investor Relations/ Financial Information/ Governance Documents and is available upon written request to the President. The Board of Directors has designated James E. Plummer as the Audit Committee financial expert. The Audit Committee is responsible for the appointment, compensation, oversight, and termination of the Corporation's independent auditors. The Audit Committee is required to pre-approve audit and certain non-audit services performed by the independent auditors. The Audit Committee also assists the Board of Directors in providing oversight over the integrity of the Corporation's financial statements, compliance with applicable legal and regulatory requirements and the performance of our internal audit function. The Audit Committee also is responsible for, among other things, reporting to the Board of Directors on the results of the annual audit and reviewing the financial statements and related financial and non-financial disclosures included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Importantly, from a corporate governance perspective, the Audit Committee regularly evaluates the independent auditors' independence, including approving consulting and other legally permitted, non-audit services provided by the auditors and the potential impact of the services on the auditors' independence. The Audit Committee meets periodically with the independent auditors and the internal auditors outside of the presence of management, and possesses the authority to retain professionals to assist it in meeting its responsibilities without consulting with management. The Audit Committee reviews and discusses with management earnings releases, including the use of pro forma information. The Audit Committee also discusses with management and the independent auditors the effect of

accounting initiatives. The Audit Committee also is responsible for receiving and retaining complaints and concerns relating to accounting and auditing matters.

The Board of Directors of the Corporation met twelve (12) times during 2010. The Board of Directors of the Bank met twenty-six (26) times during 2010. All of the Directors attended at least 75% of the aggregate of all meetings of the Board of Directors and the Committees of which they were members.

### **Board Leadership Structure**

Our Board of Directors maintains the freedom to choose whether the roles of Chairman of the Board and Chief Executive Officer should be combined or separated, based on what it believes is best for the Corporation and its shareholders at any given time. Ronald A. Walko served as both Chairman of the Board and as President and Chief Executive Officer of the Corporation and the Bank until October 29, 2010, when the Corporation hired Richard A. Grafmyre to succeed Mr. Walko as President and Chief Executive Officer of the Corporation and the Bank. At that time, the Board of Directors determined that it would be appropriate to separate the roles of Chief Executive Officer and Chairman of the Board. Accordingly, Mr. Walko has continued to serve as Chairman of the Board of the Corporation and Bank. The Board of Directors believes that the current leadership structure, with Mr. Grafmyre as Chief Executive Officer, and Mr. Walko as Chairman of the Board, is the best leadership structure for the Corporation at this time, enabling Mr. Walko to apply his 25 years of service with the Bank and experience as President and Chief Executive Officer toward overseeing the Board of Directors and advising Mr. Grafmyre in his new role as Chief Executive Officer of the Corporation and Bank.

### **Board Risk Oversight**

Each member of the Board of Directors has a responsibility to monitor and manage risks faced by the Corporation. At a minimum, this requires the members of the Board of Directors to be actively engaged in board discussions, review materials provided to them, and know when it is appropriate to request further information from management and/or engage the assistance of outside advisors. Furthermore, because the banking industry is highly regulated, certain risks to the Corporation are monitored by the Board of Directors through its review of the Corporation's and the Bank's compliance with regulations set forth by the banking regulatory authorities. Because risk oversight is a responsibility for each member of the Board of Directors, the Board's responsibility for risk oversight is not concentrated into a single committee. Instead, oversight is delegated, to a large degree, to the various board committees with an independent director serving in the capacity of committee chairman. These committees meet formally, as needed, to discuss risks and monitor specific areas of the Corporation's performance with their findings reported at the next scheduled full meeting of the Board of

Directors. In addition, the composition of the Board of Directors and normal agenda allow for the continuous oversight of risk by providing an environment which encourages the directors to ask specific questions or raise concerns and allots them sufficient time and materials to do so effectively. The overlap of committee membership provides a broad perspective of various risks and the actions undertaken to manage risks in today's environment.

### Director Independence

In the view of the Board of Directors, all directors who are independent within the meaning of the NASDAQ listing standards should participate in the selection of director nominees. Accordingly, all directors, except for Messrs. Walko, Rockey, and Grafmyre, participate in the selection of director nominees. Directors who participate in the selection of director nominees operate under a written charter, a copy of which is available on our website, www.jssb.com, under Investor Relations/Financial Information/Governance Documents and is available upon request to the President. Independent directors considering the selection of director nominees will consider candidates recommended by shareholders. Shareholders desiring to submit a candidate for consideration as a nominee of the Board of Directors must submit the same information with regard to the candidate as that required to be included in the Corporation's proxy statement with respect to nominees of the Board of Directors in addition to any information required by the Bylaws of the Corporation. Shareholder recommendations should be submitted in writing to Penns Woods Bancorp, Inc., 300 Market Street, Williamsport, PA 17701 (Attention: President and Chief Executive Officer), on or before December 31 of the year preceding the year in which the shareholder desires the candidate to be considered as a nominee. Although the Board of Directors at this time does not utilize any specific written qualifications, guidelines or policies in connection with the selection of director nominees, candidates must have a general understanding of the financial services industry or otherwise be able to provide some form of benefit to the Corporation's business, possess the skills and capacity necessary to provide strategic direction to the Corporation, be willing to represent the interests of all shareholders, be able to work in a collegial board environment, and be available to devote the necessary time to the business of the Corporation. In addition to these requirements, candidates will be considered on the basis of diversity of experience, skills, qualifications, occupations, education, and backgrounds, and whether the candidate's skills and experience are complementary to the skills and experience of other Board members. Candidates recommended by shareholders will be evaluated on the same basis as candidates recommended by the independent directors.

Nominations for director to be made at the Annual Meeting by shareholders entitled to vote for the election of directors must be submitted to the Secretary of the Corporation not less than ninety (90) days or more than one hundred fifty (150) days prior to the Annual Meeting, which notice must contain certain information specified in the Bylaws. No notice of nomination for election as a director has been received from any shareholder as of the date of this Proxy Statement. If a nomination is attempted at the Annual Meeting that does not comply with the procedures required by the Bylaws or if any votes are cast at the Annual Meeting for any candidate not duly nominated, then such nomination and/or such votes may be disregarded.

## COMPENSATION OF DIRECTORS

Director Compensation Table

Name	Fees Earned Or Paid In Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(1)	All Other Compensation (\$)	Total (\$)
Michael J. Casale, Jr.	\$ 33,700	\$	\$	\$	\$	\$	\$ 33,700

H. Thomas Davis, Jr.	34,600	34,600
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James M. Furey, II		
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