

BRYN MAWR BANK CORP  
Form DEF 14A  
March 13, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

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

**Bryn Mawr Bank 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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**BRYN MAWR BANK CORPORATION**

**801 Lancaster Avenue**

**Bryn Mawr, PA 19010-3396**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON WEDNESDAY, APRIL 23, 2008**

TO OUR SHAREHOLDERS:

Notice is hereby given that the Annual Meeting of Shareholders of Bryn Mawr Bank Corporation (the Corporation) will be held at St. Davids Golf Club, 845 Radnor Road, Wayne, PA on Wednesday, April 23, 2008, at 9:00 A.M., for the following purposes:

1. To elect two Class II directors to serve a four-year term.
2. Such other business as may properly come before the meeting or any adjournment thereof.

In their discretion, the proxies are authorized to act upon such other matters as may properly come before the meeting. See the accompanying Proxy Statement for details about these proposals. Only shareholders of record at the close of business on March 6, 2008, are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement of the meeting. Shareholders may vote in person or by proxy.

Our proxy statement and a form of proxy are included with this Notice.

By Order of the Board of Directors of Bryn  
Mawr Bank Corporation

ROBERT J. RICCIARDI  
*Secretary*

Bryn Mawr, PA

March 20, 2008

**IMPORTANT NOTICE**

**To assure your representation at the Annual Meeting, please complete, date, sign, and promptly mail the enclosed proxy card in the return envelope. No postage is necessary if mailed in the United States. Any shareholder giving a proxy has the power to revoke it at any time prior to its use for any purpose. Any shareholder who is present at the meeting may withdraw their proxy prior to its use for any purpose and vote in person.**

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**PROXY STATEMENT**

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**PROXY STATEMENT**

**BRYN MAWR BANK CORPORATION**

**801 Lancaster Avenue**

**Bryn Mawr, PA 19010**

**INFORMATION REGARDING THE ANNUAL MEETING**

**Matters to be Considered at the Annual Meeting of Shareholders**

This Proxy Statement is being furnished to shareholders of Bryn Mawr Bank Corporation (called we, us, our or the Corporation) in connection with the solicitation of proxies by the Board of Directors of the Corporation for use at the Corporation's Annual Meeting of Shareholders to be held on Wednesday, April 23, 2008, at 9:00 A.M. at St. Davids Golf Club, 845 Radnor Road, Wayne, PA, or any adjournment or postponement of the meeting (the Annual Meeting). At the Annual Meeting, the shareholders will consider and vote upon the election of two Class II directors to serve a four-year term.

The proxies are authorized to transact such other business as may properly come before the Annual Meeting. This proxy statement and the proxy are being mailed to shareholders on or about March 20, 2008.

**Record Date, Voting and Voting Procedures**

Our Board has fixed the close of business on March 6, 2008, as the date for determining holders of record of our common stock, entitled to notice of, and to vote at, the Annual Meeting. Each shareholder is entitled to one vote per share on the matters to be considered at the Annual Meeting.

The holders of a majority of the outstanding shares of our common stock, present either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. As of March 6, 2008, there were 8,532,586 shares of our common stock outstanding.

Shares represented by properly executed proxies will be voted in accordance with the directions indicated in the proxies, unless those proxies have previously been revoked. If a properly executed proxy does not give any voting directions, then that proxy will be voted in favor of the adoption of the proposal recommended by the Board, and in the discretion of the proxy agents on any other matters which may properly come before the Annual Meeting. A shareholder may revoke a proxy at any time prior to its use for any purpose by giving written notice of revocation to Robert J. Ricciardi, our Secretary, at 801 Lancaster Avenue, Bryn Mawr, PA 19010-3396. A shareholder may also appear in person at the Annual Meeting and ask to withdraw the proxy prior to its use for any purpose and can vote in person. A later dated proxy revokes an earlier dated proxy.

We do not know at this time of any business, other than that stated in this proxy statement, which will be presented for consideration at the Annual Meeting. If any unanticipated business is properly brought before the Annual Meeting, then the proxy agents will vote in accordance with their best judgment.

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For purposes of the Annual Meeting, if a quorum is present, the Corporation's articles provide that each director shall be elected by a majority of the votes cast in person or by proxy for that position. Cumulative voting is not permitted. Abstentions and broker non-votes will not count in determining the number of votes required to elect a director, and they will not count in favor of or against a director's election.

The Corporation's bylaws require the affirmative vote of a majority of the shares having voting powers and present in person or represented by proxy (or an apparent majority in case of a voice vote) to approve any proposals other than director election or amendment of the Corporation's bylaws or articles of incorporation. If a shareholder abstains from voting on this type of proposal, the shares are considered present at the meeting for purposes of determining a quorum and determining the number of votes required to approve the proposal. However, abstentions are not votes for approval of the proposal, so they will have the same effect as votes cast against the proposal. Shares not voted by brokers on a particular proposal are considered not present at the meeting for purposes of approving that proposal. Consequently, they reduce the number of affirmative votes required to approve that proposal by reducing the total number of shares present or represented (from which a majority is calculated for these types of proposals).

## **Other Matters**

We will bear the entire cost of soliciting proxies for the Annual Meeting. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, telefax and e-mail, by our directors, officers and employees and those of our wholly-owned subsidiaries, including The Bryn Mawr Trust Company (the Bank) and third parties. Arrangements have been made with brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy materials to beneficial owners of our common stock held of record by such persons, and we will reimburse them for their expenses in doing so.

## **PROPOSAL 1 - ELECTION OF DIRECTORS**

### **(Item 1 on the Proxy Card)**

One of the purposes of the Annual Meeting is the election of two directors to our Board. The following directors have been nominated by our Board for election as directors to serve as follows:

Class II Term to Expire in 2012:

(1) B. Loyall Taylor, Jr.

(2) Andrea F. Gilbert

The persons named as proxies in the accompanying form of proxy have advised us that, unless otherwise instructed, they intend at the Annual Meeting to vote the shares covered by proxies for the election of the nominees named in this Proxy Statement. The proxies cannot be voted for a greater number of persons than the number of nominees named above. If one or more of the nominees should, at the time of the Annual Meeting, be unavailable or unable to serve as a director, the shares represented by the proxies will be voted to elect any remaining nominee. The Board knows of no reason why the nominees will be unavailable or unable to serve as directors. We expect all nominees to be willing and able to serve as directors.

For each director position to be elected, a majority of the votes cast in person or by proxy for that position is required to elect a nominee. Proxies solicited by the Board will be voted for the nominees listed above, unless the shareholders specify a contrary choice in their proxies.

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The Board recommends a vote FOR the nominees listed above.

**INFORMATION ABOUT OUR DIRECTORS**

The following table sets forth certain information for each of our directors. Except as indicated below, each of the persons named below has been employed in their present principal occupation for the past five years.

<b>Name, Principal Occupation and Business Experience For Past Five Years</b>	<b>Age</b>	<b>Director Since</b>
<b>NOMINEES FOR DIRECTOR Class II</b>		
<i>If elected, the terms of the following directors will expire in 2012:</i>		
1. B. Loyall Taylor, Jr. President, Taylor Gifts, Inc., mail order catalog sales.	61	1986
2. Andrea F. Gilbert President of Bryn Mawr Hospital.	54	2004
<b>CONTINUING DIRECTORS Class I</b>		
<i>The terms of the following directors expire in 2011:</i>		
1. Thomas L. Bennett Private investor since March 1, 2004; Investment Management, Morgan Stanley Investment Management from January 1, 2000 until February 28, 2004; Director and Trustee of the Delaware Investment Family of Funds since May, 2005.	60	2007
2. Scott M. Jenkins President of S. M. Jenkins & Co., a financial and management consulting firm.	53	2006
<b>CONTINUING DIRECTORS Class III</b>		
<i>The terms of the following directors expire in 2009:</i>		
1. Wendell F. Holland Chairman, Pennsylvania Public Utility Commission since September 30, 2004 and previously Commissioner from September, 2003; Counsel to the law firm of Obermayer, Rebmann, Maxwell & Hippel, LLP from January, 2000 until September, 2003; director of Allegheny Energy, Inc. until September 16, 2003.	56	1997
2. Frederick C. Peters II Chairman of the Corporation and the Bank since August, 2002; President and Chief Executive Officer of the Corporation and the Bank since January, 2001.	58	2001
3. David E. Lees Senior Partner, myCIO Wealth Partners, LLC since July, 2005; Partner and National Director of Ernst & Young's Wealth Advisory Service Practice from December, 1996 to June 30, 2005; Partner, Renaissance Equity Fund since August, 2005; Adjunct Professor of Finance & Portfolio Management in Villanova University's Commerce & Finance Department from January, 2000 to May, 2005.	46	2005
<b>CONTINUING DIRECTORS Class IV</b>		
<i>The term of the following directors expire in 2010:</i>		
1. Francis J. Leto General Counsel, Lifestyle Development, LP, October 2007 to present; Of Counsel, Brett Senior & Associates April, 2007 to present; partner in the law firm of Celli and Leto, LLP from January, 1995 to March, 2006; President, Brandywine Abstract Company, L.P. since May, 1988.	48	2002
2. Britton H. Murdoch CEO, BMW of the Main Line since July, 2006; Managing Director of Strattech Partners, LLC, a business consulting and venture capital firm since January, 2000.	50	2006





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The following table lists the beneficial ownership of shares of our common stock as of March 6, 2008, for each of our directors, director nominees, certain executive officers and the individuals known to us who may be beneficial owners of more than 5% of our common stock. The table also shows the total number of shares owned by the directors, director nominees and executive officers as a group.

Name	Common Stock	Exercisable Stock Options	Percent of Outstanding Stock <sup>(1)</sup>
<b>Current Directors and Nominees</b>			
Thomas L. Bennett	1,016	0	*
Andrea F. Gilbert	5,923	9,250	*
Wendell F. Holland	4,858	9,000	*
Scott M. Jenkins	2,500	875	*
David E. Lees	5,359	6,125	*
Francis J. Leto	6,788	15,000	*
Britton H. Murdoch	4,794	583	*
Frederick C. Peters II	37,711 <sup>(2)</sup>	152,000	2.2%
B. Loyall Taylor, Jr.	12,920 <sup>(3)</sup>	25,000	*
<b>Certain Executive Officers</b>			
J. Duncan Smith	5,287 <sup>(4)</sup>	27,000	*
Alison E. Gers	1,841 <sup>(5)</sup>	62,000	*
Joseph G. Keefer	5,689 <sup>(6)</sup>	64,700	*
Robert J. Ricciardi	20,914 <sup>(7)</sup>	62,000	*
Matthew G. Waschull	2,179 <sup>(8)</sup>	1,333	*
<b>5% Owners</b>			
George W. Connell	1,687,353	0	19.8%
121 Cheswold Lane			
Haverford, PA 19041			
Thomas J. Carroll	836,486	0	9.8%
Patrickswell			
Post Office Box 488			
Middleburg, VA 22117			
<b>All Current Directors and Executive Officers as a Group (14 persons)</b>	<b>117,779</b>	<b>434,866</b>	<b>6.16%</b>

\* Less than one percent.

(1) Stock ownership information includes shares that the individual has the right to acquire within sixty days of March 6, 2008. Each executive officer holds sole investment power over shares held for such executive officer in our 401-K Plan. The Bank, as the Plan Administrator, holds sole voting power over such shares. Unless otherwise indicated, each person has sole voting and investment power over the shares listed. There are no pledged shares.

(2) Includes 2,961 shares held for Mr. Peters in the 401-K Plan, determined as of February 29, 2008.

(3) Includes 6,476 shares held in trust for his children over which Mr. Taylor has sole voting and investment power, and 2,087 shares held in a trust over which Mr. Taylor as co-trustee has joint voting and investment power.

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- (4) Includes 182 shares held for Mr. Smith in the 401-K Plan, determined as of February 29, 2008.
- (5) All shares are held for Ms. Gers in the 401-K Plan, determined as of February 29, 2008.
- (6) All shares are held for Mr. Keefer in the 401-K Plan, determined as of February 29, 2008.
- (7) All shares are held for Mr. Ricciardi in the 401-K Plan, determined as of February 29, 2008.
- (8) Includes 179 shares held for Mr. Waschull in the 401-K Plan, determined as of February 29, 2008.

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### **CORPORATE GOVERNANCE**

#### **Introduction**

Our directors also serve as directors of our subsidiary, the Bank, and serve on the same committees of each organization. Five of our directors also serve on the Bank's Wealth Management Committee.

#### **Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics (Code of Ethics). The Code of Ethics is available on our website at [www.bmtc.com](http://www.bmtc.com) on the Investor Relations Governance Documents page under the *Code of Conduct and Ethics* heading. Printed copies are available to any shareholder upon request. The Code of Ethics meets the requirements for a code of ethics for our principal executive officer, principal financial officer or persons performing similar functions under Item 406 of Regulation S-K of the Securities and Exchange Commission (SEC).

Under our Code of Ethics, the Board is responsible for resolving any conflict of interest involving the directors, executive officers and senior financial officers. The president and the corporate secretary are responsible for resolving any conflict of interest involving any other officer or employee.

#### **Director Independence**

The Board has determined that all of its members are independent and meet the independence requirements of Nasdaq Global Market (NasdaqGM), except for Frederick C. Peters II. In determining the independence of its directors other than Mr. Peters, the Board of Directors considered routine banking transactions between the Bank or its affiliates and each of the directors, their family members and businesses with whom they are associated, such as loans, deposit accounts, wealth management and fiduciary accounts, routine purchases of insurance or securities brokerage products, any overdrafts that may have occurred on deposit accounts, any contributions the Corporation made to non-profit organizations with whom any of the directors are associated, and any transactions described below in the section of this Proxy under the heading, *Transactions with Related Persons*. The Board of Directors also considered fees paid to a law firm in which a sibling of Mr. Leto is a partner in reaching its determination that he is independent. In each case, the Board of Directors determined that none of the transactions, relationships or arrangements impaired the independence of the director.

#### **Lead Independent Director**

Our Board created the position of Lead Director. Francis J. Leto was appointed as the Board's Lead Director, to serve a one-year term expiring at our Annual Meeting. The Lead Director presides at Board meetings when the chairman is not present, including executive sessions of the independent directors, and acts as the liaison between the Board and the chief executive officer. The Lead Director oversees corporate governance procedures and committee charters and has the authority to call meetings of the independent directors. He also coordinates the evaluation of the effectiveness of the Board and their committees and consults with the Board and the chief executive officer regarding those evaluations.

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### **Communications with Directors**

Our Board of Directors provides a process for security holders to send communications to the Board. Shareholders may communicate directly with any member or committee of our Board by mailing the written communications, first class mail, postage prepaid, to Bryn Mawr Bank Corporation, Board of Directors, P.O. Box 351, Bryn Mawr, PA, 19010-3396.

### **Policy for Attendance at Annual Meeting**

We have adopted a policy requiring all of our directors to attend our annual meeting. All of our directors attended the annual meeting held on April 25, 2007.

### **Executive Sessions of Independent Directors**

The independent members of our Board will continue their practice of holding scheduled executive sessions on a regular basis but, in any event, not less than twice a year. During 2007, four executive sessions were held.

### **Nominations for Directors**

The Nominating and Corporate Governance Committee considers candidates for nominees for director from various sources including other directors, our clients and other relevant constituencies, and may also engage, if it deems appropriate, a professional search firm. For incumbent directors whose terms of office are set to expire, it reviews the directors' overall service to us during their terms, including the number of meetings attended, level of participation, quality of performance and their respective contributions towards advancing our interests and enhancing shareholder value. For a new director candidate, the committee reviews the candidate's biographical information and qualifications and may check the candidate's references, if applicable. The committee may obtain any additional information which it deems necessary. A qualified nominee is interviewed by all members, if practicable. Serious candidates may meet with all members of the Board. Using the input from the interviews and information obtained, the committee evaluates whether a prospective candidate is qualified to serve as a director and whether it should recommend to the Board that the Board nominate (or select to fill a vacancy) the prospective candidate.

The Nominating and Corporate Governance Committee will use a similar process to evaluate nominees recommended by shareholders, provided that the shareholder complies with the procedures set forth below. The committee will consider written proposals from shareholders for nominees for director. Any nomination should be addressed to the Chairman, Nominating and Corporate Governance Committee, Board of Directors, Bryn Mawr Bank Corporation, P.O. Box 351, Bryn Mawr, PA 19010 and must include the following information: (a) the name and address, as they appear on our books, of the shareholder nominating a candidate; (b) the number of our shares which are beneficially owned by the shareholder (and if the shares are held in street name, the name of the brokerage firm holding the shares); (c) the name, age, business address and residence address of each proposed nominee; (d) the principal occupation or employment of the proposed nominee; (e) the number of shares of our stock beneficially owned by the proposed nominee, if any; (f) a description of all arrangements or understandings between the shareholder and each proposed nominee and any other persons pursuant to which the shareholder is making the nomination, and (g) any other information required to be disclosed in solicitation of proxies for election of directors or other information required pursuant to Regulation 14A under the Securities

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Exchange Act of 1934, as amended (which we call the Exchange Act), relating to any person that the shareholder proposes to nominate for election or re-election as a director, including the proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected.

All shareholder nominations must be received not less than 120 days before the date our proxy statement was released to shareholders in connection with the previous year's annual meeting.

In evaluating candidates for nominees for director, the Committee considers:

our need for particular talents and experience;

that at least a majority of the directors be independent under NasdaqGM rules, and

the requirement that our Audit Committee meet the financial literacy requirements under NasdaqGM rules and that at least one of them qualifies as an Audit Committee financial expert under the rules of the SEC.

In addition, members of the Board should also:

be of the highest ethical character;

share our values;

have reputations, both personal and professional, consistent with our image and our reputation;

be active or former leaders of organizations;

possess knowledge in the fields of financial services and wealth management;

have an understanding of the Bank's marketplace;

have relevant expertise and experience which will be useful in offering advice and guidance to the chief executive officer;

be independent of any particular constituency, and

be able to represent all of our shareholders.

Nominees for director must also be willing to commit the necessary time to devote to board activities and to enhance their knowledge of the financial services industry and be willing to assume broad fiduciary responsibility. Nominees for director should also have a commitment to enhancing shareholder value, including assisting in business development activities where appropriate. In considering nominees for director, the committee also considers our desire to be a diverse body with diversity reflecting gender, ethnic background and professional experience. A nominee for director must also be or become a shareholder upon joining the Board. Application of the above criteria may vary according to the particular areas of expertise desired to compliment the existing composition of the Board.

## **OUR BOARD OF DIRECTORS**

Our By-Laws provide that our business will be managed by a Board of Directors of not less than eight and not more than thirteen directors, as fixed from time to time by the Board of Directors. Our Board, as provided in the By-Laws, is divided into four classes of directors, with each class being as

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nearly equal in number as possible. The Board has fixed the number of directors at eleven. Currently, there are nine directors with two members in Class I, two members in Class II, three members in Class III, and two members in Class IV. If all of the nominees for director are elected at the Annual Meeting, there will be nine directors. The Corporation and the Bank have the same Board members.

Under our By-Laws, persons selected by the Board to fill a vacancy on the Board serve as directors for a term expiring with the next annual meeting of shareholders. If a director is selected by the Board on or after the record date for an annual meeting, then the new director serves as a director until the subsequent annual meeting of shareholders. The directors in each class serve terms of four years each, unless selected to fill a vacancy, and until their successors are elected and take office.

In 2007, our Board of Directors met five times. Each director attended at least 75% of the aggregate of the total number of Board meetings held during 2007 when he or she was a director and the total number of meetings that were held by each committee when he or she served on those committees.

**Information About Committees of our Board of Directors**

Our Board has five standing committees. They are the Executive, Nominating and Corporate Governance, Risk Management, Audit and Compensation Committees. The Corporation and the Bank have the same committees with the same members for each committee, except that the Bank also has a Wealth Management Committee.

The following chart shows the Board committees of the Corporation and the Bank, who is on each committee, and the committee chairs.

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The Executive Committee meets to discuss and act upon matters which require action prior to the next meeting of our Board. The Executive Committee exercises the authority and powers of the Board at intervals between meetings of the full Board as permitted by law. Prior to the assumption of corporate governance functions by the Nominating and Corporate Governance Committee in 2007, the committee also handled corporate governance matters. During 2007, the committee held eight meetings. The Bank's Executive Committee also meets to ratify certain of the Bank's loans to customers.

The Nominating and Corporate Governance Committee has responsibility for identifying and evaluating candidates for director and recommending the nomination of directors to the full Board. The committee also assists the Board in interpreting and applying corporate governance guidelines, reviews and assesses the adequacy of our corporate governance guidelines, our personal codes of conduct and related internal policies and guidelines and recommends any proposed changes to the Board for approval. Prior to the committee's assumption of corporate governance functions in 2007, the Executive Committee handled corporate governance matters. The committee has a charter which is available on our website at [www.bmtc.com](http://www.bmtc.com) on the Investor Relations Governance Documents page under the heading *BMBC Nominating and Corporate Governance Committee Charter*. Each member of the committee is independent as defined by NasdaqGM. During 2007, the committee held three meetings.

The Risk Management Committee meets to review and manage the material business risks which confront us. The Risk Management Committee establishes and monitors policies and procedures designed to lead to an understanding of, and to identify, control, monitor and measure, our material business risks. Those risks include loan quality and concentration, interest rate and market risk, as well as liquidity risk. During 2007, the committee held eight meetings.

The Audit Committee meets at least quarterly. It has general oversight responsibilities regarding our financial reporting process and internal controls. The committee has a charter that was filed on March 13, 2006 with the SEC as Appendix A to the Corporation's Proxy Statement for its 2006 annual meeting of shareholders. The committee selects and evaluates the qualifications and performance of the independent registered public accounting firm. The committee meets with the internal auditor to review audit programs and the results of audits of specific areas, as well as other regulatory compliance issues. In addition, the committee meets with the independent registered public accountant to review the results of the annual audit and other related matters. Each member of the committee is independent and financially literate as those terms are defined by NasdaqGM. Our Board has determined that Scott M. Jenkins and Britton H. Murdoch are financial experts as defined by the regulations of the SEC. The committee held five meetings in 2007.

The Compensation Committee meets to discuss compensation matters. Each member of the committee is independent as defined by NasdaqGM. During 2007, the committee held seven meetings. The committee has a charter which is available on our website at [www.bmtc.com](http://www.bmtc.com) on the Investor Relations Governance Documents page under the heading *Compensation Committee Charter*.

Our Compensation Committee is responsible for recommending to the full Board our compensation policies and for administering those policies. They determine the salary and the incentive programs for our executive officers. It is responsible for setting and administering the policies for our equity incentive programs.

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Among other responsibilities discussed in the charter, the committee has the responsibility to:

annually review and approve corporate goals and objectives for the compensation of the chief executive officer and evaluate the chief executive officer's performance and determine and approve the compensation and benefits to be paid to the chief executive officer;

annually review and discuss with the chief executive officer the performance of all other executive officers, evaluate their performance and determine and approve the compensation and benefits to be paid to those other executive officers;

review and recommend to the full Board the compensation and benefits for non-employee directors;

administer our equity incentive award programs and determine the awards to be distributed under those plans, and

review and provide, if appropriate, recommendations to the full Board regarding our compensation and benefit policies, plans and programs.

In preparation for its compensation decisions at the beginning of each year, the committee assesses the individual performance of each executive officer for the year just ended. The committee meets in executive session to conduct a performance review of the chief executive officer based on the agreed objectives, his contribution to our performance and his leadership accomplishments. It receives a performance evaluation of the other executive officers from the chief executive officer.

Beginning in January each year, the Compensation Committee considers salary decisions for executive officers for the coming year and bonus awards for executive officers for the prior year. At this time, or at other times during the year, it may also consider the question of equity compensation awards.

As part of this process, the chief executive officer provides recommendations for salary, bonus awards and, where applicable, equity compensation for the other executive officers. When determining compensation, the committee does not give any specific weight to the accomplishment of specific goals or objectives. Rather, the committee bases each compensation decision on all of the factors described above and any other information that the committee deems relevant.

As part of this process, the committee sets performance goals for executive officers for the coming year. It considers recommendations by the chief executive officer about goals for the other executive officers. Goals may include financial objectives, such as goals for net income, earnings per share, wealth revenue, average deposits and average loans, and non-financial objectives.

The Compensation Committee will not grant any equity plan awards except during a period when we permit trading in our common stock by our executive officers and directors under our Securities Trading Policy. Under our current policies, that period begins on the third business day after we issue our quarterly earnings release and ends thirty calendar days later. Only the committee, not management, will decide the timing of any equity plan awards.

The Compensation Committee has the authority to hire third party consultants for compensation matters and the authority to review and approve any third party consultants recommended or hired by management. In 2007, the committee engaged Robert B. Jones of Innovative Compensation and Benefits Concepts, LLC (called Mr. Jones or the compensation consultant) to conduct a comprehensive



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review of our executive compensation and employee benefits. Proposals to do this work were obtained from Innovative Compensation and Benefits Concepts, LLC, Bryn Mawr, PA, AON Consulting, Radnor, PA, Smart & Associates, Devon, PA and Pearl, Meyer & Partners, Southborough, MA. The committee originally hired Mr. Jones in 2006 to provide information about the long term equity incentive plans of comparable financial companies. The committee also later engaged Mr. Jones to make a comparative study of the marketplace and peer institution practices and make recommendations which ultimately resulted in our pension plan freeze and other benefit plan amendments in February 2008, along with the related transition issues. He was retained by the committee after a determination that he was independent and had no prior connection with management. In addition to the work he has done for the Compensation Committee, Mr. Jones was engaged at the end of 2007 by the Bank's Wealth Management Division to advise it on retooling its incentive compensation plan for 2008.

The Bank's Wealth Management Committee meets quarterly and has general supervision over the Bank's Wealth Management Division and its investments. The committee held six meetings during 2007.

All of our incumbent directors, who were directors during 2007, attended at least seventy-five percent of the total number of meetings of the Board, and all directors attended at least seventy-five percent of the total number of meetings held by all committees of the Board on which the directors served.

**DIRECTOR COMPENSATION**

The table below summarizes the compensation paid to non-employee directors for the fiscal year ended December 31, 2007.

Name(1)	Fees Earned or	Stock	Option Awards	Non-Equity	Change	All Other	Total
	Paid in Cash	Awards		Incentive	in Pension		
	(\$)	(\$)(2)	(\$)(3)	Plan	Value and	Compensation	(\$)
				Compensation	Deferred		
				(\$)	Earnings		
					(\$)		
Thomas L. Bennett	\$ 17,523	\$ 12,477	\$ 1,168	\$ 0	\$ 0	\$ 0	\$ 31,168
Andrea F. Gilbert	27,523	12,477	1,168	0	0	0	41,168
Wendell F. Holland(4)	25,023	12,477	1,168	0	0	0	38,668
Scott M. Jenkins(5)(6)	29,523	12,477	6,304	0	0	0	48,304
David E. Lees(5)(6)	33,023	12,477	1,168	0	0	0	46,668
Francis J. Leto	45,023	12,477	1,168	0	0	0	58,668
Britton H. Murdoch	24,023	12,477	4,872	0	0	0	41,372
B. Loyall Taylor, Jr.(5)(6)	23,023	12,477	1,168	0	0	0	36,668
Nancy J. Vickers(5)(6)(7)	7,000	0	0	0	0	0	7,000
Thomas A. Williams(7)	7,000	0	0	0	0	0	7,000

(1) Frederick C. Peters II is the Corporation's Chairman and Chief Executive Officer and is not included in this table as he is an employee of the Corporation and the Bank and thus receives no compensation for his service as a director.

(2) The dollar amount represents 516 shares of common stock at the market price of \$24.18 on April 27, 2007 for all of the directors for their annual retainer. We do not issue fractional shares. We paid the difference between the directors' \$12,500 annual retainer and the value of the stock awarded in cash to the directors.

(3) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 in accordance with FAS 123R. As of December 31, 2007, our directors had options for the following respective numbers of shares, of which options for following respective numbers of shares were unvested:

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<i>Director</i>	<i>No. Shs</i>	<i>Unvested</i>
Mr. Bennett	3,500	3,500
Ms. Gilbert	12,750	3,500
Mr. Holland	16,500	3,500
Mr. Jenkins	6,125	5,250
Mr. Lees	9,625	3,500
Mr. Leto	18,500	3,500
Mr. Murdoch	5,250	4,667
Mr. Taylor	28,500	3,500

(4) Mr. Holland donated his fees to various charitable organizations and donated his stock award to the Zion Baptist Church.

(5) Each of these directors elected to defer their fees and stock awards through our Deferred Payment Plans for Directors.

(6) Our directors may elect to defer their director's fees under our Deferred Payment Plans for Directors. Among other options, a director may elect to earn a yield on the deferred compensation based on changes in the price of our common stock (including dividends). Making this election creates phantom stock. A share of phantom stock is economically equivalent to one share of common stock, but the directors do not have the right to receive an actual share of stock or to vote the stock. The following directors have the following phantom stock in the Deferred Payment Plans for Directors: Scott M. Jenkins, 2,816; David E. Lees, 3,908; B. Loyall Taylor, Jr., 57,788.

(7) Nancy J. Vickers decided not to run for re-election at the end of her term in April, 2007. Thomas A. Williams retired from the Board in April, 2007.

**Directors Fees**

At its first meeting after each annual meeting, the Compensation Committee reviews the components of director compensation and makes recommendations to the full Board of Directors regarding any changes that the committee believes should be made to director compensation. In May 2007, the Compensation Committee reviewed the components of director compensation and recommended, and the full Board approved, effective for the 2007-2008 board cycle, no changes in director compensation other than an increase in the Lead Director's fee from \$10,000 to \$15,000.

Each non-employee director was paid an annual retainer of \$12,500 in our common stock, at the market value of the stock on April 27, 2007. We have agreed to pay, and our non-employee independent directors have agreed to accept payment of, their annual \$12,500 retainer