

AMERISERV FINANCIAL INC /PA/

Form DEF 14A

March 15, 2006

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

AMERISERV FINANCIAL, 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)(4) 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.:
  - (3) Filing Party:
  - (4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

---

NOTICE OF  
ANNUAL  
MEETING OF  
SHAREHOLDERS  
AND  
PROXY  
STATEMENT

**AMERISERV FINANCIAL, INC.**

P.O. BOX 430

JOHNSTOWN, PENNSYLVANIA 15907-0430

To Be Held April 25, 2006

Mailed to Security Holders March 20, 2006

---

**AmeriServ Financial, Inc.**  
216 Franklin Street, P. O. Box 430  
Johnstown, Pennsylvania 15907-0430  
814-533-5158

March 20, 2006

Dear Fellow Shareholder:

AmeriServ Financial, Inc.'s Annual Meeting of Shareholders will be held Tuesday, April 25, 2006, at 1:30 p.m., Eastern Time, at the Holiday Inn Downtown, Crown Ballroom, 250 Market Street, Johnstown, Pennsylvania 15901-2996.

The matters to be acted upon at the meeting are:

- (a) the election of five Class II directors; and
- (b) such other matters as may properly come before the AmeriServ Financial, Inc. annual meeting or any adjournment thereof.

Please review the enclosed material and sign, date and return the proxy card or, if you prefer, vote by telephone or Internet by following the instructions on the proxy card. Regardless of whether you plan to attend the annual meeting in person, please vote now so that the matters coming before the meeting may be acted upon.

I look forward to seeing you at the annual meeting.

Respectfully yours,

Allan R. Dennison  
President & Chief Executive Officer

---

**AmeriServ Financial, Inc.**  
P. O. Box 430  
Johnstown, Pennsylvania 15907-0430  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

March 20, 2006

To the Shareholders:

NOTICE IS HEREBY GIVEN that, pursuant to the call of its directors, the Annual Meeting of Shareholders of AmeriServ Financial, Inc. will be held at the Holiday Inn Downtown, Crown Ballroom, 250 Market Street, Johnstown, Pennsylvania 15901-2996, on Tuesday, April 25, 2006, at 1:30 p.m., Eastern Time, for the purpose of considering and voting on the following matters:

1. Election of five Class II directors for a term of three years from the date of election and until their successors shall have been elected and qualified (Matter No. 1); and
2. Such other business as may properly come before the meeting or any adjournment thereof.

Only those shareholders of record at the close of business on March 3, 2006, shall be entitled to notice of and to vote at the meeting. A proxy statement, a proxy card and a self-addressed postage prepaid envelope are enclosed. Please complete, sign and date the proxy card and return it promptly in the envelope provided or, if you prefer, vote by telephone or Internet by following the instructions on the proxy card. If you attend the meeting, you may revoke your proxy and vote in person.

This notice, the accompanying proxy statement and form of proxy are sent to you by order of the Board of Directors.

Sharon M. Callihan,  
Corporate Secretary

Johnstown, Pennsylvania  
March 20, 2006

---

**AMERISERV FINANCIAL, INC.**  
P.O. Box 430  
Johnstown, Pennsylvania 15907-0430  
**PROXY STATEMENT**  
**GENERAL**

**Introduction**

This proxy statement and enclosed proxy card are being mailed to the shareholders of AmeriServ Financial, Inc. ( ASRV or the Company ) on or about March 20, 2006, in connection with the solicitation of proxies by the Board of Directors of ASRV. The proxies will be voted at the Annual Meeting of Shareholders of ASRV to be held on Tuesday, April 25, 2006, at 1:30 p.m., Eastern Time, at the Holiday Inn Downtown, Crown Ballroom, 250 Market Street, Johnstown, Pennsylvania 15901-2296 (the Annual Meeting ). ASRV s Annual Report for the year ended December 31, 2005, accompanies this proxy statement. It should not be regarded as proxy solicitation material. AmeriServ Financial, Inc. is the holding company for AmeriServ Financial Bank doing business as AmeriServ Financial (the Bank ) and AmeriServ Trust & Financial Services Company.

**Solicitation of Proxies**

The cost of the solicitation of proxies will be borne by ASRV. In addition to the use of the mail, some directors and officers of ASRV may solicit proxies, without additional compensation, in person, by telephone, telegram, or otherwise. Arrangements may be made by ASRV with banks, brokerage houses and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of shares held by them of record, and ASRV may reimburse them for reasonable expenses they incur in so doing.

**Voting Securities**

As of the close of business on March 3, 2006 (the Record Date ), there were outstanding 22,116,442 shares of common stock, par value \$2.50 per share (the ASRV Common Stock ), the only class of capital stock of ASRV outstanding. Holders of record of ASRV Common Stock as of the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. Except with respect to the election of directors, each shareholder is entitled to one vote for each share held. Holders of ASRV Common Stock are entitled to cumulate their vote in the election of directors.

If a shareholder participates in ASRV s Dividend Reinvestment and Common Stock Purchase Plan, the proxy card included with this proxy statement represents the number of shares registered in the shareholder s name and the number of shares, including fractional shares, credited to the shareholder s Dividend Reinvestment and Common Stock Purchase Plan account.

If the enclosed proxy card is appropriately marked, signed and returned in time to be voted at the Annual Meeting, or if a shareholder votes by telephone or Internet in accordance with the instructions on the proxy card, the shares represented by the proxy will be voted in accordance with the shareholder s instructions. Signed proxies not marked to the contrary will be voted FOR the election of the nominees for ASRV s Board of Directors.

**Right of Revocation**

Proxies may be revoked at any time before they have been exercised by filing with the Corporate Secretary of ASRV an instrument of revocation or a duly executed proxy bearing a later date. Any shareholder attending the Annual Meeting also may revoke a previously granted proxy by voting in person at the Annual Meeting.

**Quorum**

Under ASRV's Bylaws, the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast, constitutes a quorum for the transaction of business at the Annual Meeting.

**Principal Shareholders**

The following table sets forth information regarding persons or entities ASRV's management believes own of record or beneficially, as of March 3, 2006, 5% or more of the outstanding shares of ASRV Common Stock.

<b>Name and Address of Beneficial Owner</b>	<b>Amount of Beneficial Ownership</b>	<b>Percent of Common Stock</b>
Crestview Capital Master, LLC(1) 95 Revere Drive, Suite A Northbrook, Illinois 60062	1,177,760	5.33%
Dimensional Fund Advisors Inc.(2) 1299 Ocean Avenue 11th Floor Santa Monica, California 90401	1,299,726	5.88%
Financial Stocks Capital Partners III L.P.(3) 441 Vine Street, Suite 507 Cincinnati, Ohio 45202	2,180,000	9.86%
Heartland Advisors, Inc.(4) 789 North Water Street Milwaukee, Wisconsin 53202	1,141,900	5.17%
Wellington Management Company, LLP(5) 75 State Street Boston, Massachusetts 02109	1,498,200	6.78%

(1) Crestview Capital Master, LLC is a limited liability company engaged in the business of purchasing, selling, trading and investing in securities and other business interests.

(2) Dimensional Fund Advisors Inc. ( Dimensional ), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trust and separate accounts. These investment companies, trusts and accounts are the Funds. In its role as investment advisor or manager, Dimensional possesses voting and/or investment power over 1,299,726 shares of ASRV Common Stock as of December 31, 2005. The Funds own all securities reported in this statement, and Dimensional disclaims beneficial ownership of such securities.



(3) Financial Stocks Capital Partners III L.P. ( Financial ) is a private equity partnership. The general partner is an affiliate of Financial Stocks, Inc., a registered investment advisor.

(4) Founded in 1983, Heartland Advisors provides investment advisory services to individuals, investment advisors, institutional and separate accounts.

(5) Wellington Management Company, LLP is a private partnership, which focuses exclusively on the business of investment management.

**MATTER NO. 1**  
**ELECTION OF ASRV DIRECTORS**

**General**

Under ASRV's Articles of Incorporation, the total number of directors may be determined by either a resolution adopted by a majority vote of the directors then in office or by resolution of the shareholders at a meeting. The number of directors for 2006 has been set by the Board at 16. The Board has determined that all directors are independent, pursuant to the listing standards of The NASDAQ National Market ( NASDAQ ) except Craig G. Ford, the non-executive Chairman of the Board and former President and CEO, and Allan R. Dennison, the current President and CEO of the Company. Under applicable NASDAQ listing rules, Mr. Ford will become independent three years after the date of his resignation as an employee, which will occur on April 1, 2007.

ASRV's Board of Directors, as provided in its Articles of Incorporation, is divided into three classes, each being as nearly equal in number as possible. The directors in each class serve terms of three years each and until their successors are elected and qualified. Under ASRV's Bylaws, a person elected to fill a vacancy on the Board of Directors serves as a director for the remaining term of office of the class to which he or she was elected.

**Nominees and Continuing Directors**

The Board of Directors fixed the number of directors in Class II at five and has nominated J. Michael Adams, Jr., Edward J. Cernic, Sr., Margaret A. O Malley, Mark E. Pasquerilla, and Thomas C. Slater for election as Class II directors for three-year terms to expire at the 2009 Annual Meeting of Shareholders, and until their successors are duly elected and qualified. Directors Adams, Cernic, O Malley, Pasquerilla, and Slater were elected by the shareholders at the 2003 Annual Meeting. The remaining directors will continue to serve in accordance with their previous election with the terms of the Class I and Class III directors expiring in 2008 and 2007, respectively.

The Bylaws of ASRV permit nominations for election to the Board of Directors to be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. All nominations for director to be made at the Annual Meeting by shareholders entitled to vote for the election of directors must be preceded by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the President of ASRV not less than 90 days nor more than 120 days prior to the Annual Meeting. Such notice must contain the following information: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of ASRV that will be voted; (d) the total number of shares of capital stock of ASRV that will be voted for each proposed nominee; (e) the name and residence address of the notifying shareholder; and (f) the number of shares of capital stock of ASRV owned by the notifying shareholder. No notice of nomination for election as a director has been received from any shareholder. Any nomination that does not comply with the procedures required by the Bylaws and any vote cast at the Annual Meeting for any candidate not duly nominated shall be disregarded.

With respect to the election of directors, each shareholder has the right to vote, for each share of ASRV Common Stock held by the shareholder, as many votes as shall equal the number of directors to be elected, and the shareholder, or the shareholder's proxy, may cast the whole number of votes for one nominee or distribute them among two or more nominees. If a signed proxy contains no direction regarding the distribution of votes, the proxies will have authority to cumulate votes in their discretion, except to the extent a shareholder withholds such authority on the form of proxy. The five persons receiving the highest number of votes cast at the Annual Meeting will be elected as Class II directors. Abstentions and broker non-votes will not constitute or be counted as votes cast for purposes of the Annual Meeting, but will be counted for purposes of determining the presence of a quorum.

Except as noted above, it is intended that shares represented by proxies will be voted for the nominees listed, each of whom is now a director of ASRV and each of whom has expressed his or her willingness to

serve, or for any substitute nominee or nominees designated by the ASRV Board of Directors in the event any nominee or nominees become unavailable for election. The ASRV Board of Directors has no reason to believe that any of the nominees will not serve if elected.

The following tables set forth as to each of the nominees for election as a Class II director and as to each of the continuing Class I and Class III directors, his or her age, principal occupation and business experience, the period during which he or she has served as a director of ASRV, or an affiliate or predecessor and other business relationships. There are no family relationships between any of the listed persons.

**Nominees for Election As  
Class II Directors - Term Expires in 2009**

Name and Principal Occupation(1)	Age	Director Since(2)	Directorship in other Reporting Companies
J. Michael Adams, Jr. Attorney-at-Law, Adams & Foley, LLC	44	2000	None
Edward J. Cernic, Sr. President & CEO, Cernic Enterprises, Inc.	73	1998	None
Margaret A. O Malley Attorney-at-Law, Yost & O Malley	46	1997	None
Mark E. Pasquerilla Chairman & CEO, Crown Holding Company and Crown Hotel Holding Company; Chairman, CEO & President, Crown American Enterprises, Inc.	46	1997	Pennsylvania Real Estate Investment Trust
Thomas C. Slater Owner, President & Director, Slater Laboratories, Inc.	63	1980	None

**Continuing Class I Directors - Term Expires in 2008**

Name and Principal Occupation(1)	Age	Director Since(2)	Directorship in other Reporting Companies
Allan R. Dennison President & Chief Executive Officer, ASRV	59	2005	None
James M. Edwards, Sr. Retired President & Chief Executive Officer, WJAC, Incorporated	66	1984	None
Very Rev. Christian R. Oravec Minister Provincial of the Franciscan Friars	68	1990	None
Howard M. Picking, III Chairman, The Picking Company; Retired Chairman & CEO, Miller-Picking Corporation	68	1970	None
Sara A. Sargent Owner/ President, The Sargent s Group	58	1996	None
Robert L. Wise	62	1986	None

Retired President, Pennsylvania Electric Company, GPU  
Genco, Inc., GPU International, Inc. and GPU Energy,  
Inc.

**Continuing Class III Directors - Term Expires in 2007**

<b>Name and Principal Occupation(1)</b>	<b>Age</b>	<b>Director Since(2)</b>	<b>Directorship in other Reporting Companies</b>
Daniel R. DeVos President & CEO, Concurrent Technologies Corporation	63	1991	None
James C. Dewar President & CEO, Geo. C. Dewar, Inc.; Retired President & CEO, Dewar's Car World	68	1974	None
Bruce E. Duke, III, M.D. Surgeon, Valley Surgeons, Inc.	62	1987	None
Craig G. Ford Non-executive Chairman, AmeriServ Financial, Inc.	76	2003	None
Kim W. Kunkle President & CEO, Laurel Holdings, Inc.	51	1984	None

(1) All directors and nominees have held the positions indicated or another senior executive position with the same entity or one of its affiliates or predecessors for the past five years except Directors Adams, Pasquerilla, Dennison, Oravec and Ford. Director Adams was a partner at Cipriani & Werner from 2002 to 2004, and prior to that, he was a partner at McGuireWoods LLP. Director Pasquerilla was formerly Chairman, President and CEO of Crown American Realty Trust, which was purchased by Pennsylvania Real Estate Investment Trust. Prior to becoming President and CEO of ASRV in February 2004, Director Dennison served as President and CEO of Swineford National Bank from 2001 to 2004, and prior to that, he was Senior Vice President of Huntington National Bank. Until July 2004, Director Oravec was the President of St. Francis College. Prior to assuming the position of Chairman, Director Ford acted as an independent financial consultant to various banking institutions and continues to act in such capacity.

(2) Reflects the earlier of the first year as a director of ASRV, the Bank, or Johnstown Savings Bank.

**Security Ownership of Management**

The following table sets forth information concerning the number of shares of ASRV Common Stock beneficially owned, as of March 3, 2006, by each present director, nominee for director, and each executive officer named in the compensation table set forth elsewhere herein.

Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class
J. Michael Adams, Jr.(3)	62,284	*
Edward J. Cernic, Sr.	82,255	*
Allan R. Dennison	54,809	*
Daniel R. DeVos	9,285	*
James C. Dewar	93,216	*
Bruce E. Duke, III, M.D.	30,680	*
James M. Edwards, Sr.	38,267	*
Craig G. Ford	8,713	*
Dan L. Hummel	33,704	*
Kim W. Kunkle(4)	46,867	*
Gary M. McKeown	14,500	*
Margaret A. O Malley(5)	249,301	1.1
Very Rev. Christian R. Oravec	7,660	*
Mark E. Pasquerilla(6)	343,194	1.5
Howard M. Picking, III(7)	52,628	*
Sara A. Sargent	123,187	*
Thomas C. Slater	39,792	*
Jeffrey A. Stopko	30,873	*
Ronald W. Virag	38,600	*
Robert L. Wise	45,560	*
Officers, Directors and Nominees for Director as a Group (20 persons)	1,405,375	6.3

\* Less than 1%

- (1) Except as noted below, each of the identified beneficial owners, including the officers, directors and nominees for director, has sole investment and voting power as to all the shares beneficially owned with the exception of those held jointly by certain officers, directors and nominees for director with their spouses or directly by their spouses or other relatives.
- (2) Includes shares of ASRV Common Stock that may be acquired within sixty (60) days of the Record Date upon the exercise of presently exercisable stock options that were granted under the 1991 Stock Option Plan and the 2001 Stock Incentive Plan as follows: 40,000, 20,370, 12,500, 20,400, 19,100, and 112,370 held by Dennison, Hummel, McKeown, Stopko, Virag and the group, respectively. In addition, Dennison and McKeown hold options to acquire ASRV common stock that first become exercisable, in part, during or after May 2006, and therefore are excluded.
- (3)

Total number of shares includes J. Michael Adams, Jr. as voting trustee of 23,897 shares of ASRV Common Stock held by Jerome M. Adams and Elizabeth Adams under a Voting Trust Agreement dated January 31, 2002.

- (4) Includes 19,203 shares held by Laurel Management Retirement Plan of which Mr. Kunkle is a trustee and 3,000 shares held by Laurel Holdings, Inc. of which Mr. Kunkle is an officer and with respect to each has voting and investment power.

- (5) Total number of shares include Margaret A. O Malley as voting trustee of 105,248 shares of ASRV Common Stock held by James F. O Malley and Jean O Malley under a Voting Trust Agreement dated March 3, 1997.
- (6) Includes 287,150 shares of ASRV Common Stock held by Crown American Enterprises, Inc. of which Mark E. Pasquerilla is an officer and 45,500 shares held by Marenrico Partnership of which Mr. Pasquerilla is one of the partners.
- (7) Includes 366 shares owned by The Picking Company of which Mr. Picking is Chairman.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

All reports required by Section 16(a) were filed on time except for a report filed by James C. Dewar, who reported late with respect to a purchase of ASRV common stock made on March 8, 2005. The report on Form 4 was required to be filed on March 10, 2005, but it was not filed until March 14, 2005.

#### **Board and Committees**

The Board of Directors has various standing committees, including an Audit Committee, an Executive Committee, an Investment/ ALCO Committee, a Management Compensation Committee, and a Nominating Committee. Directors are expected to attend meetings of the Board, meetings of the committees on which they serve and the ASRV Annual Meeting. During 2005, the Board of Directors held 15 meetings, the Audit Committee held 11 meetings, the Executive Committee held no meetings, the Investment/ ALCO Committee held five meetings, the Management Compensation Committee held four meetings, and the Nominating Committee held four meetings. Each director attended at least 75% of the combined total of meetings of the Board of Directors and of each committee of which he/she was a member. Each director attended ASRV's 2005 Annual Meeting. There were two executive sessions of the Board of Directors excluding management.

The Executive Committee serves as a resource for management to seek guidance on issues between regularly scheduled meetings or with respect to matters that generally do not warrant calling a special Board meeting. In addition, from time to time, the Executive Committee is asked to study strategic issues in greater depth than may be practical for the Board as a whole. The Executive Committee is comprised of Directors Pasquerilla (Chair), O Malley (Vice Chair), Adams, Cernic, Dewar, Kunkle, Sargent and Ford.

The Audit Committee is comprised of Directors Dewar (Chair), O Malley (Vice Chair), Adams, DeVos, Duke, Ford, Oravec, Picking, Sargent and Wise, each of whom is independent in the judgment of the Board of Directors except Mr. Ford, who will become independent three years after the date of his resignation as an employee, which occurred on March 31, 2004. Mr. Ford served as the Audit Committee financial expert pursuant to a NASDAQ transition rule that allows a non-independent director to serve as an audit committee financial expert for two years. This two-year transition period expires on March 31, 2006. After that date, the Audit Committee will no longer have a designated financial expert. ASRV believes that an audit committee financial expert is not necessary because, on a composite basis, the members of the Audit Committee possess all of the attributes required of an audit committee financial expert. As the non-executive Chairman of ASRV, it is appropriate that Mr. Ford be aware of all decisions, actions and deliberations made by the Audit Committee. Therefore, the Board of Directors has appointed Mr. Ford as an *ex officio* member of the Audit Committee effective April 1, 2006. So long as Mr. Ford is not independent under applicable NASDAQ listing requirements, the Audit Committee, at the request of any member of the Audit Committee, may require Mr. Ford to excuse himself from any Audit Committee meeting.

The Audit Committee is responsible for the appointment, compensation, oversight, and termination of ASRV's independent auditors. The Committee is required to pre-approve audit and certain non-audit services performed by the independent auditors. The Committee also assists the Board in providing oversight over the integrity of ASRV's financial statements, ASRV's compliance with applicable legal and regulatory requirements and the performance of ASRV's internal audit function. The Committee also is responsible for, among other things, reporting to ASRV's Board on the results of the annual audit and reviewing the financial statements and related financial and non-financial disclosures included in ASRV's 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 from ASRV and ASRV's management, including approving consulting and other legally permitted, non-audit services provided by ASRV's auditors and the potential impact of the services on the auditors' independence. The Committee meets periodically with ASRV's independent auditors and ASRV's internal auditors outside of the presence of ASRV's management, and possesses the authority to retain professionals to assist it in meeting its responsibilities without consulting with management. The Committee reviews and discusses with management earnings releases, including the use of pro forma information (if applicable). The Committee also discusses with management and the independent auditors the effect of accounting initiatives. The Committee also is responsible for receiving and retaining complaints and concerns relating to accounting and auditing matters.

The Nominating Committee is comprised of Directors O Malley (Chair), Cernic (Vice Chair), Adams, DeVos, Kunkle, Pasquerilla, Picking, Sargent and Slater, each of whom is independent in the judgment of the Board of Directors. The Nominating Committee is responsible for nominating individuals to stand for election as directors at the Annual Meeting of Shareholders, assisting the Board in the event of any vacancy on the Board by identifying individuals qualified to become Board members, recommending to the Board qualified individuals to fill such vacancy, and recommending to the Board, on an annual basis, nominees for each Board committee. The Committee has the responsibility to develop and recommend criteria for the selection of director nominees to the Board, including, but not limited to diversity, age, skills, experience, and time availability (including consideration of the number of other boards on which the proposed director sits) in the context of the needs of the Board and ASRV and such other criteria as the Committee determines to be relevant at the time. The Committee has the power to apply this criteria in connection with the identification of individuals to be Board members, as well as to apply the standards for independence imposed by ASRV's listing agreement with NASDAQ and all applicable federal laws in connection with such identification process. The Nominating Committee will consider nominees recommended by shareholders and, in considering such candidates, the Committee will apply the same criteria it applies in connection with nominating committee-recommended candidates. Shareholders may nominate persons for election as directors in accordance with the procedures set forth in Section 1.3 of ASRV's Bylaws. Notification of such nomination, containing the required information, must be mailed or delivered to the President of ASRV not less than 90 days or more than 120 days prior to the Annual Meeting.

The Investment/ALCO Committee is comprised of Directors Slater (Chair), Kunkle (Vice Chair), Dennison, Dewar, Edwards, Ford, Oravec, Pasquerilla, and Picking, Chief Financial Officer Stopko, and Ray Fisher, ASRV's Chief Investment Officer. This Committee is responsible for overseeing the investment policy of the Company and monitoring interest rate, liquidity and market risk.

The Management Compensation Committee is comprised of Directors O Malley (Chair), Pasquerilla (Vice Chair), Adams, Cernic, DeVos, Dewar, Picking and Slater, each of whom is independent in the judgment of the Board of Directors. The Management Compensation Committee is responsible for reviewing and making recommendations regarding the compensation of corporate officers. No director who is eligible to receive any benefit under plans administered by the Management Compensation Committee, except for benefits payable to directors under the Independent Directors Annual Retainer Plan (the Committee's administration of which is limited to coordinating the payment of a predetermined retainer) and the 2001 Stock Incentive Plan which was previously approved by the shareholders on April 24, 2001, may serve on the Management Compensation Committee. See Executive Compensation herein.

### **Compensation of Directors**

Executive officers of ASRV who are directors or members of committees of the ASRV Board of Directors or its subsidiaries receive no compensation for such positions. In 2005, independent directors of ASRV received a retainer of \$6,000 payable in ASRV Common Stock. In 2005, all ASRV and Bank Board meetings were held jointly but with separate agendas and minutes. Directors were paid a total of \$450.00 for their attendance at each joint ASRV and Bank Board meeting. Directors were paid \$400.00 for their attendance at certain committee meetings of the ASRV Board of Directors. However, directors frequently were not compensated for specially-called committee meetings, telephonic meetings or committee meetings convened for a limited purpose, such as the Audit Committee's review of the quarterly earnings release. Beginning April



2004, Mr. Craig Ford assumed the position of non-executive Chairman of ASRV, and in his capacity as such Chairman, he receives a monthly retainer of \$4,000. In addition, the Board of Directors granted a bonus in the amount of \$14,993.07, paid in common stock to Mr. Ford in 2005, for the successful capital offering that occurred in 2004. Certain independent directors of ASRV also are directors of the Bank and AmeriServ Trust and Financial Services Company (the Trust Company). Directors serving on the Board of Directors of the Trust Company were compensated for their services by a payment of \$450.00 for each Board of Directors meeting attended. A fee of \$400.00 was paid for certain Bank and Trust Company committee meetings attended, but directors frequently were not compensated for specially-called committee meetings, telephonic meetings or committee meetings convened for a limited purpose. Directors who serve on the board of AmeriServ Associates, Inc. receive no remuneration, but directors who serve on the board of AmeriServ Life Insurance Company did receive remuneration of \$450 in 2005.

### **Executive Compensation**

#### **Board Compensation Committee Report on Executive Compensation**

The following is a report by the Management Compensation Committee of the Board of Directors of the Company. The objectives of the report are to provide shareholders with a clear explanation of the overall executive compensation philosophy, strategies, and specific executive compensation plans, and to meet all proxy disclosure rules relating to executive compensation established by regulatory bodies.

#### **Management Compensation Committee**

The Management Compensation Committee (the Committee) is comprised of eight (8) non-employee, independent directors appointed from the Board of Directors of ASRV. The Committee met four times in 2005.

The Committee seeks to achieve and maintain equity with respect to balancing the interests of shareholders and executive officers, while supporting the Company's need to attract and retain competent executive management. The Committee develops an executive compensation policy, along with supporting executive compensation plans and programs, and ensures that they:

- Emphasize the enhancement of shareholder value
- Support the acquisition and retention of competent executives
- Deliver the total executive compensation package in a cost-effective manner
- Reinforce key business objectives
- Provide competitive compensation opportunities for competitive results
- Encourage management ownership of ASRV Common Stock
- Comply with applicable regulations

The role of the Committee is to collect and analyze comparative executive compensation information from relevant peer groups, to approve executive salary adjustments, to recommend executive discretionary incentive/bonus plans, and to administer the ASRV 2001 Stock Incentive Plan. Additionally, from time to time, the Committee reviews other human resource issues, including qualified and non-qualified benefits, management performance appraisals, and succession planning.

#### **Executive Compensation Policy**

The executive compensation policy expresses the philosophy of the Board of Directors toward program participation, relevant peer comparisons, and plan design, and, as such, represents an important part of the overall executive compensation program. The policy provides guidance to the Committee and, within the overall objectives of equity and regulatory compliance, acts as a standard against which program performance can be measured.

The executive compensation program is designed to encourage decisions and actions that have a positive impact on the overall performance of ASRV. For that reason, participation is focused on executive officers who have the greatest opportunity to influence the achievement of strategic corporate objectives.

As part of the overall program, the executive compensation policy defines pay practices and addresses each of the major components of the executive pay program, as summarized below.

1. A market-competitive executive base salary program, combined with a formal performance appraisal system that focuses awards that are integrated with strategic corporate objectives.
2. Base benefits that are generally available to all employees, supplemented by non-qualified supplemental arrangements, where appropriate.
3. At-risk (incentive) compensation that aligns management's financial interests with those of ASRV shareholders, encourages management ownership of ASRV Common Stock, supports the achievement of corporate short and long-term financial objectives, and provides competitive cash and equity reward opportunities.
4. Comparisons of competitive executive pay practices taken from banking industry compensation surveys and, from time-to-time, consultation with independent executive compensation advisors. Peer groups and competitive compensation practices are determined using executive compensation packages at bank holding companies and subsidiaries of comparable size to ASRV and its subsidiaries, for positions comparable to those held by the executive officers identified in the Summary Compensation Table included herein (the "Named Officers"). Some national information is used for comparative compensation survey data, but most of the data is taken from a peer group of bank holding companies in the Northeast.

#### **Relationship Of Performance Under Compensation Plans**

ASRV utilizes two components of the executive compensation program to establish and maintain the desired relationship between executive pay and performance.

The first component, the formal performance appraisal system, relates to potential annual salary adjustments. Quantitative and qualitative performance factors are established for each executive position and, at least on an annual basis, the performance of the incumbent executive is evaluated against these standards. This appraisal is then integrated with market-based adjustments to salary ranges to determine if a base salary increase is merited.

The second component of ensuring the desired relationship between executive pay and performance relates to the Committee's role in administering the ASRV 2001 Stock Incentive Plan and recommending executive discretionary cash incentive/bonus awards. Cash and equity at-risk compensation awards are recommended by the Committee to the Board of Directors when, in the judgment of Committee members, such awards are justified by the performance of executive officers in relation to the performance of the Company.

#### **2005 Chief Executive Officer Compensation**

Mr. Allan R. Dennison, President and CEO of ASRV, was paid a base salary of \$300,000. Pursuant to his employment agreement, on February 10, 2004, the date he commenced his employment, Mr. Dennison was granted options to acquire 60,000 shares of ASRV Common Stock under the 2001 Stock Incentive Plan, which was approved by the shareholders at the 2001 Annual Meeting. Mr. Dennison was also reimbursed for his moving expenses in the amount of \$24,225.

#### **IMPACT OF OMNIBUS BUDGET RECONCILIATION ACT OF 1993**

The Omnibus Budget Reconciliation Act of 1993 (OBRA) Section 162(m) prohibits a publicly owned company from taking a compensation tax deduction for annual compensation in excess of \$1,000,000 for any of the Named Officers. However, to the extent that it is performance-based and certain guidelines are met, compensation in excess of \$1,000,000 is exempt from this limitation.

The Committee does not believe that the deduction limit imposed by OBRA will affect compensation deductibility given the compensation opportunities of the Named Officers under the ASRV existing executive compensation programs. The Committee notes that none of the Named Officers received annual compensation in excess of \$1,000,000. The Committee will continue to evaluate the potential impact of Section 162(m) and take such actions as it deems appropriate.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Directors O Malley (Chair), Pasquerilla (Vice Chair), Adams, Cernic, DeVos, Dewar, Picking and Slater have served as members of the Management Compensation Committee since July 2000. Each member is excluded from participation in any plan administered by the Management Compensation Committee while serving as a member, except for participation in the Independent Directors Annual Retainer Plan (the Management Compensation Committee's administration of which is limited to coordinating the payment of a predetermined retainer) and the 2001 Stock Incentive Plan which was previously approved by the shareholders on April 24, 2001.

No executive officer of ASRV serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Board of Directors or Compensation Committee of ASRV.

This Board Compensation Committee Report on Executive Compensation is furnished by Directors O Malley (Chair), Pasquerilla (Vice Chair), Adams, Cernic, DeVos, Dewar, Picking, and Slater.

#### Compensation Paid to Executive Officers

The following table sets forth information for the three years ended December 31, 2005, concerning the annual and long-term compensation of the Named Officers for services in all capacities to ASRV and its subsidiaries.

**Summary Compensation Table**

Name, Age and Principal Position	Year	Annual Compensation		Long-Term Compensation			All Other Compensation (\$)(1)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#)	
Allan R. Dennison, 59 President and CEO of ASRV and AmeriServ Financial Bank	2005	300,000					33,002
	2004	267,116	25,000(2)			60,000(3)	5,791
Ronald W. Virag, 60 President and CEO of AmeriServ Trust and	2005	142,792	5,567(4)				9,466
	2004	138,667	14,569				9,149
	2003	138,667					