

MID PENN BANCORP INC  
Form DEF 14A  
March 26, 2007  
Table of Contents

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

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. \_\_ )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the Appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**MID PENN BANCORP, INC.**

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(Name of Registrant as Specified in Its Charter)

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(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:

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(2) Aggregate number of securities to which transaction applies:

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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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.

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(1) Amount Previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Table of Contents**

March 26, 2007

Dear Shareholders:

It is my pleasure to invite you to attend the 2007 Annual Meeting of Shareholders of Mid Penn Bancorp, Inc. to be held on Tuesday, April 24, 2007, at 10:00 a.m., prevailing time. The annual meeting will be held at Mid Penn Bank, 349 Union Street, Millersburg, Pennsylvania 17061.

The Notice of the Annual Meeting and the enclosed proxy statement address the formal business of the meeting. The formal business agenda includes the election of four Class C Directors. At the meeting, management will review the corporation's operations during the past year and will be available to respond to questions.

We strongly encourage you to vote your shares, whether or not you plan to attend the meeting. It is very important that you mark, sign, date and return the accompanying proxy as soon as possible in the postage-paid envelope. If you do attend the meeting and wish to vote in person, you must give written notice to the corporation's Secretary so that your proxy will be superseded by any ballot that you submit at the meeting.

Sincerely,

Alan W. Dakey  
Chairman of the Board  
President and Chief Executive Officer

**Table of Contents**

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 24, 2007

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TO THE SHAREHOLDERS OF MID PENN BANCORP, INC.:

Notice is hereby given that the Annual Meeting of Shareholders of Mid Penn Bancorp, Inc. will be held at 10:00 a.m., prevailing time, on Tuesday, April 24, 2007, at Mid Penn Bank, 349 Union Street, Millersburg, Pennsylvania 17061, for the following purposes:

1. To elect four Class C Directors to serve for a 3-year term and until their successors are elected and qualified; and
2. To transact any other business that may properly come before the annual meeting and any adjournment or postponement of the meeting.

In accordance with the corporation's Bylaws and action of the Board of Directors, only those shareholders of record at the close of business on February 15, 2007, are entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

We have enclosed a copy of the corporation's Annual Report to Shareholders for the fiscal year ended December 31, 2006. You may obtain a copy of the corporation's annual report on Form 10-K including the financial statements and any exhibits for the 2006 fiscal year, at no cost, by contacting Alan W. Dakey, President and Chief Executive Officer, 349 Union Street, Millersburg, Pennsylvania 17061, telephone: (717) 692-2133.

**Table of Contents**

We urge you to mark, sign, date and promptly return your proxy in the enclosed envelope so that you may vote your shares and in order that we may assure the presence of a quorum. The prompt return of your signed proxy, regardless of the number of shares you hold, will aid the corporation in reducing the expense of additional proxy solicitation. Giving your proxy does not affect your right to vote in person if you attend the meeting and give written notice to the Secretary of the corporation.

By Order of the Board of Directors,

Alan W. Dakey  
Chairman of the Board  
President and Chief Executive Officer

Millersburg, Pennsylvania

March 26, 2007

**Your vote is important.**

To vote your shares, please mark, sign and date the enclosed proxy and mail it promptly in the enclosed, postage-paid return envelope.

**Table of Contents**

**AMEX Trading Symbol: MBP**

**PROXY STATEMENT**

**2007 ANNUAL MEETING OF SHAREHOLDERS**

**APRIL 24, 2007**

Mailed to Shareholders on or about March 26, 2007

**Table of Contents****Table of Contents**

	<b>Page</b>
<b><u>Proxy Statement</u></b>	
<b><u>General Information</u></b>	1
<u>Date, Time and Place of Annual Meeting</u>	1
<u>Description of Mid Penn Bancorp, Inc.</u>	1
<u>Additional Information</u>	1
<b><u>Voting Procedures</u></b>	2
<u>Solicitation and Voting of Proxies</u>	2
<u>Quorum and Vote Required for Approval</u>	3
<u>Revocability of Proxy</u>	3
<u>Methods of Voting</u>	3
<b><u>Governance of the Corporation</u></b>	4
<u>Governance</u>	4
<u>Code of Ethics</u>	5
<u>Shareholder Communications</u>	5
<u>Annual Meeting Attendance</u>	5
<u>Committees and Meetings of the Corporation's Board of Directors</u>	5
<b><u>Executive Officers</u></b>	7
<u>Executive Officers of Mid Penn Bancorp, Inc. and Mid Penn Bank</u>	7
<b><u>Audit Committee Report</u></b>	8
<b><u>Election of Directors</u></b>	10
<u>Qualifications and Nomination of Directors</u>	10
<b><u>Information Regarding Director Nominees and Continuing Directors</u></b>	11
<u>Compensation of the Board of Directors</u>	12
<b><u>Compensation Discussion and Analysis</u></b>	14
<u>Introduction</u>	14
<u>Named Executive Officers' Role in Determining Compensation</u>	14
<u>Base Salary</u>	14
<u>Bonus Plan</u>	15
<u>Benefit Plans</u>	15
<u>Insurance Plans</u>	15
<u>Split Dollar Plan</u>	15
<u>Retirement Plans</u>	16
<u>Employee Profit Sharing Retirement Plan</u>	16
<u>401(k) Plan</u>	16
<u>Employee Stock Ownership Plan</u>	16
<u>Salary Continuation Agreement</u>	16
<u>Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement</u>	17
<b><u>Compensation Committee Report</u></b>	17
<b><u>Compensation Committee Interlocks and Insider Participation</u></b>	17
<b><u>Executive Compensation</u></b>	17
<u>Executive Bonus and Incentive Plans</u>	18
<u>Profit Sharing Retirement Plan</u>	19
<u>Employee Stock Ownership Plan</u>	20
<u>401(k) Plan</u>	20
<u>Director Deferred Fee Agreement</u>	20



**Table of Contents**

<u>Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement</u>	20
<u>Officer Split Dollar Life Insurance Plan</u>	21
<u>Salary Continuation Plan</u>	21
<u>Equity Compensation Plans</u>	22
<b><u>Potential Payments Upon Termination or Change of Control</u></b>	22
<u>Split Dollar Life Insurance Plan</u>	22
<u>Director Deferred Fee Agreement</u>	22
<u>Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement</u>	22
<u>Salary Continuation Agreement</u>	22
<b><u>Certain Relationships and Related Transactions</u></b>	23
<b><u>Beneficial Ownership of Mid Penn Bancorp's Stock Held by Principal Shareholders and Management</u></b>	24
<u>Principal Shareholders</u>	24
<u>Share Ownership by the Directors, Officers and Nominees</u>	24
<b><u>Compliance With Section 16(a) Reporting</u></b>	25
<b><u>Certified Public Accountants</u></b>	26
<b><u>Shareholder Proposals for 2008 Annual Meeting</u></b>	26
<b><u>Other Matters That May Come Before the Annual Meeting</u></b>	26
<b><u>Audit Committee Charter</u></b>	Appendix A
<b><u>Nominating and Corporate Governance Committee Policy and Charter</u></b>	Appendix B
<b><u>Compensation Committee Charter and Policy</u></b>	Appendix C

**Table of Contents**

**FREQUENTLY ASKED QUESTIONS AND ANSWERS**

*Q: WHO IS ENTITLED TO VOTE?*

A: Shareholders as of the close of business on February 15, 2007 (the voting record date) are entitled to vote, and each share of common stock is entitled to one vote.

*Q: HOW DO I VOTE?*

A: There are two methods. You may vote by completing and mailing your proxy or by attending the meeting and voting in person. (See page 3 for more details.)

*Q: HOW DOES DISCRETIONARY AUTHORITY APPLY?*

A: If you sign your proxy but do not make any selections, you give authority to Roberta A. Hoffman, Randall L. Klinger and Eric S. Williams, as the designated proxy holders for the corporation, to vote on the election of directors and any other matters that may arise at the meeting.

*Q: IS MY VOTE CONFIDENTIAL?*

A: Yes. Only the Judges of Elections, our transfer agent, Registrar and Transfer Company, proxy holders and corporate secretary have access to your proxy. All comments remain confidential unless you ask that your name be disclosed.

*Q: WHO WILL COUNT THE VOTES?*

A: Kathy I. Bordner, Kevin W. Laudenslager and Dennis E. Spotts will review the tabulations of the votes as provided by Registrar and Transfer Company and act as Judges of Elections.

*Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY?*

A: Your shares are probably registered differently or are in more than one account. Sign and return all proxies to ensure that all your shares are voted. If you have all of your accounts registered in the same name and address, you should only receive one set of proxy materials in future years. You may arrange to have your shares registered in the same name and address by contacting the corporation's transfer agent, Registrar and Transfer Company at (800) 368-5948.

*Q: WHAT CONSTITUTES A QUORUM?*

A: At the close of business on February 15, 2007, the corporation had 3,341,825 shares of common stock outstanding. A majority of the outstanding shares, present or represented by proxy, constitutes a quorum for the transaction of business at the meeting. If you vote by proxy or in person, we consider your shares as a part of the quorum.

**Table of Contents**

*Q: WHAT PERCENTAGE OF STOCK DO THE DIRECTORS AND OFFICERS OWN?*

A: Approximately 8.84% of our common stock, as of close of business on February 15, 2007. (See page 24 for more details.)

*Q: WHEN ARE THE 2008 SHAREHOLDER PROPOSALS DUE?*

A: As a shareholder, you must submit your proposal in writing by November 28, 2007, to Cindy L. Wetzel, Secretary, Mid Penn Bancorp, Inc., 349 Union Street, Millersburg, Pennsylvania 17061. (See page 26 with regard to director nomination procedures.)

**Table of Contents**

**PROXY STATEMENT**  
**FOR THE ANNUAL MEETING OF SHAREHOLDERS OF**  
**MID PENN BANCORP, INC.**  
**APRIL 24, 2007**  
**GENERAL INFORMATION**

*Date, Time and Place of Annual Meeting*

Mid Penn Bancorp, Inc., a Pennsylvania business corporation and registered bank holding company, furnishes this proxy statement in connection with the Board of Directors' solicitation of proxies to be voted at the 2007 Annual Meeting of Shareholders. The annual meeting will be held at Mid Penn Bank, 349 Union Street, Millersburg, Pennsylvania 17061, on Tuesday, April 24, 2007, at 10:00 a.m., prevailing time. The corporation's principal executive office is located at 349 Union Street, Millersburg, Pennsylvania 17061; the telephone number is (717) 692-2133. All inquiries regarding the annual meeting should be directed to Alan W. Dakey, Chairman of the Board, President and Chief Executive Officer of Mid Penn Bancorp, Inc.

*Description of Mid Penn Bancorp, Inc.*

Mid Penn Bancorp, Inc. became a bank holding company under Pennsylvania law and the Bank Holding Company Act of 1956 on December 31, 1991. Mid Penn Bank is the corporation's wholly-owned subsidiary and is a Pennsylvania chartered commercial bank.

We are mailing a copy of the corporation's Annual Report to Shareholders for the fiscal year ended December 31, 2006, with this proxy statement. You may obtain a copy of the corporation's annual report on Form 10-K including the financial statements and exhibits for the 2006 fiscal year at no cost by contacting Alan W. Dakey, Chairman of the Board, President and Chief Executive Officer, 349 Union Street, Millersburg, Pennsylvania 17061, telephone: (717) 692-2133.

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

*Additional Information*

In accordance with Securities Exchange Act Rule 14a-3(3)(1), Mid Penn Bancorp, Inc., in the future intends to deliver only one annual report and proxy statement to multiple shareholders sharing an address unless we receive contrary instructions from one or more of the shareholders. This method of delivery is known as "householding". Upon written or oral request, Mid Penn Bancorp, Inc. will promptly deliver a separate copy of the annual report or proxy statement, as applicable, to a shareholder at a shared address to which a single copy of the documents was delivered. Further, shareholders can notify Cindy L. Wetzel at Mid Penn Bancorp, Inc., 349 Union Street, Millersburg, Pennsylvania 17061 or by calling (717) 692-2133 and informing us that the shareholder wishes to receive a separate copy of an annual report or proxy statement in

**Table of Contents**

the future. In addition, if you are receiving multiple copies of Mid Penn Bancorp, Inc.'s annual report or proxy statement, you may request that we deliver only a single copy of annual reports or proxy statements by notifying us at the above address or telephone number.

**VOTING PROCEDURES**

*Solicitation and Voting of Proxies*

The Board of Directors solicits this proxy for use at the corporation's 2007 annual meeting of shareholders. The corporation's directors, officers and bank employees may solicit proxies in person or by telephone, facsimile, email or other similar means without additional compensation. The corporation will pay the cost of preparing, assembling, printing, mailing and soliciting proxies and any additional material that the corporation sends to its shareholders. The corporation will make arrangements with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of stock held by these entities. The corporation will reimburse these third parties for their reasonable forwarding expenses.

Only shareholders of record as of the close of business on February 15, 2007, may vote at the annual meeting. The corporation's records show that, as of the voting record date, 3,341,825 shares of common stock were outstanding. On all matters to come before the annual meeting, shareholders may cast one vote for each share held. Cumulative voting rights do not exist with respect to the election of directors. See "Principal Shareholders" on page 24 for a list of the persons known by the corporation to be beneficial owners of 5% or more of the corporation's common stock.

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

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

By properly completing a proxy, the shareholder appoints Roberta A. Hoffman, Randall L. Klinger and Eric S. Williams as proxy holders to vote the shares as indicated on the proxy. Proxy holders will vote any signed proxy not specifying to the contrary **FOR** the election of A. James Durica, Theodore W. Mowery, Donald E. Sauve and William A. Specht, III as Class C directors for 3-year terms expiring in 2010.

**Table of Contents**

The Board of Directors proposes to mail this proxy statement to the corporation's shareholders on or about March 26, 2007.

*Quorum and Vote Required For Approval*

In order to hold the annual meeting, a quorum of shareholders must be present. Under Pennsylvania law and the corporation's Bylaws, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote is necessary to constitute a quorum for the transaction of business at the meeting. The proxy holders will count votes withheld and abstentions when determining the presence of a quorum for each matter. The proxy holders will not count broker non-votes when determining the presence of a quorum for the particular matter as to which the broker withheld authority.

If a quorum is present, the four candidates for director receiving the highest number of votes cast by shareholders will be elected. The proxy holders will not cast votes withheld or broker non-votes for the Board's nominees.

*Revocability of Proxy*

Shareholders of record who sign proxies may revoke them at any time before they are voted by:

giving written notice of revocation to Cindy L. Wetzel, Secretary of Mid Penn Bancorp, Inc., at 349 Union Street, Millersburg, Pennsylvania 17061;

executing a later-dated proxy and giving written notice to the Secretary of the corporation; or

voting in person after giving written notice to the Secretary of the corporation.

*You have the right to vote and, if desired, to revoke your proxy any time before the annual meeting. Should you have any questions, please call Cindy L. Wetzel at (717) 692-2133.*

*Methods of Voting*

Voting by Proxy

Mark your selections.

Date your proxy and sign your name exactly as it appears on your proxy.

Mail to the corporation in the enclosed, postage-paid envelope.

Voting in Person

Attend the annual meeting and show proof of eligibility to vote (including proper identification).

Obtain a ballot.

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Mark your selections.

Date your ballot and sign your name exactly as it appears in the corporation's transfer books.

**Table of Contents****GOVERNANCE OF THE CORPORATION***Governance*

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices, which the Board and senior management believe promote this purpose, are sound and represent best practices. We continually review these governance practices, Pennsylvania law (the state in which we are incorporated), the rules and listing standards of the American Stock Exchange ( AMEX ) and SEC regulations, as well as best practices suggested by recognized governance authorities.

Currently, our Board of Directors has ten members. Under the AMEX standards for independence, the following directors meet the standards for independence: Jere M. Coxon, A. James Durica, Robert C. Grubic, Gregory M. Kerwin, Theodore W. Mowery, Donald E. Sauve, Edwin D. Schlegel, Guy J. Snyder, Jr. and William A. Specht, III. This constitutes more than a majority of our Board of Directors. Only independent directors serve on our Audit Committee.

In determining the directors' independence, the Board of Directors considered loan transactions between the bank and the directors, their family members and businesses with whom they are associated, as well as any contributions made to non-profit organizations with whom they are associated.

The table below includes a description of other categories or types of transactions, relationships or arrangements considered by the Board (in addition to those listed above) in reaching its determination that the directors are independent.

<b>Name</b>	<b>Independent</b>	<b>Other Transactions/Relationships/Arrangements</b>
Mr. Coxon	Yes	None
Mr. Durica	Yes	None
Mr. Grubic	Yes	Engineering Services
Mr. Kerwin	Yes	Legal Services
Mr. Mowery	Yes	Bank Insurance Coverage
Mr. Sauve	Yes	Food Purchases
Mr. Schlegel	Yes	Repair Services
Mr. Snyder	Yes	Heating Oil Purchases
Mr. Specht	Yes	None

In each case, the Board determined that none of the transactions above impaired the independence of the director. For more information, please refer to [Certain Relationships and Related Transactions](#) below.

The corporation's Board of Directors oversees all business, property and affairs of the corporation. The Chairman and the corporation's officers keep the members of the Board informed of the corporation's business through meetings and by providing reports and other



## **Table of Contents**

materials to the members. During fiscal 2006, the corporation's and the bank's Board of Directors each held 13 meetings. In addition, the corporation's independent Board members held two independent Board Meetings during fiscal 2006.

### *Code of Ethics*

In 2003, as required by law and regulation, the corporation and the bank adopted a Code of Ethics. We amended our Code of Ethics twice in 2005 and again on February 22, 2006. We have filed a copy of the amended Code of Ethics that applies to directors, officers and employees with the SEC as Exhibit 14 to the Form 8-K filed on February 27, 2006. The Code of Ethics encourages individuals to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethics. The Code of Ethics is available on the *Investor Relations* page of Mid Penn's website at [www.midpennbank.com](http://www.midpennbank.com).

### *Shareholder Communications*

Any shareholder who wishes to communicate with the Board of Directors may send correspondence to Alan W. Dakey, Chairman of the Board, President and Chief Executive Officer, Mid Penn Bancorp, Inc. at 349 Union Street, Millersburg, Pennsylvania 17061. Written communications received from shareholders are shared with the full Board or appropriate committee as warranted. The Board does have a complaint procedure for communicating accounting, internal accounting controls and auditing matters. Please refer to the *Investor Relations* page of Mid Penn's website at [www.midpennbank.com](http://www.midpennbank.com) for complete details.

A shareholder who intends to nominate an individual for election to the Board of Directors (other than a candidate proposed by the Board of Directors) must notify the Secretary of the corporation in compliance with the requirements of Article 10, Section 10.1 of the corporation's Bylaws. Any shareholder who intends to nominate a candidate for election to the Board of Directors must notify the Secretary of the corporation in writing not less than 60 days prior to the date of any shareholder meeting called for the election of directors.

### *Annual Meeting Attendance*

All twelve (12) directors attended the 2006 Annual Meeting of Shareholders. While the corporation does not have a formal policy regarding attendance, all directors are strongly encouraged to attend the Annual Meeting of Shareholders.

### *Committees and Meetings of the Corporation's Board of Directors*

During 2006, the Board of Directors of the corporation maintained three standing committees: Audit, Compensation, and Nominating and Corporate Governance Committees which jointly serve the corporation and the bank. The function of each of these committees is described below.

**AUDIT.** This committee oversees audit coverage, selects the independent auditors, reviews the annual financial statements of the corporation and auditor's reports, and monitors with management and the auditor the system of internal controls and its accounting and reporting practices. All members of the Audit Committee are non-employee directors and are independent.

**Table of Contents**

as defined in Section 121(A) of the AMEX listing standards. A. James Durica serves as the Audit Committee Financial Expert and Chairman of this committee. The Audit Committee has a charter which is attached as Appendix A.

**NOMINATING AND CORPORATE GOVERNANCE.** This committee identifies individuals qualified to become Board members, evaluates and selects, or recommends to the Board, director nominees for each election of directors. All members are independent (as independence is currently defined in Section 121(A) of the AMEX listing standards). Edwin Schlegel serves as Chairman of this committee. Chairman Dakey attends Nominating and Corporate Governance Committee meetings only when and to the extent requested by the committee.

The Nominating and Corporate Governance Committee has a charter which is attached as Appendix B. Candidates for director must be qualified in terms of education, professional experience, business contacts and special skills. Other less tangible, but equally important, qualifications include general representation from the markets served, enthusiasm, maturity, reputation, compatibility with other Board members, diplomacy and independent judgment. In addition, candidates should have a vested interest in the corporation through ownership of corporation stock. New directors are required to own a minimum of 1,000 shares of Mid Penn Bancorp, Inc. common stock or agree to acquire a minimum of 1,000 shares of Mid Penn Bancorp, Inc. stock within one year from their date of appointment to the Board of Directors. Additional share ownership is encouraged.

The Nominating and Corporate Governance Committee process for identifying and evaluating nominees consists of compiling a list of nominees recommended by shareholders, Mid Penn Bancorp, Inc. directors and individuals who have approached officers and directors for consideration. Information is gathered concerning the potential Board member's location of business and residence, shares owned, profession or business, and deposit and loan relationship with the bank. Personal information about the individual is also gathered to determine if he/she meets the criteria listed in the Nominating and Corporate Governance Committee Policy and Charter. The Nominating and Corporate Governance Committee screens this information to form a smaller number of final candidates to be interviewed. Upon completion of the interviews, the Nominating and Corporate Governance Committee makes a final recommendation to the full Board of Directors for appointment. All potential candidates are screened by the same process regardless of whether they were recommended by a shareholder or by another party.

**COMPENSATION.** This committee reviews employee performance evaluations and makes salary recommendations to the Board of Directors. Gregory Kerwin serves as Chairman of this committee. Chairman Dakey attends Compensation Committee meetings only when and to the extent requested by the committee. The Compensation Committee has a charter which is attached as Appendix C.

**Table of Contents**

	<b>Nominating and</b>		
	<b>Audit</b>	<b>Corporate Governance</b>	<b>Compensation</b>
Jere M. Coxon	X	X	X
A. James Durica	X	X	
Gregory M. Kerwin		X	X
Theodore W. Mowery		X	X
Donald E. Sauve	X		X
Edwin D. Schlegel	X	X	
Guy J. Snyder, Jr.	X		X
William A. Specht, III			X
<b>Meetings Held in 2006</b>	<b>9</b>	<b>1</b>	<b>8</b>

Each of the directors attended at least 75% of the total number of Board of Directors meetings and committee meetings for the corporation and the bank during their tenure on the Board in 2006.

**EXECUTIVE OFFICERS***Executive Officers of Mid Penn Bancorp, Inc. and Mid Penn Bank*

The following table sets forth, as of February 15, 2007, selected information about the corporation's and bank's executive officers, each of whom is elected by the Board of Directors and each of whom holds office at the Board's discretion.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for the Past Five Years and Position Held with Mid Penn Bancorp, Inc. and Subsidiaries</b>
Alan W. Dakey	55	Chairman of the Board of the corporation and the bank since 2006. President and Chief Executive Officer of the corporation since 2000. President and Chief Executive Officer of the bank since 1994.
Edwin D. Schlegel	68	Vice Chairman and Lead Director of the corporation since 2006 and Director since 1991. Director of the bank since 1981. Retired Superintendent of Millersburg Area School District.
Kevin W. Laudenslager	43	Treasurer of the corporation since 1998. Chief Financial Officer of the bank since 1998 and Executive Vice President of the bank since 2003.
Cindy L. Wetzel	45	Secretary of the corporation since 1991. Corporate Secretary of the bank since 1985 and Vice President of the bank since 2002.
Eric S. Williams	45	Executive Vice President and Chief Lending Officer of the bank since 2003. He previously served as Vice President and Senior Commercial Loan Officer.

**Table of Contents****AUDIT COMMITTEE REPORT**

The Board of Directors adopted a written charter for the Audit Committee. As required by the charter, the Audit Committee, in fulfilling its oversight responsibilities regarding the audit process:

reviewed and discussed the fiscal year 2006 audited financial statements with management and the independent auditors;

discussed with the independent auditors, Parente Randolph, LLC, the matters required to be discussed by Statement on Accounting Standards No. 61 (Codification of Statements on Auditing Standards, AU 380, as amended or supplemented); and

reviewed the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees, as modified or supplemented), and discussed with the independent auditors any relationships that may impact their objectivity and independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the year ended December 31, 2006, be included in the corporation's Annual Report on Form 10-K and filed with the Securities and Exchange Commission.

Aggregate fees billed to the corporation and the bank by Parente Randolph, LLC, the independent accountants, for professional services rendered are as follows:

<b>Year Ended December 31,</b>	<b>2006</b>	<b>2005</b>
Audit fees, including quarterly reviews	\$ 81,650	\$ 74,400
Audit related fees	\$ 59,500	\$ 54,500
Tax fees	\$ 6,800	\$ 6,600
All other fees	0	\$ 3,382

Audit fees include fees billed for professional services rendered for the audit of annual financial statements and fees billed for the review of financial statements included in Mid Penn Bancorp, Inc. Forms 10-Q or services that are normally provided by Parente Randolph, LLC in connection with statutory and regulatory filings or engagements.

Audit related fees include fees billed for professional services rendered by Parente Randolph, LLC for reporting on Sarbanes-Oxley Section 404 compliance.

Tax fees include fees billed for professional services rendered by Parente Randolph, LLC for tax compliance, tax advice and tax preparation.

All other fees include fees billed for products and services provided by Parente Randolph, LLC other than the services reported under the Audit fees, Audit related fees or Tax fees sections of the table above. All other fees for 2005 include fees for services provided related to Mid Penn Bancorp, Inc.'s Dividend Reinvestment Plan and services related to the Form S-3 filing with the Securities and Exchange Commission.

**Table of Contents**

This report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the corporation specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

The foregoing report has been furnished by the current members of the Audit Committee, which is comprised of five directors, all of whom are considered independent as defined in Section 121 of the AMEX Company Guide. A. James Durica is qualified as a financial expert within the meaning of SEC and AMEX regulations, and the Board has determined that he has accounting and related financial management expertise to satisfy SEC requirements and those of the American Stock Exchange.

The Audit Committee developed a policy for pre-approval for services provided by the independent auditors. The policy requires the Audit Committee to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit related services, tax services and other permissible services. Under the policy, pre-approval will generally be provided for up to one year and any pre-approval is detailed as to the particular service or category of services. In addition, the Audit Committee may also pre-approve particular services on a case by case basis. For each proposed service, the independent auditor is required to provide detailed back-up documentation at the time of approval. Under the policy, a de minimis exception is provided whereby pre-approval may be waived for non-audit services that meet all of the following requirements:

The aggregate amount of all such services is not more than 5 percent of the total amount of fees paid to the independent auditor during the year in which the services are provided.

Such services were not recognized as non-audit services by the company at the time of the engagement.

The services are promptly brought to the attention of the Audit Committee and approved prior to completion of the audit. The Audit Committee has engaged Parente Randolph, LLC as independent certified public accountants for the examination of its financial statements for the fiscal year ending December 31, 2007. Parente Randolph, LLC served as the company's certified public accountants for the year ended December 31, 2006.

The Board of Directors of the corporation believes that Parente Randolph, LLC's knowledge of Mid Penn Bancorp, Inc. and Mid Penn Bank is invaluable. Parente Randolph, LLC advised us that none of its members has any financial interest in the corporation or the bank. They assisted us with the preparation of our federal and state tax returns and provided assistance in connection with regulatory matters, charging for such services at its customary hourly billing rates. The corporation's Audit Committee approved these non-audit services after due consideration of the accountants' objectivity and after finding them to be wholly independent.

The Audit Committee amended its charter in 2007, and the revised Audit Committee Charter is attached as Appendix A to this proxy statement.

**Table of Contents**

**Audit Committee**

A. James Durica, Chairman	Jere M. Coxon
Donald E. Sauve	Edwin D. Schlegel
Guy J. Snyder, Jr.	

**ELECTION OF DIRECTORS**

*Qualifications and Nomination of Directors*

The corporation's Bylaws authorize the number of directors to be not less than five (5) nor more than twenty-five (25). The Bylaws also provide for three classes of directors with staggered 3-year terms of office. The Board of Directors nominated the four persons named below to serve as directors until the 2010 annual meeting of shareholders or until their earlier death, resignation or removal from office. The nominees are presently members of the Board of Directors and have consented to serve another term as a director if re-elected. If the nominees should be unavailable to serve for any reason, a majority of the Board of Directors then in office may select someone to fill the vacancy until the expiration of the term of the class of directors to which he or she is appointed.

The Board of Directors is divided into three classes. Terms of the members of each class expire at successive annual meetings. Currently, Class A consists of three directors, Class B consists of three directors, and Class C consists of four directors. Shareholders will elect four Class C directors at this annual meeting to serve for a 3-year term.

The proxy holders intend to vote proxies for the election of each of the four nominees named below, unless you indicate that your vote should be withheld from any or all of them. Each nominee elected as a director will continue in office until his or her successor has been duly elected and qualified, or until his or her death, resignation, retirement or removal from office.

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

A. James Durica

Theodore W. Mowery

Donald E. Sauve

William A. Specht, III

The Board of Directors recommends that shareholders vote **FOR** the election of the nominees listed above as Class C Directors of Mid Penn Bancorp, Inc.

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**Table of Contents**

**INFORMATION REGARDING DIRECTOR NOMINEES AND CONTINUING DIRECTORS**

Information, as of February 15, 2007, concerning the four nominees to the Board of Directors and the six continuing directors appears below. You will find information about their share ownership on page 24.

**Current Class C Directors** (to serve until 2007)

**and**

**Nominees for Class C Directors** (to serve until 2010)

<i>A. James Durica</i>	Mr. Durica, age 59, has been a director since 2003. Mr. Durica is an independent CPA-Management Consultant in Hershey, PA. He previously served as President of Governor Funds at M&T Bank and as Senior Vice President, Treasurer and Chief Investment Officer of Keystone Financial, Inc.
<i>Theodore W. Mowery</i>	Mr. Mowery, age 48, has been a director since 2003. Mr. Mowery is a partner with Gunn-Mowery, LLC in Camp Hill, PA.
<i>Donald E. Sauve</i>	Mr. Sauve, age 65, has been a director since 1999. Mr. Sauve is a consultant for Don's Food Market, Inc. in Lykens, PA.
<i>William A. Specht, III</i>	Mr. Specht, age 45, has been a director since 2006. Mr. Specht is President of Seal Glove Manufacturing, Inc. in Millersburg, PA where he previously served as Vice President.

**Board of Directors Continuing as Directors**

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

<i>Robert C. Grubic</i>	Mr. Grubic, age 55, has been a director since 2006. Mr. Grubic is President of Herbert, Rowland & Grubic, Inc. in Harrisburg, PA.
<i>Gregory M. Kerwin</i>	Mr. Kerwin, age 56, has been a director since 1999. Mr. Kerwin is a senior partner with the firm of Kerwin & Kerwin, Attorneys at Law in Elizabethville, PA.
<i>Edwin D. Schlegel</i>	Mr. Schlegel, age 68, has been a director since 1991 and has served as Vice Chairman and Lead Director since 2006. Mr. Schlegel is retired and previously served as Superintendent of the Millersburg Area School District.

**Class B Directors** (to serve until 2009)

<i>Jere M. Coxon</i>	Mr. Coxon, age 64, has been a director since 1991. Mr. Coxon is Executive Vice President of Penn Wood Products, Inc. in East Berlin, PA.
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**Table of Contents**

<i>Alan W. Dakey</i>	Mr. Dakey, age 55, has been a director since 1995. Mr. Dakey has served as Chairman of the Board of the corporation and the bank since 2006. Mr. Dakey has served as President and Chief Executive Officer of the bank since 1994 and became President and Chief Executive Officer of the corporation in 2000.
<i>Guy J. Snyder, Jr.</i>	Mr. Snyder, age 69, has been a director since 1991. Mr. Snyder is President of Snyder Fuels, Inc. in Sunbury, PA.
<i>Compensation of the Board of Directors</i>	

The following table summarizes the total director compensation awarded or earned for services in all capacities to the corporation and to the bank for the fiscal year ended December 31, 2006.

## DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (\$) (1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$ (2)	Total (\$)
Jere M. Coxon	16,745	7,003		23,748
A. James Durica	31,070	2,403		33,473
Robert C. Grubic	12,050	7,882		19,932
Gregory M. Kerwin	13,870	3,439		17,309
Theodore W. Mowery	14,045	3,684		17,729
William G. Nelson*	4,704	326		5,030
Donald E. Sauve	15,670	3,257		18,927
Edwin D. Schlegel	15,420	8,022		23,442
Eugene F. Shaffer*			40,217	40,217
Guy J. Snyder, Jr.	16,670	7,693		24,363
William A. Specht, III	13,250	13,811		27,061

\* Retired from the Board of Directors in April 2006.

(1) Includes annual fee, bonus and committee fees.

(2) Life insurance premiums paid by the bank.

Directors received no remuneration for attendance at the meetings of the Board of Directors of the corporation. All director fees are paid by the bank. The bank participates in the L.R. Webber Associates, Inc. Salary/Benefits Survey, which includes a survey of director fees and benefits. The bank also periodically conducts a survey of director fees, committee fees and other director compensation of banks that are similar in size and in similar markets to the bank. Based on the surveys, which are reviewed by the Compensation Committee, a recommendation by the Compensation Committee is presented to the Board of Directors for final approval.



**Table of Contents**

During 2006, Mid Penn Bank directors earned an annual fee of \$10,000. A bonus is payable to directors each year based upon whether the bank meets certain performance criteria, with respect to earnings and growth, as outlined in the bank's Performance Bonus Plan. From January 2006 through May 2006, members of the Nominating and Corporate Governance Committee and members of the Compensation Committee received \$125 for each meeting attended, while members of the Audit Committee received \$200 for each meeting attended. At the Bank's Reorganizational Meeting held in May 2006, fees were increased for meeting attendance for the remainder of the year and are currently in effect. Beginning in June 2006, members of the Nominating and Corporate Governance Committee and members of the Compensation Committee received \$250 for each meeting attended, while members of the Audit Committee received \$300 per meeting attended. Directors who are also officers of the bank are not paid for attending committee meetings. In 2006, the Board of Directors was paid \$148,239 in the aggregate, for all Board of Directors' fees, bonuses and committee meetings attended. In addition, A. James Durica was paid \$15,775 in fees for services rendered in his capacity as chairman of the Audit Committee. Robert Grubic and Theodore Mowery were each paid an additional \$300 for attending the bank's Advisory Board Meetings.

The bank maintains a deferred fee plan for directors, which enables a director to defer payment of his fees until he leaves the Board. The following are the current directors who each deferred \$10,000 in fees for 2006: Alan Dakey, Theodore Mowery, Donald Sauve, Edwin Schlegel and Guy Snyder, Jr. Deferred director fees paid to retired directors during 2006 totaled \$14,983.

In May 1995, the Mid Penn Bank directors adopted a retirement bonus plan. The plan pays a retirement bonus to directors who voluntarily retire from service, or who have attained the Board's retirement policy age of 70. The retirement bonus is determined by multiplying the base retirement bonus for the member's position (\$400 for the Chairman, \$200 for all other directors) by the number of full years the member served. No portion of the payment under this plan is assignable. The plan contains an inflationary adjustment provision and provides for survivor benefits. Payments due under the plan are paid quarterly for a term of 15 years. Earl Etzweiler, Harvey Hummel, Charles Lebo, Warren Miller, William Nelson and Eugene Shaffer received a total of \$34,852 under this plan in 2006. Eugene Shaffer and William Nelson, having reached the mandatory retirement age of 70, retired from the Board effective with the Annual Shareholders Meeting held on April 25, 2006.

Mr. Shaffer has a split dollar life insurance agreement, which is between Mid Penn Bank and Mr. Shaffer, and a death benefit plan and agreement, which is between Mid Penn Bank and the trustee of the Eugene F. Shaffer Irrevocable Trust. Under the agreements, the bank agreed to provide \$1,000,000 in insurance coverage to Eugene F. Shaffer's trust in recognition of Mr. Shaffer's years of service as Chairman and President of both the corporation and the bank. During 2006, a premium of \$34,046 was paid by the bank on this policy.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

*Introduction*

The Board of Directors has appointed a Compensation Committee which administers the compensation program. The committee strives to offer a fair and competitive compensation policy to govern named executive officers' base salaries and incentive plans and to attract and maintain competent, dedicated, and ambitious managers whose efforts will enhance the products and services of the corporation and of the bank, resulting in higher profitability, increased dividends to the corporation's shareholders and appreciation in market value of the corporation's common stock.

The elements of compensation are base salary, bonus plans, supplemental benefits, retirement benefits and deferred compensation plans. As each element of compensation is intended to accomplish a specific goal, payments under one element are not taken into account when determining the amount to be paid under a different element.

*Named Executive Officers' Role in Determining Compensation*

The compensation of the named executive officers is reviewed and approved annually by the Board of Directors upon the recommendation of the Compensation Committee. The Compensation Committee considers the views and recommendations of the Chief Executive Officer in making compensation decisions affecting executive officers who report to him. The Chief Executive Officer's role in recommending compensation programs is to develop and recommend appropriate performance measures and targets for individual compensation levels and compile competitive benchmark data to assess competitive labor market. The Chief Executive Officer does not participate in the decisions regarding changes in his compensation.

*Base Salary*

Base salary is designed to attract and retain executives who can further the strategic objectives of the corporation and bank. Base salary is a major component of the named executive officers' compensation and is reviewed every year to determine whether the salary is at the appropriate level. As a guideline for determining base salaries, the Compensation Committee uses the salary and benefits survey published by L.R. Webber Associates, Inc. for the peer group of banks with assets ranging from \$300 million to \$499 million by region. The Committee uses this peer group of banks because of common industry issues and competition for the same executive talent group.

The Committee bases compensation increases to executive officers on subjective analysis of each individual's contribution to the bank. Numerous factors are used in determining compensation increases, including: the bank's earnings, return on assets, return on equity, market share, total assets and loans. Although performance and increases were measured by these factors, among others, no direct correlation formula exists between any specific criterion and an executive officer's compensation. The Committee's analysis did not provide a specific weight to any criteria and its determination is subjective after review of all information deemed relevant.

## **Table of Contents**

### *Bonus Plan*

Chairman Dakey, Mr. Laudenslager and Mr. Williams participate in the bank-wide bonus plan. The Board of Directors has determined that Chairman Dakey and Mr. Laudenslager are in key positions to influence the financial results of the bank and implemented an extra bonus to incent them to improve the earnings of the bank and achieve individual and corporate quarter and annual financial goals. The incentive consists of tiered levels of payout based on performance and is a link between compensation and the bank's overall performance and aligns executive compensation with the interests of the shareholders. This special bonus has been in place for the past thirteen years. The special bonus is paid to Chairman Dakey and Mr. Laudenslager in the event that all employees qualify for a bonus under the bank-wide bonus plan.

To reward his efforts in managing the commercial lending group, Mr. Williams participates in the Commercial Lender's Incentive Plan, whereby he is rewarded for achieving specific bank goals. The purpose of the Commercial Lender's Incentive Plan is to promote a superior level of performance by the bank's lenders to meet and exceed portfolio and quality goals; to motivate, reward and reinforce superior operating performance both on a department and individual basis; to attract and retain the best commercial lenders; to encourage an atmosphere of teamwork; and to enhance profitability and productivity in support of the bank's immediate and future business goals.

The bank also offers an individual business referral incentive program which rewards executive officers and employees for referring business to the bank and a perfect attendance bonus to reward executive officers and employees for having perfect attendance.

### *Benefit Plans*

#### *Insurance Plans*

Group life insurance, group disability and health insurance are available to all eligible employees and executive officers. All executive officers and employees may elect to participate in voluntary dental and vision plans. Such plans are standard in the industry and in the geographic area for all industries, as well as necessary to compete for talented employees at all levels of the bank. These plans are not tied to bank or individual performance. The cost of providing such plans to all eligible employees and executive officers is not taken into account when determining specific salaries of the named executive officers and is seen as a cost of doing business.

#### *Split Dollar Plan*

Life insurance is provided to Chairman Dakey under an endorsement split dollar arrangement which provides a split-dollar share of death benefits to the executive's beneficiary, depending upon the executive's eligibility to receive payments. The plan is funded with bank-owned life insurance (BOLI) and is used to provide an additional benefit to Chairman Dakey with a minimal cost to the bank. Split-dollar life insurance plans are widely available in the banking industry, because the bank will recover its plan costs upon the death of the executive, and the executive's beneficiary will receive a split of the insurance proceeds. Although this benefit does not provide any current remuneration to the executive, it provides the bank with a mechanism to use to attract, retain and reward highly qualified executives, and it provides further incentive for longevity with the bank.

**Table of Contents**

*Retirement Plans*

The bank believes that it is important to assist employees in saving for retirement and believes that by providing a mechanism to save for retirement, the bank is providing the named executive officers with incentive to continue in the employ of the bank.

*Employee Profit Sharing Retirement Plan*

The named executive officers participate in the same retirement plans as all other employees. The bank maintains the employee profit sharing retirement plan which covers all employees who meet eligibility requirements. The bank's profit sharing retirement plan rewards employees for their efforts in assisting the corporation meet certain financial goals. When the specific goals are met, the bank contributes a percentage of the employees' wages to the plan.

*401(k) Plan*

The bank's 401(k) plan allows employees to save their own money for retirement, to earn a matching contribution from the bank and to direct the investment of all funds in the 401(k) plan. The amount of match contributed to the named executives' plan is the same as contributed to all other eligible employees. This plan is viewed as a necessity to successfully hire and retain employees in a competitive marketplace.

*Employee Stock Ownership Plan*

The bank maintains an employee stock ownership plan for all bank employees and its subsidiaries who satisfy the length of service requirements. Participants do not contribute to the plan and the bank, in its discretion, may contribute. The plan is designed to reward performance and to drive an ownership culture by rewarding employees with corporation stock.

*Salary Continuation Agreement*

The bank provides a salary continuation agreement to Chairman Dakey. These agreements are designed to account for some of the limitations with traditional pension plans and to encourage Chairman Dakey to remain an employee of the bank. Chairman Dakey's vesting schedule provides a 50% vesting of the benefit after 5 years of service, 75% after 10 years and 100% after 15 years of service. Vesting applies to the early termination and disability benefit provided for in the plan, but does not apply to a change of control. Upon retirement, Chairman Dakey receives a specific annual benefit. In the event that Chairman Dakey terminates prior to retirement, the amount of the annual benefit is reduced. Salary continuation agreements are typical in the financial services industry, and the amount payable under the agreement is also consistent with what is expected in the financial services industry.

**Table of Contents**

*Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement*

In an effort to offer Chairman Dakey an additional method of saving for retirement and to account for some of the limitations with traditional pension plans, the bank maintains a non-qualified deferred compensation plan in which he is eligible to participate. The plan is also designed to encourage Chairman Dakey to remain an employee of the bank, by allowing him to defer a portion of his income to be paid out in the event of retirement, early termination, disability, a change of control or death. The amounts deferred accrue an annual rate of interest of eight percent (8%).

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the corporation's proxy statement.

**Compensation Committee**

Gregory M. Kerwin, Chairman	Jere M. Coxon
Theodore W. Mowery	Donald E. Sauve
Guy J. Snyder, Jr.	William A. Specht, III

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Mr. Alan W. Dakey, Chairman of the Board, President and Chief Executive Officer of the corporation, attends Compensation Committee meetings only when and to the extent requested by the committee. Chairman Dakey does not participate in determining his own compensation.

**EXECUTIVE COMPENSATION**

The following table summarizes the total compensation awarded or earned for services in all capacities to the corporation and the bank for the fiscal year ended December 31, 2006 for Alan W. Dakey, Chairman of the Board, President and Chief Executive Officer, Kevin W. Laudenslager, Executive Vice President and Chief Financial Officer and Eric S. Williams, Executive Vice President and Chief Lending Officer.

**Table of Contents**

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation							Total (\$)
							(\$)(1)	(\$)(2)	(3)	(4)	(5)	(6)	(7)		
Alan W. Dakey Chairman of the Board President and Chief Executive Officer	2006	157,000	35,880				40,094							29,549	262,523
Kevin W. Laudenslager Executive VP and Chief Financial Officer	2006	91,871	8,260											10,924	111,055
Eric S. Williams Executive VP and Chief Lending Officer	2006	107,000	3,940											17,439	128,379

- (1) Includes FICA excess interest on Executive Deferred Compensation Plan of \$2,049, projected annual accrual on the Salary Continuation Plan of \$36,524 and projected annual accrual on the Officer Split Dollar Life Insurance Plan of \$1,521. The disclosed accrual on the Salary Continuation Plan is greater than the actual walk-away benefit.
- (2) Includes annual Board of Director fees of \$10,000 earned by Chairman Dakey and a director's bonus paid to Chairman Dakey of \$1,120.
- (3) Includes \$12,560 contributed by the bank to the Profit Sharing Retirement Plan on behalf of Chairman Dakey; \$7,350 for Mr. Laudenslager and \$8,560 for Mr. Williams.
- (4) Includes \$4,710 contributed by the bank to the ESOP on behalf of Chairman Dakey; \$2,756 for Mr. Laudenslager and \$3,210 for Mr. Williams.
- (5) Includes a perfect attendance bonus and referral incentives of \$410 paid by the bank to Chairman Dakey; a perfect attendance bonus and referral incentives of \$510 paid to Mr. Laudenslager and a \$420 perfect attendance bonus and referral incentives paid to Mr. Williams.
- (6) Life insurance coverage is being provided to Chairman Dakey under an endorsement split dollar arrangement. The economic value of his respective life insurance coverage was \$749. Includes life insurance premiums of \$308 and \$373, paid by the bank on behalf of Mr. Laudenslager and Mr. Williams, respectively, pursuant to life insurance maintained for employees.
- (7) Includes \$4,876 paid by the bank to Mr. Williams under the terms of the Chief Lending Officer Incentive Plan.

*Executive Bonus and Incentive Plans*

Chairman Dakey, Mr. Laudenslager and Mr. Williams participate in the bank-wide bonus plan which is based on two components, the bank's return on equity and the bank's percentage increase in net income over the prior year. The bonus formula allows for a maximum bonus of 22% of base salary. The 2006 bonus paid to all employees based on this formula was 5.50%. The Board determined that Chairman Dakey and Mr. Laudenslager are in key positions to influence the financial results of the bank and implemented an extra bonus to incent them to improve the earnings of the bank. This extra bonus has been in place for the past 13 years. The extra bonus is paid to Chairman Dakey and Mr. Laudenslager in the event that all employees qualify for a bonus under the bank-wide bonus plan. The extra bonus is 20% of base pay for Chairman Dakey and 6% of base pay for Mr. Laudenslager and is paid in addition to and at the same time the bank-wide bonus is paid.

To reward his efforts in managing the commercial lending group, Mr. Williams participates in a chief lending officer incentive plan. The purpose of the plan is to reward Mr. Williams' contribution to a superior level of organizational and operating performance for the

**Table of Contents**

commercial lending group. The operation of the plan is predicated on attaining and exceeding pre-established goals for the commercial lending group. Mr. Williams received an incentive under this plan of 4.95% of his base salary, or \$4,876, in 2006.

*Profit Sharing Retirement Plan*

The corporation does not maintain a defined benefit pension plan. The bank, however, maintains the Employee Profit Sharing Retirement Plan, created in 1949, restated in 1994, and last amended in 2003, which covers all bank employees who meet eligibility requirements. Eligible employees are entitled to receive a share of the bank's contribution to the plan if they are bank employees on December 31st.

The annual contribution is determined by the bank's Board of Directors and is contingent upon current or accumulative profits of the bank with the total amount of the annual contribution not to exceed 15% of the total eligible compensation paid by the bank to all participating employees. A participating employee's share of such annual contribution is allocated on the basis of the participating employee's eligible compensation up to \$210,000 as compared to the total eligible compensation of all the participating employees. The contributions to the plan are paid to a trust fund that is administered by the bank's Trust Department. A participating employee is allocated a share of the net income of the trust fund and the increase or decrease in the fair market value of its assets on the basis of such employee's beginning of the plan year account balance, plus forfeitures of unvested balances from employees who terminated employment, less any payments as compared to the total beginning account balances, less payments to all the participating employees. A notice of the account balance is given to participating employees annually.

Distributions under the plan can be made to participating employees upon retirement, either normal or early retirement as defined in the plan, at death or disability of the participating employee or upon severing employment if either partially or fully vested. The plan provides for percentage vesting of 20% for the first full three years of service increasing annually thereafter to 100% vesting after seven full years of participation. The plan provides for an accelerated vesting schedule in the event it becomes top-heavy.

Management cannot determine the extent of the benefits that any participating employee may be entitled to receive under the plan on the date of termination of employment because the amount of the benefits is dependent, among other things, upon the bank's future earnings, the participants future compensation and the future earnings of the plan's trust fund. As of December 31, 2006, the total market value of the Employee Profit Sharing Retirement Fund was approximately \$6,742,858. As of December 31, 2006, there were no shares of Mid Penn Bancorp, Inc. common stock in the plan.

Contributions the bank paid to the plan were \$251,366 for 2006. The bank contributed \$12,560 in 2006 to the plan for Mr. Dakey, Chairman of the Board, President and Chief Executive Officer of the corporation and the bank; \$7,350 for Mr. Laudenslager, Executive Vice President and Chief Financial Officer of the bank; and \$8,560 for Mr. Williams, Executive Vice President and Chief Lending Officer of the bank. As of February 15, 2007, Chairman Dakey had 14 years of credited service under the plan. Mr. Laudenslager and Mr. Williams had 22 and 6 years of credited service under the plan, respectively.

**Table of Contents**

*Employee Stock Ownership Plan*

Effective January 1, 1998, the Board of Directors adopted the Mid Penn Bank Employee Stock Ownership Plan for all bank employees and its subsidiaries who satisfy length of service requirements. The Plan was last amended in 2003. Participants do not contribute to the plan. Each year the bank may, in its discretion, contribute to the ESOP. In 2006, the bank contributed \$94,262 to the plan. As of December 31, 2006, the total market value of the ESOP was \$1,121,939. The bank contributed \$4,710 in 2006 to the plan for Mr. Dakey, Chairman of the Board, President and Chief Executive Officer of the corporation and the bank. The bank contributed \$2,756 and \$3,210 for Mr. Laudenslager, Executive Vice President and Chief Financial Officer of the bank and Mr. Williams, Executive Vice President and Chief Lending Officer of the bank, respectively.

*401(k) Plan*

Effective January 1, 2007, the Board of Directors instituted a 401(k) Plan for all bank employees who satisfy eligibility requirements. For the year 2007, the Board approved a matching contribution rate of 50% of the employee contribution, up to a maximum bank contribution of 3%. The Board maintains the right to adjust its matching rate on an annual basis.

*Director Deferred Fee Agreement*

The bank maintains a director deferred fee plan, whereby directors may defer up to \$10,000 in director fees each year. The director receives either a lump sum or equal monthly installments in an amount equal to his deferral account upon retirement, early termination, disability, a change in control, a hardship or death.

*Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement*

Under the executive deferred compensation agreement and executive deferred bonus agreement, Chairman Dakey may defer specified amounts of compensation and bonuses. The amounts deferred under the agreements earn interest at the rate of eight percent (8%) annually, compounded semi-annually. Chairman Dakey will receive either a lump sum or equal monthly installments in an amount equal to his deferral account upon retirement, early termination, disability, a change in control, a hardship or death.

The following tables summarize certain information concerning Chairman Dakey's participation in Executive Deferred Compensation Plan and Director Deferred Fee Plan for the 2006 fiscal year.



**Table of Contents**

## NONQUALIFIED DEFERRED COMPENSATION TABLE

Name	Aggregate		Earnings in 2006 (\$) (1)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at December 31, 2006 (\$) (2)
	Executive Contributions in 2006 (\$)	Registrant Contributions in 2006 (\$)			
Alan W. Dakey Chairman of the Board President and Chief Executive Officer	10,000		10,757		150,510

(1) Includes interest of \$10,588 credited on the Executive Deferred Compensation Plan and \$169 credited on the Director Deferred Fee Plan.

(2) Includes a balance of \$140,341 on the Executive Deferred Compensation Plan and \$10,169 on the Director Deferred Fee Plan.

## PENSION BENEFITS TABLE

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)

*Officer Split Dollar Life Insurance Plan*

In order to attract, retain and reward highly qualified executives, the bank has purchased certain life insurance policies for certain executives. Effective January 1, 1999, the bank entered into an agreement to provide Mr. Dakey with life insurance coverage equal to three times his base salary up to a maximum of \$600,000. Chairman Dakey will have a vested insurance benefit in the policies at the earliest of the following events: (1) reaching normal retirement age while employed by the company; (2) reaching a total of 70 when the participant's age and years of service are combined; (3) termination of employment due to disability; (4) termination of employment following a change of control.

*Salary Continuation Plan*

To encourage Mr. Dakey to remain an employee of Mid Penn Bank, the bank entered into an agreement effective January 1, 1999, to provide salary continuation benefits. The amount of the annual benefit is \$84,000 per year provided Mr. Dakey remains employed by the bank until his normal retirement age of 65. The benefit is to be paid in monthly installments over a term of 15 years to Mr. Dakey or his beneficiary. The agreement provides a change of control provision, disability provision and an early termination benefit. The agreement also contains a vesting

## **Table of Contents**

schedule which is graduated over a term of 16 years from the effective date of the agreement. Chairman Dakey's early termination benefit in the plan was \$25,122 per annum as of January 1, 2007, and he is 50% vested in the plan.

### *Equity Compensation Plans*

The corporation does not maintain any equity compensation plans or stock options for executives or board members. The Board has determined that stock options are not consistent with the corporation's philosophy and approach to compensation. Cash compensation is deemed the more appropriate form of payment.

## **POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

The corporation has determined that the appropriate triggering events for payments under certain plans are retirement, early retirement, disability, change of control and death. These triggers are standard in the financial industry and are appropriate to accomplish the corporation's intent of providing an incentive for longevity.

### *Split Dollar Life Insurance Plan*

Upon reaching age 65, reaching a total of 70 when Chairman Dakey's age and years of service are combined, termination of employment due to disability, or termination of employment following a change of control, Chairman Dakey shall become vested in an insurance benefit equal to three times his base annual salary.

### *Director Deferred Fee Agreement*

Upon retirement, early retirement, disability, death or a change of control, the named executive officer, or the named executive officer's beneficiary, would be entitled to a lump sum payment in the amount of his deferral account balance.

### *Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement*

Upon retirement, early termination, disability, change of control or death, the named executive officer would be entitled to monthly payments over a specified time period totaling the amount of his deferral account balance.

### *Salary Continuation Agreement*

Upon retirement, early termination, disability, change of control or death, the named executive officer will receive a specific annual amount depending upon the nature of the triggering event and the number of years of service.

The following table shows the potential payments upon termination or change of control of the corporation for Chairman Dakey under his Split Dollar Life Insurance Plan, Director Deferred Fee Agreement, Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement. The chart assumes the triggering events took place on December 31, 2006.

**Table of Contents**

Agreement	Voluntary Termination	Early Retirement	Normal Retirement	Involuntary Not for Cause Termination	For Cause Termination	Termination resulting from a Change of Control	Disability	Death
Split Dollar Life Insurance Plan <sup>(1)</sup>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 471,000
Director Deferred Fee Agreement <sup>(1)</sup>	\$ 10,757	\$ 10,757	\$ 10,757	\$ 10,757	\$ 10,757	\$ 10,757	\$ 10,757	\$ 32,456
Executive Deferred Compensation Agreement and Executive Deferred Bonus Agreement <sup>(1)</sup>	\$ 150,510	\$ 150,510	\$ 150,510	\$ 150,510	\$ 150,510	\$ 150,510	\$ 150,510	\$ 274,000
Salary Continuation Agreement <sup>(2)</sup>	\$ 25,122	\$ 25,122	\$ 84,000	\$ 25,122	\$ 0	\$ 84,000	\$ 25,002	\$ 84,000
Director Retirement Bonus Plan and Survivor Income Agreement <sup>(2)</sup>	\$ 0	\$ 0	\$ 22,000	\$ 0	\$ 0	\$ 22,000	\$ 22,000	\$ 22,000

(1) Lump sum payments

(2) Indicates annual benefit amount to be distributed in equal payments over a period of 15 years

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Neither the corporation nor the bank have entered into any other material transactions, proposed or consummated, with any other director or executive officer of Mid Penn Bancorp, Inc. or Mid Penn Bank, or any associate of the foregoing persons. From time to time, the bank has engaged in and intends to continue to engage in banking and financial transactions in the ordinary course of business with directors and officers and their associates on comparable terms with similar interest rates as those prevailing from time to time for other customers.

Related party transactions greater than \$10,000 must be approved by the Board of Directors prior to any commitment by the bank to any such transaction. Directors do not participate in the discussions and are not present for voting on their own related party transactions. All of the material terms, conditions and purpose of the transaction shall be described in writing and provided to the Board of Directors, together with the written request for approval of any such related party transaction. The transaction should be reviewed and approved by the appropriate senior officer before being submitted to the Board for approval. Related party transactions for ongoing or continuing services can be reviewed and pre-approved within reasonable parameters by the Board of Directors on an as-needed basis. If the terms, pricing or conditions change so as to go outside the specified parameters cited in the request, the transactions shall be resubmitted for review and approval after the fact. This shall occur not less often than once each year and will require a transaction-by-transaction approval.

The bank makes loans to the corporation s and the bank s officers and directors and their immediate families and companies in which they had an ownership interest of 10% or more during the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. The loans did not involve more than the normal risk of collection or present other unfavorable features.

**Table of Contents**

**BENEFICIAL OWNERSHIP OF  
MID PENN BANCORP S STOCK HELD BY  
PRINCIPAL SHAREHOLDERS AND MANAGEMENT**

*Principal Shareholders*

The following table shows, to the best of our knowledge, those persons or entities, who owned of record or beneficially, on February 15, 2007, more than 5% of the outstanding shares of Mid Penn Bancorp s common stock.

Beneficial ownership of Mid Penn Bancorp s common stock was determined by referring to Securities and Exchange Commission Rule 13d-3, which provides that a person should be credited with the ownership of any stock held, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares:

Voting power, which includes the power to vote or to direct the voting of the stock; or

Investment power, which includes the power to dispose or direct the disposition of the stock; or

The right to acquire beneficial ownership within 60 days after February 15, 2007.

Title of Class of Security	Name and Residential Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	CEDE & Co. <sup>(1)</sup>	1,100,618 shares	32.93%
	The Depository Trust Company		
	PO Box 20		
	Bowling Green Station		
	New York, NY 10274		

(1) CEDE & Co. holds shares of various brokerage firms, banks or other nominees on behalf of individual shareholders, commonly referred to as street name shares.

*Share Ownership by the Directors, Officers and Nominees*

The following table shows, as of February 15, 2007, the amount and percentage of Mid Penn Bancorp s common stock beneficially owned by each director, each nominee, each named executive officer and all directors, nominees and executive officers of the corporation as a group.

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

Voting power, which includes the power to vote or to direct the voting of the stock; or

Investment power, which includes the power to dispose or direct the disposition of the stock; or

**Table of Contents**

The right to acquire beneficial ownership within 60 days after February 15, 2007.

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

Name of Beneficial Owner	Amount and	
	Nature of	Beneficial
	Ownership	Percent
Jere M. Coxon	52,283 <sup>(1)</sup>	1.56%
Alan W. Dakey	12,207 <sup>(2)</sup>	.37%
A. James Durica	2,137 <sup>(3)</sup>	.06%
Robert C. Grubic	7,411	.22%
Gregory M. Kerwin	21,187 <sup>(4)</sup>	.63%
Theodore W. Mowery	1,248	.04%
Donald E. Sauve	2,476 <sup>(5)</sup>	.07%
Edwin D. Schlegel	76,599 <sup>(6)</sup>	2.29%
Guy J. Snyder, Jr.	114,236 <sup>(7)</sup>	3.42%
William A. Specht, III	1,792 <sup>(8)</sup>	.05%
Kevin W. Laudenslager	1,612	.05%
Cindy L. Wetzel	2,290 <sup>(9)</sup>	.07%
All Officers and Directors as a Group (12 persons)	295,478	8.84%

(1) Includes 1,704 shares held by Mr. Coxon's spouse.

(2) Includes 11,413 shares held jointly by Chairman Dakey and his spouse.

(3) Includes 525 shares held jointly by Mr. Durica and his spouse and 1,612 shares held by Mr. Durica in an IRA.

(4) Shares held jointly by Mr. Kerwin and his spouse.

(5) Shares held jointly by Mr. Sauve and his spouse.

(6) Shares held jointly by Mr. Schlegel and his spouse.

(7) Includes 65,017 shares held jointly by Mr. Snyder and his spouse and 49,219 shares held individually by his spouse. 14,888 shares held by Mr. and Mrs. Snyder are pledged as security.

(8) Shares held jointly by Mr. Specht and his spouse.

(9) Shares held jointly by Mrs. Wetzel and her spouse.

**COMPLIANCE WITH SECTION 16(a) REPORTING**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that officers and directors, and persons who own more than 10% of a registered class of the corporation's equity securities, file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors, and greater than 10% shareholders are required by SEC regulation to furnish the corporation with copies of all Section 16(a) forms they file.

**Table of Contents**

Based solely on our review of the copies of these forms, or written representations from certain reporting persons that no Forms 5 were required for those persons, Mid Penn Bancorp, Inc. believes that during the period from January 1, 2006, through December 31, 2006, its officers and directors complied with all applicable filing requirements, except for Mr. Specht who filed one late report for one transaction.

**CERTIFIED PUBLIC ACCOUNTANTS**

Representatives of Parente Randolph, LLC are not expected to be present at the Annual Meeting of Shareholders to be held April 24, 2007. However, if representatives of Parente Randolph, LLC do attend, they will be given an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

**SHAREHOLDER PROPOSALS FOR 2008 ANNUAL MEETING**

In order for a shareholder proposal to be considered for inclusion in Mid Penn Bancorp, Inc.'s proxy statement for next year's annual meeting, the written proposal must be received by the corporation no later than November 28, 2007. All proposals must comply with the Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials. If a shareholder proposal is submitted to the corporation after November 28, 2007, it is considered untimely; and, although the proposal may be considered at the annual meeting, the corporation is not obligated to include it in the 2008 proxy statement. Similarly, in compliance with the corporation's Bylaws, shareholders wishing to nominate a candidate for election to the Board of Directors, must notify the corporation's Secretary in writing no later than 60 days in advance of the meeting. Shareholders must deliver any proposals or nominations in writing to the Secretary of Mid Penn Bancorp, Inc. at its principal executive office, 349 Union Street, Millersburg, Pennsylvania 17061. See page 5 for more information about nominations to the Board of Directors.

**OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING**

The Board of Directors knows of no matters other than those discussed in this proxy statement or referred to in the accompanying Notice of Annual Meeting of Shareholders that properly may come before the annual meeting. However, if any other matter should be properly presented for consideration and voting at the annual meeting or any adjournments of the meeting, the persons named as proxy holders will vote the proxies in what they determine to be the best interest of Mid Penn Bancorp, Inc.

**Table of Contents**

**Appendix A**

**Audit Committee Charter**



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**Table of Contents**

**AUDIT COMMITTEE CHARTER**

**PURPOSE**

The Audit Committee is appointed by the Board of Directors of Mid Penn Bancorp, Inc., herein referred to as Bank, and serves the holding company and all subsidiaries. The primary function of the Audit Committee Committee is to assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and auditing and financial reporting practices. The Audit Committee assists the Board of Directors in its oversight of:

The integrity of the Bank's financial statements

Compliance with legal and regulatory requirements

The independent public accountant's qualification and independence, and

The performance of the independent public accountants and the Bank's internal audit function.

**COMPOSITION OF THE AUDIT COMMITTEE**

The committee will be comprised of three or more directors as determined by the Board of Directors. The members of the Committee will meet the independence and experience requirements as directed by the Sarbanes-Oxley Act and the American Stock Exchange. The members of the Committee will be comprised of directors who are independent of the management of the bank and are free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as an audit committee member. The members of the Committee will be elected annually at the organizational meeting of the full Board of Directors and will be listed in the annual Proxy Statement. The Board will elect one of the members of the Committee as Committee Chairperson. The Committee will meet as often as necessary to fulfill its duties and responsibilities, but not less frequently than four times a year, normally once each quarter.

The Committee shall have at least one member serve as a financial expert as required by the Sarbanes-Oxley Act. The Bank is required to disclose in the annual and quarterly reports to the Securities and Exchange Commission (SEC) whether or not the Committee includes at least one member who is a financial expert and, if not, must disclose the fact and explain why it does not have an expert serving on the Committee.

**INDEPENDENT AUTHORITY OF THE AUDIT COMMITTEE**

The Committee is authorized to engage independent counsel and other advisors as the Committee determines necessary to carry out its duties, and the Bank must provide appropriate funding, as the Committee determines necessary, to compensate the independent auditor and its advisors.

**AUDIT COMMITTEE'S RELATIONSHIP WITH THE INDEPENDENT PUBLIC ACCOUNTANTS**

The Committee has direct responsibility to select and appoint the independent public accountants (auditors).

The Committee shall oversee the external audit coverage, including annual retention of the independent auditors, the scope of the audit services, audit engagement letters, estimated fees, coordination with internal audit, monitoring of audit results and review of independent auditor's performance and services.

The Committee shall review the results of the independent auditor's annual audit and interim financial reviews to include: (1) annual financial statements and accompanying footnotes, (2) any significant changes required in the audit plans or scope, (3) any material differences or disputes with management encountered during the course of the audit, (4) any material management letter comments and management's response to recommendations, (5) other matters required to be discussed by Statement on Auditing Standards No. 61.

The Committee is responsible for overseeing the resolution of any disputes between management and the independent auditors.

The Committee shall obtain and review a report from the independent auditors at least annually regarding (a) the independent auditor's internal quality control procedures, (b) any material issues raised in the most recent internal quality review or peer review and any inquiries by governmental or professional authorities regarding the firm's independent audits of other clients, (c) any step taken to deal with any such issues, and (d) all relationships between the independent auditor and the Bank, including a review and evaluation of the lead partner and taking into

account the opinions of management and the Bank's internal auditors.

The Committee shall pre-approve, in accordance with the Pre-Approval Policy, the provision by the independent auditor of all audit and non-audit services.

**Table of Contents**

The Committee is required to consider reports from the independent auditor on (1) the Bank's critical accounting policies and practices, (2) all alternative treatments of financial information permitted within GAAP that have been discussed with management, the ramifications of the use of such treatments and the treatment preferred by the auditor, and (3) all other written communications between the firm and management.

The Committee is directed to resolve disagreements in analyzing any internal controls deficiencies and management or employee fraud identified in the CEO/CFO certifications required by the Sarbanes-Oxley Act.

**RESPONSIBILITIES AND DUTIES OF THE AUDIT COMMITTEE**

1. Review and update this Charter, at least annually, or as conditions dictate.
2. Review the Bank's financial statements and any reports or other financial information filed with the SEC, including any certification, report, opinion, or review rendered by the independent public accountants.
3. Review with financial management and the independent public accountants the Form 10-Q prior to its filing. The Chair of the Committee may represent the entire Committee for purposes of this review.
4. Review and discuss with financial management and the independent auditors the Bank's annual audited financial statements included in Form 10-K, including disclosures made in the section regarding management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in Bank's Form 10-K.
5. Discuss with the independent auditors, audit coordinator and management as appropriate any weaknesses or deficiencies that any of the foregoing have identified relating to financial reporting, internal controls or other related matters and their proposals for rectifying such weaknesses or deficiencies.
6. Inquire as to the independence of the independent public accountants and obtain from the independent public accountants, at least annually, a formal written statement delineating all relationships between the independent public accountants and the Bank as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
7. Approve (after preparation by management and review by the audit coordinator and independent public accountants) the financial statements required under SEC rules to be included with the Bank's annual proxy statement. This charter is to be published as an appendix to the proxy statement at least once every three years.
8. Appoint, compensate, and oversee the work of the independent auditor for the purposes of preparing or issuing any audit report. The independent auditor is required to report directly to the audit committee.
9. Review the regular internal reports to management from internal auditing and management's response.
10. Review certain related party transactions involving ongoing services, for which the Board has delegated review responsibility to the Audit Committee pursuant to Board policy. All other related party transactions are reviewed and approved by the Board.

**PROCEDURES FOR HANDLING ACCOUNTING COMPLAINTS; PROTECTION OF WHISTLE BLOWERS**

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The Committee has established procedures for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

**Table of Contents**

**Appendix B**

**Nominating and Corporate Governance Committee Policy and Charter**

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**Table of Contents**

**MID PENN BANCORP, INC.**

**NOMINATING AND CORPORATE GOVERNANCE COMMITTEE POLICY AND CHARTER**

Board Approved: June 25, 2003

Last Revision Date: January 24, 2007

The following Policy and Charter identifies the duties, responsibilities, policies, and authority of the Nominating and Corporate Governance Committee (Committee) of Mid Penn Bancorp, Inc. The Committee will be comprised solely of independent Directors. It will operate in compliance with all regulatory requirements including applicable SEC and Exchange governance requirements.

**I. NEW DIRECTORS SELECTION, NOMINATION, QUALIFICATION AND RECOMMENDATION OF NEW DIRECTORS FOR SHAREHOLDER APPROVAL**

1. **Selection process.** Shareholders are responsible for selecting Board members who will be most likely to promote the success and economic growth of the Company and to make effective decisions about whether management is doing its job. The Committee will recommend candidates who have been identified as possessing the necessary qualifications to be an effective Director. The Board is responsible to ensure continued sound stewardship by providing shareholders with the best qualified candidates for consideration.
2. **Nomination process.** The Committee process for identifying and evaluating nominees consists of compiling a list of nominees recommended by shareholders, Mid Penn Bancorp, Inc. Directors and individuals who have approached officers and Directors for consideration. Information is gathered concerning the potential Board member's business and location of residence, shares owned, profession or business, and deposit and loan relationship with the Company. Personal information about the individual is also gathered to determine if he/she meets the criteria listed in this Policy. The Committee screens this information to form a smaller number of final candidates to be interviewed. Upon completion of the interviews, the Committee makes a final recommendation to the full Board of Directors for appointment. All potential candidates are screened by the same process regardless of whether they were recommended by a shareholder or by another party.
3. **Qualifications.** Candidates for Director must be qualified in terms of education, professional experience, business contacts, and special skills. Other less tangible but equally important qualifications include general representation from the markets served, enthusiasm, maturity, reputation, compatibility with other Board members, diplomacy, and independent judgment. In addition, candidates should have a vested interest in Mid Penn Bancorp, Inc. stock. New directors are required to own a minimum of 1,000 shares, or acquire a minimum of 1,000 shares within one year from their date of appointment to the Board. Additional share ownership is encouraged.
4. **Re-nomination.** Each annual decision to re-nominate incumbent Directors should be based on a careful consideration of each such individual's contributions, including the value of his or her experience as a Director of Mid Penn Bancorp, Inc., the availability of new Director candidates who may offer unique contributions, and Mid Penn's changing needs. The Nominating and Corporate Governance Committee will recommend to the full Board all members to be re-nominated.
5. **Election.** Appointment and election of Director pursuant to Company's Articles and Bylaws.
6. **Director performance.** The Committee will monitor the performance of Directors based on the general criteria and the specific criteria applicable to each such Director. If any serious problems are identified, work with such Director to resolve such problems or, if necessary, seek such Director's resignation or recommend to the Board such person's removal.

## II. PERSONAL CHARACTERISTICS

1. Integrity and accountability. Character is the primary consideration in evaluating any Director. Directors must have high ethical standards and integrity in their personal and professional dealings. Directors must be willing to act on and remain accountable for their Boardroom decisions.

## **Table of Contents**

2. **Informed judgment.** A Director should be able to provide wise, thoughtful counsel on a wide range of issues. Directors should possess high intelligence and wisdom, and be able to apply it to decision making. Directors should be able to comprehend new concepts quickly.
3. **Financial literacy.** Directors should be financially literate. Directors should know how to read a financial statement and understand financial ratios. Directors should have a working familiarity with basic finance and accounting practices.
4. **Mature confidence.** Directors should approach others with self assurance, responsibly, and supportively. Directors should value Board and team performance over individual performance. Directors should be able to raise tough questions in a manner that encourages open discussions. Directors should be inquisitive and curious and ask questions of management.
5. **High performance standards.** Directors should have a history of achievement that reflects high standards for themselves and others.
6. **Political awareness.** Directors should possess an awareness of the importance of politics.

## **III. CORE COMPETENCIES**

1. **Accounting and finance.** The Board must be able to see that shareholder value is enhanced through corporate performance and protected through adequate internal controls. The Board should possess a familiarity with financial accounting and corporate finance.
2. **Business judgment.** The Board needs to be able to monitor corporate management. Directors should understand general management best practices in the banking industry.
3. **Crisis response.** Directors need to be able to perform their duties and provide time during periods of crisis.
4. **Industry knowledge.** The Board should have one or more Directors with in-depth industry specific knowledge, including housing, community/economic development and banking.
5. **Risk management.** The Board should have one or more Directors with experience in financial, operational, political, and reputation risk management.
6. **Leadership.** Directors need to possess empowerment skills and be able to motivate high level talent.
7. **Strategy/Vision.** Directors should possess the skill and capacity to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions, and continuously challenging the organization to achieve its vision.
8. **Political savvy.** The Board should have one or more Directors that possess the skill to be influential with policy makers at all levels.



**IV. RESPONSIBILITIES OF DIRECTORS**

1. Continuity of the Company as a sound institution with adequate capital, skilled management, and well-defined policies.
2. Define and advance the mission and activities of the Company and address the interests of its constituencies.
3. Insist on compliance with the laws and regulations imposed by governmental agencies.
4. Perform certain duties as established by law and regulation.
5. Provide that risk management policies (broadly defined) and internal controls are in place and functioning.
6. Seek a balance between the risks and benefits of the Company's activities.
  - (a) Identify objectives and the degree of risk acceptable for attaining those objectives.
  - (b) Monitor political and reputation risk trends and incorporate them into goal setting.

**Table of Contents**

7. Ensure protection of stockholders, depositors, loan customers and creditors, through internal control, independent audits, and insurance coverage.
8. Perform duties with diligence and prudence.
9. Assist with the business development of the Company through referrals and participation in business development efforts.
10. The majority of the Board members will elect a Chairman upon the retirement/replacement of the Chairman.

**V. FUNCTIONAL DUTIES OF DIRECTORS**

1. To attend scheduled and special Board Meetings.
2. To select, evaluate, counsel, compensate and appoint a competent Chief Executive Officer and provide for CEO succession.
3. To provide leadership in planning overall affairs of the Company.
4. Together with other Directors and management, to determine the short and long range goals of the Company and to facilitate the strategic planning process and monitor the Company's progress toward established strategic objectives.
5. To review, approve, and annually evaluate all operating policies of the Company.
6. To recognize problems or issues beyond the scope of management.
7. To take remedial or corrective action when dealing with problems.
8. To safeguard the financial condition of the Company by periodically reviewing the Company's financial statements.
9. To approve operating and capital budgets.
10. To work continuously to advance the interests of the Company.
11. Review and critically examine common ratios and performance measurements, i.e., Return on Equity, Return on Assets, Loan to Deposit Ratio, Liquidity, Cost of Funds vs. Return on Loans and Investments (spreads), Capital to Asset Ratio.
12. Review and evaluate the Company's marketing strategy and marketing plan and monitor the results in achieving goals.

**VI. OTHER RESPONSIBILITIES**

1. Serve on committees, as required.
2. Make recommendations to shareholders concerning the size of the Board and new members.
3. Establish a retirement policy for Directors.
4. Make recommendations for amendments to the Articles of Incorporation or Bylaws.
5. Appoint outside auditors and review audit reports.
6. Recommend removal of Directors for cause.
7. Maintain the confidentiality of Company business.
8. Recognize and avoid conflicts of interest in making Company decisions.
9. Not permitting preferential treatment to insiders on loans or contracts for services or supplies.

## **Table of Contents**

10. Annually review the Directors and Officers liability insurance coverage and review all other Company insurance coverages for adequate protection of assets and liability exposure.
11. Periodically review peer bank financial information.
12. Review and approve compensation and employee benefit plans.

## **VII. ACCOUNTABILITY**

1. Shared accountability. Directors should demonstrate competent governance, fulfill the Company's mission and strategic objectives, and enhance the Company's image.
2. Individual accountability. Directors should strive to continuously improve governance skills and financial and political literacy.

## **VIII. ATTENDANCE**

1. Board members are expected to attend all meetings possible. If a Director is unable to attend regularly, the Committee will determine the reasons for excessive absences and the Director's expected future attendance. In the event a Director misses 3 consecutive meetings, or more than 25% of the meetings per year, the Committee may recommend the removal of the Director from the Board.

## **IX. DIRECTORS COMPENSATION**

1. Amount determined from time to time by the Board.
2. Directors are paid quarterly.
  - a. Directors may defer a portion of their fees in a Board approved plan.
3. Expense reimbursement for Directors' registration, travel, meals, and lodging to attend Board approved seminars, workshops, or conventions.

## **X. DIRECTORS' POTENTIAL LIABILITY**

1. Criminal law liability.
2. Administrative action by regulatory authorities.
3. Civil liability. Directors are aware of the fact that Board decisions made must be in compliance with the banking laws and regulations.

## **XI. EXAMINATION AND CONTROL**

1. Internal Audit and Internal Controls. Directors shall ensure that Mid Penn maintains a strong internal audit program and that adequate internal controls are in place to comply with regulatory requirements, including Sarbanes-Oxley.
2. Annual External Audit. Directors will ensure that an annual external audit is performed on the Company's annual financial statements and management's evaluation of system of internal controls. The results of this audit are to be presented to the Board annually by the accountants.
3. Examinations. All examination reports received from the Company's regulatory agencies are to be thoroughly reviewed and any actions or responses by management concerning any violations or deficiencies must be approved by the Board and noted in the minutes.

## **Table of Contents**

### **XII. COMPANY POLICIES**

1. Retirement Policy. The Company maintains a mandatory retirement policy for Directors. Directors who reach the age of 70 during their tenure on the Board will continue to serve until the next Annual Shareholders Meeting, at which time they will retire from the Board.

### **XIII. CODE OF ETHICS**

1. Board members must comply with the Mid Penn Bancorp, Inc. Directors, Senior Management and Employee Code of Ethics which is attached to this Policy as Exhibit A.

### **XIV. CORPORATE GOVERNANCE**

1. The Committee shall develop and recommend to the Board a Corporate Governance Policy and any changes therein, setting forth the corporate governance principles applicable to Mid Penn Bancorp, Inc.
2. The Committee shall monitor and make recommendations to the Board on other matters of Board policies and practices relating to corporate governance.
3. The Committee shall review and make recommendations to the Board regarding proposals of shareholders that relate to corporate governance.
4. The Committee also shall undertake such additional activities within the scope of its primary functions as the Committee may from time to time determine.
5. The Committee shall have the right to use reasonable amounts of time of Mid Penn's internal and independent accountants, internal and outside lawyers and other internal staff and also shall have the right to hire independent experts, lawyers and other consultants to assist and advise the Committee in connection with its responsibilities. The Committee shall keep the Chief Financial Officer advised as to the general range of anticipated expenses for outside consultants. Engaging the Company's independent auditor will be done in conformity with the Pre-Approval Policy for Services by Independent Auditors.

### **XV. LEADERSHIP**

1. Chairman of the Board. The Board of Directors will elect a Chairman of the Board who may be the President/CEO of the Company or an outside Director. The Chairman shall have the authority to call meetings of the Board of Directors. He/She will chair the meetings of the Board of Directors and the Annual Meeting of Shareholders. The Chairman sets the Board agenda in coordination with the Lead Director and oversees the Board information that is sent to Board members prior to Board Meetings.
2. Vice Chairman and Lead Director ( Vice Chairman ). The Vice Chairman provides input to the Chairman/CEO on agenda items and information requested by members of the Board of Directors. The Vice Chairman chairs the Board Meetings when the Chairman is not in attendance. The Vice Chairman chairs meetings of the independent Directors and facilitates communications between the independent Directors and the CEO. The Vice Chairman has the authority to call meetings of

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the independent Directors, set the agendas and lead the meetings of the independent Directors. The Vice Chairman shall serve as the liaison between the independent Board members and the Chairman/CEO and shall share appropriate information concerning issues arising at independent Board Meetings. The Vice Chairman is an independent Director and does not have a role in Company operations. Officers and employees report to the CEO, not to the Vice Chairman. The Vice Chairman is elected by the Board of Directors.

**Table of Contents**

**EXHIBIT A**

**MID PENN BANCORP, INC. AND MID PENN BANK**

**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEE**

**CODE OF ETHICS**

Board Approved: June 25, 2003

Last Revision Date: January 24, 2007

The Directors, the CEO, the CFO, the employees and individuals designated as "Insiders" in Mid Penn Bancorp, Inc. and Mid Penn Bank (the Company) hold an important and elevated role in corporate governance. They are vested with both the responsibility and authority to protect and preserve the interests of all of the Company's constituents, including shareholders, customers and citizens of the communities in which we conduct business. The maintenance of extremely high standards of honest, ethical and impartial conduct is essential to assure the proper performance of the Company's business and the maintenance of the public's trust. This Code of Ethics prescribes the policies and procedures to be employed and enforced in the Company's operations.

It is your responsibility to comply with the law and behave in an ethical manner. This responsibility cannot be delegated or assumed by the Company.

This Code cannot anticipate every possible situation or cover every topic in detail. From time-to-time the Company may establish compliance programs to address specific subjects or you may find certain topics also covered in the Employee Reference Handbook. If you are unclear about a situation, seek guidance before taking action.

The standards in this Code do not necessarily take into account all legal requirements. Where more restrictive local laws or requirements exist, those take precedence.

You must comply with all applicable governmental laws, rules and regulations. Failure to obey laws and regulations violates this Code and may expose both you and the Company to criminal or civil prosecution. Any violation of this Code or other compliance programs may result in corrective action, up to and including termination. The Company may also seek civil remedies from you and even refer criminal misconduct to law enforcement agencies.

You are responsible for reporting suspected violations of this Code to our Corporate Compliance Officer or by following the procedures in the Whistleblower Policy located in the Company's Employee Reference Handbook.

If you have a question about a topic covered in this Code, please review Mid Penn's Employee Reference Handbook. If you still have a concern regarding any unethical or illegal conduct, please contact our Corporate Compliance Officer or follow the guidelines in the Whistleblower section of the Company's Employee Reference Handbook.

**Conflicts of Interest**

A conflict of interest exists any time you face a choice between what is in your personal interest (financial or otherwise) and the interest of the Company. These situations are not always easy to avoid. When a conflict of interest arises, it is important that you act with great care to avoid even the appearance that your actions were not in the best interest of the Company. If you find yourself in a position where your objectivity may be questioned because of individual interest or family or personal relationships, notify our Corporate Compliance Officer immediately.



Ownership Interests

Board of Directors approval is required for the Company to do business with a company in which a member of the Board of Directors, an officer, an employee or a family member of a director, officer or employee owns directly or indirectly an interest. Any loan requests by executive officers and directors will need final approval by the Board of Directors and must be in compliance with Regulation O.

Gifts, Meals, Services and Entertainment

You should not request or accept anything that might be used as a means to influence, or even appear to influence, you against the Company's best interests. Personal gifts should not be accepted other than those considered common business courtesies and for which you would reasonably expect to give something similar in return in the normal course of business.

## **Table of Contents**

### **Safeguarding Company Assets/Accuracy of Books and Records**

The Company maintains internal controls to provide direction on protecting Company assets and financial accountability. The controls are based upon the following principles.

#### **Do not:**

Make personal use of Company assets that creates any additional costs for the Company, interferes with work duties or violates any Company policies;

Allow Company property to be used to help carry out illegal acts;

Manipulate financial accounts, records or reports for personal gain;

Maintain off-the-book accounts to facilitate questionable or illegal payments; or

Violate any law or regulation.

#### **Do:**

Ensure effective internal controls and procedures are designed and implemented;

Prepare project budget proposals with accurate information;

Maintain books, accounts and records according to generally accepted accounting principles, using enough detail to reflect accurately and fairly Company transactions;

Record transactions in a timely manner, so that no misleading financial information is created. (These transactions include, but are not limited to, income, expense, indebtedness, obligation, reserves and acquisition or disposition of assets, etc.); and

Give full, fair, accurate, timely, and understandable disclosure in any and all periodic reports filed with the Securities Exchange Commission and other public communications made by the Company.

All employees, officers and directors are required to respond honestly and candidly when dealing with the bank's independent and internal auditors, regulators and attorneys.

### **Safeguarding Confidential Information**

Trade secrets and other proprietary information of the Company and its customers and suppliers, employee data, information about the Company's customers and suppliers, and all other non-public information that might be of use to the Company's competitors or harmful to the Company or its customers, if disclosed, is confidential information. Confidential information should be protected by all Covered Persons and,

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except to the extent legally required or specifically authorized by an appropriate representative of the Company, should not be disclosed to persons inside or outside the Company who do not have a legitimate, work-related need to know such information. The loss of this information through inadvertent or improper disclosure could be harmful to the Company and its customers and suppliers.

### Insider Trading

Insider trading is a crime that can carry severe penalties. If you know material, confidential information about the Company or any company with whom we have a business relationship and you trade Company securities, such as stocks or bonds, while in possession of that information or tell others about it before it is made public, you may have violated the insider trading laws. Please review the Insider Trading Policy and the Employee Handbook for details on our insider trading policy.

Material information is the type of news that would affect a reasonable investor's decision on whether or not to invest in the Company's stock. Examples include plans to issue securities, sharp changes in earnings patterns, changes in dividend rates, changes in key management personnel, mergers, acquisitions, and important regulatory actions affecting the Company. This policy forbids you from trading not only in Company stock, but also in stock of our suppliers, customers or other companies with whom we have a business relationship, while in possession of material inside information, learned in the course of your employment at our Company.

We encourage all members of the Board of Directors, officers and employees to invest in our stock. However, if you have access to any information not readily available to the public, you must be very careful when trading stock to be sure you have not traded while in possession of material non-public information. When you have such information:

Do not tell anyone not authorized to have the information. A casual remark to a friend may find its way to a broker and eventually to the entire financial community thereby requiring the Company to make a premature or unplanned public announcement. This tipping may be illegal and damaging to the Company.

## **Table of Contents**

In compliance with the Sarbanes-Oxley Act of 2002, do not trade and trading is prohibited in the Company's stock (or that of an applicable outside company) until the news has been made public for at least two full business days. Circumstances suggesting the possibility of insider trading may result in an investigation by governmental authorities of the Company and stockbroker records of stock trading transactions. This investigation could damage our Company's reputation and result in liability or penalties, including criminal charges and fines against the individual.

This policy against insider trading also covers transfers into and out of the Company stock or savings plans and changes in patterns involving purchases of our stock within the plans. However, generally, regular scheduled purchases of the Company stock within plans are not prohibited.

If you are planning to effect a transaction in our securities, you must contact our Corporate Compliance Officer in advance.

## **Bribery, Kickbacks and Other Improper Payments**

The Company, our Board of Directors, officers and employees must maintain high ethical and professional standards in all dealings.

Do not directly or indirectly promise, offer or make payment in money or anything of value to anyone, including a government official, agent or employee of a government, political party, labor organization or business entity or a candidate of a political party, with the intent to induce favorable business treatment or to improperly affect business or governmental decisions.

Our Code does not take into account all local legal requirements. Where more restrictive local laws exist, those take precedence. In general, the Company does not consider ordinary and reasonable business entertainment or gifts of insubstantial value that are customary and legal in the local market to be improper.

Document any entertainment of and gifts to customers and potential customers.

Loans are not made by the Company to its Board members, officers or employees. Loans may be made by our banking subsidiaries and will comply with all federal and state laws, statutes and regulations.

Do not solicit for yourself or for a third party (other than the Company itself) anything of value from anyone in return for any business, service or confidential information of the Company.

Do not accept anything of value (other than bona fide salary, wages and fees referred to in 18 U.S.C. 215(c)) from anyone in connection with the business of the Company, either before or after a transaction is discussed or consummated.

## **Reporting Standards**

Full, fair, accurate, and timely reporting of all financial matters is a high priority. Periodic reports to the SEC and other regulatory entities must be comprehensive, timely, and accurate. Any discrepancies or shortcomings discovered through the reporting process must immediately be brought to the attention of senior management, and where appropriate, the Audit Committee and Board of Directors. In the event you feel that your reporting of these issues is not adequately resolving the issue, you should follow the procedures described in the Whistleblower Policy as contained in the Company's Employee Reference Handbook.

## **ACKNOWLEDGEMENT**

I, the undersigned, hereby acknowledge that I have received a copy of the Mid Penn Bancorp, Inc. and Mid Penn Bank Code of Ethics, as revised February 22, 2006. I further certify that I have reviewed the Code of Ethics, and that I understand its provisions and what they require of me. I understand that a violation of this Code of Ethics may result in the termination of my employment and/or a request to resign.

Date

Signature

PRINT NAME

**Table of Contents**

**Appendix C**

**Compensation Committee Charter and Policy**

**Table of Contents**

**COMPENSATION COMMITTEE CHARTER AND POLICY**

Charter of the Compensation Committee of the Board of Directors of Mid Penn Bancorp, Inc. and Mid Penn Bank

**Board Approved:** May 26, 2004  
**Last Review Date:** July 26, 2006  
**Last Revision Date:** July 26, 2006

**1. Purpose of the Compensation Committee**

The Board of Directors (the Board) of Mid Penn Bancorp, Inc. and Mid Penn Bank (the Company) have constituted and established a Compensation Committee (the Compensation Committee) with authority, responsibility, and specific duties as described in this Compensation Committee Charter, subject to and in accordance with any applicable provisions set forth in the Bylaws of the Company, which provisions are incorporated by reference herein.

**2. Composition of the Compensation Committee**

The Compensation Committee shall consist of not less than three members. Each member of the Compensation Committee shall be appointed by the Board and shall satisfy the independence requirements for members of the Compensation Committee of the Company under the American Stock Exchange rules.

Members of the Compensation Committee shall also qualify as non-employee directors within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws.

Vacancies on the Compensation Committee shall be filled by majority vote of the Board following the occurrence of the vacancy. The members of the Compensation Committee may be removed by a majority vote of the Board.

**3. Authority and Responsibilities of the Compensation Committee**

The Compensation Committee's primary responsibility is to assure that the senior executives of the Company and its subsidiaries are compensated effectively in a manner consistent with the stated compensation strategy of the Company, internal equity considerations, competitive practice, and the requirements of the appropriate regulatory bodies. The Committee will also review salary adjustments and compensation for all employees of the Company and shall review benefits programs offered by the Company.

The Compensation Committee shall also communicate to shareholders the Company's compensation policies and the reasoning behind such policies as required by the Securities and Exchange Commission.

More specifically, the Compensation Committee shall be responsible for the following:

Review from time to time and approve the Company's stated compensation strategy to ensure that management is rewarded appropriately for its contributions to Company growth and profitability and that the Company's executive compensation strategy supports organization objectives and shareholder interests.

Review annually and determine the individual elements of total compensation for the Chief Executive Officer consistent with the Company's compensation strategy and objectives and communicate in the annual Compensation Committee Report to shareholders the factors and criteria on which the Chief Executive Officer's compensation for the last year was based, including the relationship of

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the Company's performance to the Chief Executive Officer's compensation.

Review and approve the individual elements of total compensation for the senior management of the Company other than the Chief Executive Officer and communicate in the annual Compensation Committee Report to shareholders the specific relationship of corporate performance to executive compensation.

Assure that the Company's annual and long-term bonus and incentive compensation plans are administered in a manner consistent with the Company's compensation strategy as to participation, corporate financial goals, and actual awards paid to senior management.



## **Table of Contents**

Review annually all salary adjustments as recommended by management as well as Company benefits plans.

Make recommendations to the Board with respect to incentive compensation plans and equity-based plans and approve, subject, where appropriate, to submission to shareholders, all new equity-related incentive plans for senior management.

Review and approve all grants of stock options and other equity awards.

Review personnel policy changes as recommended by management or outside advisors.

If appropriate, hire experts in the field of executive compensation to assist the Compensation Committee with its reviews.

Periodically review the benefits provided to employees in order to provide a competitive benefits package that allows the Company to attract and retain quality employees.

Such other duties and responsibilities (a) as may be assigned to the Compensation Committee, from time to time, by the Board of Directors of the Company and/or the Chairman of the Board of Directors, (b) as set forth in the Bylaws of the Company, or (c) as designated in the plan documents of any Company plan.

### **4. Meetings of the Compensation Committee**

The Compensation Committee will meet at least once a year and at such additional times as may be necessary to carry out its responsibilities. Reports of the meetings of the Compensation Committee shall be made to the Board of Directors at its next regularly scheduled meeting following the Compensation Committee meeting accompanied by any recommendations to the Board of Directors approved by the Compensation Committee.

The members of the Compensation Committee shall select a chair who will preside at each meeting of the Compensation Committee, and, in consultation with the other members of the Compensation Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting. A majority of the members of the Compensation Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

### **5. Compensation of the Chief Executive Officer**

Compensation of the Chief Executive Officer will be reviewed by the Compensation Committee, and a recommendation will be made to the Board of Directors. The Board of Directors will approve the salary and annual salary increases. The CEO will not be present during deliberations or voting at the Compensation Committee Meeting or the Board Meeting. Compensation for all other officers will be reviewed by the Compensation Committee and recommendations made to the full Board for final approval.

### **6. Investigations and Studies; Outside Advisers**

The Compensation Committee may conduct or authorize investigations into or studies of matters within the Compensation Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary. The Compensation Committee shall have the sole authority to retain or terminate a compensation consultant to assist the Compensation Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by the Company.

**7. Bank-Owned Life Insurance (BOLI)**

The Compensation Committee shall review the Bank's BOLI policies at least annually and shall see that the Bank is adhering to the guidelines for BOLI products as established in the FDIC Financial Institution Letter dated December 7, 2004.

**8. Compensation of the Board of Directors**

The Compensation Committee shall periodically review the compensation package for the Board of Directors and shall recommend changes in compensation to allow the Company to attract and retain qualified Board members.

**Table of Contents**

**MID PENN BANCORP, INC.**

**PROXY**

**ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2007**

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

The undersigned hereby constitutes and appoints Roberta A. Hoffman, Randall L. Klinger and Eric S. Williams and each or any of them, proxies of the undersigned, with full power of substitution to vote all of the shares of Mid Penn Bancorp, Inc. that the undersigned may be entitled to vote at the Annual Meeting of Shareholders to be held at Mid Penn Bank, 349 Union Street, Millersburg, Pennsylvania 17061, on Tuesday, April 24, 2007 at 10:00 a.m., prevailing time, and at any adjournment or postponement of the meeting as follows:

1. ELECTION OF 4 CLASS C DIRECTORS TO SERVE FOR A 3-YEAR TERM AND UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.

A. James Durica, Theodore W. Mowery, Donald E. Sauve, William A. Specht, III

The Board of Directors recommends a vote **FOR** these nominees.

“ **FOR** “ **WITHHOLD**

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, WRITE THAT NOMINEE'S NAME ON THE SPACE PROVIDED BELOW).

2. In their discretion, the proxy holders are authorized to vote upon such other business as may properly come before the meeting and any adjournment or postponement of the meeting.

THIS PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS VOTED.

THIS PROXY, WHEN PROPERLY SIGNED AND DATED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDERS. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED **FOR** ALL NOMINEES LISTED ABOVE.

Dated: \_\_\_\_\_, 2007

Signature

Number of Shares Held of Record on February 15, 2007

Signature

THIS PROXY MUST BE DATED, SIGNED BY THE SHAREHOLDER AND RETURNED PROMPTLY TO REGISTRAR AND TRANSFER COMPANY IN THE ENCLOSED ENVELOPE. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE. IF MORE THAN ONE TRUSTEE, ALL SHOULD SIGN. IF STOCK IS HELD JOINTLY, EACH OWNER SHOULD SIGN.