K12 INC
Form 10-Q
April 28, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-33883

K12 Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-4774688** (IRS Employer Identification No.)
2300 Corporate Park Drive	
Herndon, VA	**20171**
(Address of principal executive offices)	(Zip Code)

(703) 483-7000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of April 22, 2015 the Registrant had 38,367,324 shares of common stock, $0.0001 par value per share outstanding.

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Form 10-Q

For the Quarterly Period Ended March 31, 2015

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PART I FINANCIAL INFORMATION

Item 1. ***Financial Statements (Unaudited).***

K12 INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

		March 31, 2015		June 30, 2014
		(In thousands, except share and per share data)		
ASSETS				
Current assets				
Cash and cash equivalents	$	142,850	$	196,109
Accounts receivable, net of allowance of $5,317 and $3,460 at March 31, 2015 and June 30, 2014, respectively		275,795		194,676
Inventories, net		17,757		33,830
Current portion of deferred tax asset		4,677		7,732
Prepaid expenses		11,580		7,356
Other current assets		29,217		25,498
Total current assets		481,876		465,201
Property and equipment, net		47,369		48,581
Capitalized software, net		59,591		49,920
Capitalized curriculum development costs, net		59,946		60,782
Intangible assets, net		21,831		23,708
Goodwill		67,241		58,088
Deposits and other assets		5,849		5,387
Total assets	$	743,703	$	711,667
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY				
Current liabilities				
Current portion of capital lease obligations	$	17,845	$	20,492
Accounts payable		20,032		30,976
Accrued liabilities		19,308		20,539
Accrued compensation and benefits		22,019		17,400
Deferred revenue		56,528		24,353
Total current liabilities		135,732		113,760
Capital lease obligations, net of current portion		14,449		16,447
Deferred rent, net of current portion		7,947		8,488
Deferred tax liability		23,571		22,478
Other long-term liabilities		7,784		4,763
Total liabilities		189,483		165,936
Commitments and contingencies				
Redeemable noncontrolling interest		19,801		16,801
Equity:				
K12 Inc. stockholders equity				
Common stock, par value $0.0001; 100,000,000 shares authorized; 41,872,329 and 41,144,062 shares issued and 38,369,731 and 38,948,866 shares outstanding at March 31, 2015 and June 30, 2014, respectively		4		4

Additional paid-in capital		649,249		639,036
Accumulated other comprehensive loss		(952)		(112)
Accumulated deficit		(38,882)		(61,450)
Treasury stock of 3,502,598 and 2,195,196 shares at cost at March 31, 2015 and June 30, 2014, respectively		(75,000)		(48,548)
Total K12 Inc. stockholders equity		534,419		528,930
Total liabilities, redeemable noncontrolling interest and equity	$	743,703	$	711,667

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

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K12 INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
	(In thousands, except share and per share data)			
Revenues	$ 244,623	$ 235,222	$ 712,640	$ 687,507
Cost and expenses				
Instructional costs and services	148,985	140,592	440,857	427,165
Selling, administrative, and other operating expenses	64,871	64,414	226,972	238,411
Product development expenses	3,337	2,831	10,065	11,916
Total costs and expenses	217,193	207,837	677,894	677,492
Income from operations	27,430	27,385	34,746	

(1) Mr. Pickering was appointed Executive Vice President of the Bank in charge of the Wealth Management Division on April 12, 2004. From January, 2001 through April, 2004, Mr. Pickering was a Managing Director with Brown Brothers Harriman & Co., a private banking firm, and was responsible for the Americas Financial Institutions Department within the Global Custody Division. From March, 2002 through June, 2003, Mr. Pickering was also the Managing Director of Brown Brothers Harriman Investor Services, Ltd. in London. Prior to that, Mr. Pickering was a Senior Vice President at Brown Brothers Harriman in the Global Custody Division from July, 1998 through January, 2001. In addition to his management duties, Mr. Pickering was responsible for relationship management and business development for banking, custody and investment management clients.

(2) Mr. Smith was appointed as Treasurer and Chief Financial Officer of the Corporation and Executive Vice President, Treasurer and Chief Financial Officer of the Bank on April 4, 2005. From October, 2004 through March, 2005, Mr. Smith was the Chief Financial Officer of First Chester County Corporation. Prior to that, Mr. Smith was the Treasurer and Principal Accounting Officer at First Chester County Corporation since 1993 and was also the Executive Vice President of Financial

Support Services at First National Bank of Chester County, a subsidiary of First Chester County Corporation since 1998.

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EXECUTIVE COMPENSATION

General Disclosure Considerations Concerning Executive Compensation

The Corporation believes that its shareholders should be provided clear and concise information about the compensation of the Bank s executives and the reasons the Bank s Board of Directors[1] made decisions concerning their executive compensation, consistent with the proxy statement disclosure rules of the Securities and Exchange Commission regarding disclosure of executive compensation.

The format and content of the information set forth below is intended to enable the Corporation s shareholders to understand the rationale and criteria for the Corporation s and Bank s executive compensation programs and the compensation paid to the named executives and its other executives and key employees.

The Corporation welcomes shareholder comment on whether the objective to provide information to the Corporation s shareholders that is useful and clearly stated has been met. Please send any comments or suggestions for further improvements in disclosure to the Board of Directors, Bryn Mawr Bank Corporation, P.O. Box 351, Bryn Mawr, PA 19010-3396.

Executive Compensation

The following information in the Summary Compensation Table relates to all plan and non-plan compensation awarded to, earned by, or paid to (i) Frederick C. Peters II, the Chairman, President and Chief Executive Officer of the Bank, and (ii) the Bank s four (4) most highly compensated executive officers, other than Mr. Peters, who were serving as executive officers of the Bank at December 31, 2005. (Mr. Peters and such officers are hereinafter sometimes referred to as the Named Executive Officers).

The following information reflects bonus compensation earned by the Named Executive Officers during 2005 and paid to them in the first quarter of 2006. Any compensation earned by the Named Executive Officers during 2006 will be reported in the proxy statement for the Corporation s 2007 Annual Meeting of Shareholders.

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(1) The Corporation s executives are not compensated for their services to the Corporation rather, because the Bank is the principal subsidiary of the Corporation, they are compensated as officers of the Bank.

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Summary Compensation Table

The disclosure regarding the compensation of the Bank s executives includes the following table that sets forth the compensation paid to the Named Executive Officers during the last three fiscal years.

Name and Principal Position during 2005	Annual Compensation(1) Year	Salary(2)($)	Bonus(3)($)	Stock Options (#)(4)	All Other Compens (5)
Frederick C. Peters II					
Chairman, President and	2005	$ 320,282	$ 142,500	54,000	$ 6,00
Chief Executive	2004	319,716	20,000	24,000	6,00
Officer	2003	270,856	20,000	24,000	6,00
Robert J. Ricciardi					
Executive Vice President and Secretary Chief	2005	170,470	45,500	27,000	5,11
Credit Policy	2004	171,040	8,000	10,000	5,13
Officer	2003	158,709		9,000	4,72
John Pickering					
Executive Vice President Wealth	2005	197,125	81,500	27,000	5,68
Management	2004	133,000	50,000	7,500	
Division (6)	2003				
Alison E. Gers					
Executive Vice President Retail Banking,	2005	168,678	50,500	27,000	5,06
Marketing and	2004	167,685	9,000	10,000	5,03
Support Division	2003	153,438		9,000	4,58
Joseph G. Keefer					
Executive Vice	2005	163,676	55,686	27,000	2,91
President Chief	2004	153,937	20,071	10,000	4,61
Lending Officer	2003	142,302	911	9,000	4,25

FOOTNOTES TO SUMMARY COMPENSATION TABLE

(1) A Table for Long-Term Compensation, including an Other Annual Compensation column is not included because no compensation of this nature is paid by the Corporation and the Bank and the restricted stock awards and long term incentive payouts columns are not included in the Compensation Table since these benefits are not made available by the Corporation or the Bank.

(2) The amount shown in this column for 2004 includes salary received by the Named Executive Officer as a result of an extra pay date in 2004 which impacted all employees. The actual base salary for each Named Executive Officer was as follows: Messrs. Peters $307,875, Ricciardi $164,705, Pickering $190,000, Keefer $148,236 and Ms. Gers $161,415.

(3) Except for a contractual bonus payment due Frederick C. Peters II, and a bonus for a new business referral for Joseph Keefer, no bonuses were awarded to the Named Executive Officers for 2003. Contractual bonuses for 2004 were paid to Frederick C. Peters II and John Pickering of $20,000 and $50,000, respectively, during the first quarter of 2005. Mr. Keefer was paid a bonus from a Line of Sight incentive program for 2004 in the first quarter of 2005. Bonuses were also awarded to the other Named Executive Officers during the first quarter of 2005 to recognize the individual efforts of those Named Executive Officers in 2004. Bonuses were awarded to the Named Executive Officers during the first quarter of 2006 based on the Bank s financial results and the performance of those Named Executive Officers in 2005. Mr. Keefer s bonus for 2005 included $3,686 for a new business referral.

(4) In May and December, 2005, stock options were awarded to the Named Executive Officers. The stock options awarded in December, 2005, rather than April, 2006, were fully vested so that the Corporation could save compensation expense associated with those options in future periods in its consolidated statements of income upon adoption of FASB Statement 123R (Share Based Payment). The Corporation does not anticipate granting any stock options to its current Named Executive Officers

during 2006.

(5) The Corporation maintains the Bryn Mawr Bank Corporation Thrift and Savings Plan which was amended and restated to comply with Section 401(k) of the U.S. Internal Revenue Code, effective January 1, 1985. The amended Thrift Plan allows employees of each participating employer to contribute, on a pre-tax basis, up to 16% of their annual base compensation, as defined in the Plan, but not to exceed $15,000 in 2006 and

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is included in All Other Compensation. Quarterly, each participating employer matches the employees contribution dollar for dollar to a maximum of 3% of the employee s annual compensation. The employer matching portion is set forth in All Other Compensation.

(6) Mr. Pickering was employed by the Bank on April 12, 2004 and was appointed head of the Wealth Management Division at that time.

Executive Employment Agreement

The Corporation entered into an Employment Agreement with Frederick C. Peters II dated January 11, 2001, (with employment commencing on January 22, 2001) to serve as the Corporation s and the Bank s President and Chief Executive Officer. The initial term of the Employment Agreement was three (3) years and, unless extended or terminated, the Employment Agreement renews for an additional two (2) year continuing period, so that at all times prior to Mr. Peters attaining age 63, the term of the Employment Agreement will be two (2) full years. The Employment Agreement provides for an annual base salary of $225,000 which may be increased, but not decreased. Mr. Peters is entitled to a minimum bonus of $20,000 for years 2003, 2004 and 2005.

Under the Employment Agreement, Mr. Peters is also entitled to participate in all of the Corporation s and the Bank s employee benefit plans and arrangements made generally available to its executives and key management employees.

The Employment Agreement may be terminated by the Corporation upon the death or disability of Mr. Peters or for cause as defined in the Employment Agreement. Mr. Peters may voluntarily terminate his employment at any time upon not less than thirty (30) days prior written notice to the

Corporation. If the Corporation or the Bank terminates Mr. Peters employment other than upon his death or disability or for cause, Mr. Peters is entitled to receive his full salary, including incentive compensation, through the date of termination and the Corporation must pay Mr. Peters an amount equal to his annual salary in effect on the date of the termination in bi-weekly installments for two (2) years or until his 65th birthday, whichever first occurs.

The Employment Agreement also contains non-disclosure, non-solicitation and non-competition provisions under which Mr. Peters agrees not to disclose any confidential information, not to solicit employees or clients of the Corporation, the Bank or their subsidiaries and agrees not to compete, subject to certain conditions set forth in the Employment Agreement, with the Corporation, the Bank or their subsidiaries for a period of two (2) years following his termination of employment within a 100 mile radius of Bryn Mawr, PA.

Mr. Peters has also entered into an Executive Change of Control Severance Agreement. (SEE CHANGE OF CONTROL AGREEMENTS)

Executive Bonus Agreement

The Corporation entered into an Agreement with John Pickering in connection with his accepting employment in April, 2004, to serve as the Bank s Executive Vice President Wealth Management Division. Under the Agreement, the Bank has agreed to award bonuses on a yearly basis to Mr. Pickering of up to $100,000 based on the revenue growth in the Wealth Management Division, net of stock market appreciation. Under the Agreement, Mr. Pickering is entitled to a minimum bonus of $50,000 for years 2004 and 2005.

Change of Control Agreements

From time to time, the Corporation s independent directors, approve and ratify, and the Corporation has guaranteed certain Executive Change-of-Control Severance Agreements (the Agreements) which are to be entered into by the Corporation s subsidiaries with the Named Executive Officers and certain other officers (collectively the covered officers).

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The Corporation s Board of Directors believes that the Agreements assure fair treatment of the covered officers since benefits provided are comparable to termination benefits afforded by other companies to secure and retain key officers. Furthermore, by assuring the covered officers some financial security, the Agreements protect the Corporation s shareholders by tending to neutralize any bias of those officers in considering proposals to acquire the Corporation. The Board believes that these advantages outweigh the disadvantage of the potential cost of the benefits.

The Agreements provide for a lump sum severance benefit if the employment of any such officer is terminated under certain circumstances within two years following a change of control , as defined in the Agreements, of the Corporation. Such circumstances include termination of employment other than for cause as defined in the Agreements, or the resignation of such officer following a significant reduction in the nature or scope of his/her authority, duties or responsibilities, removal from their position as an officer of the subsidiary, reduction in base salary of the officer in effect immediately prior to the change of control, revocation or reduction of benefits payable to the officer under the benefit plans, without obtaining the officer s written consent thereto, transfer of the officer to a location outside the greater Philadelphia area or the general area of the officer s principal residence, immediately prior to the change of control, or the officer being required to undertake business travel substantially greater than his/her business travel immediately prior to the change of control.

The severance benefit consists of (a) an amount in cash equal to one (1), two (2) or three (3) times the covered officer s salary in effect either immediately prior to the termination of employment or immediately prior to the change of control, whichever is higher, (b) an amount in cash equal to the excess, if any, of the aggregate fair market value of the Corporation s Common Stock, that is, the closing price of the Corporation s

Common Stock on the last business day the Common Stock was traded immediately preceding the termination date (the Termination Date) of the covered officer s employment, subject to outstanding and unexercised stock options, whether vested or unvested, granted to the covered officer under the Corporation s Stock Option Plans, over the aggregate exercise price of all such stock options, (c) to the extent not theretofore paid, the covered officer s salary through the Termination Date and the officer s salary in lieu of any unused paid time off days, (d) an amount equal to all awards earned by the officer in respect of completed plan periods prior to the Termination Date for the Corporation s Thrift and Savings Plan and any annual bonus plan, and payment in respect of such plans for the uncompleted fiscal year during which termination of employment occurs, (e) the cost to continue or cause to be continued until twelve (12), twenty-four (24) or thirty-six (36) whole months for the covered officers after the Termination Date, on the cost-sharing basis in effect immediately prior to the change of control, the medical, dental, life and disability insurance benefits substantially equivalent in all material respects to those furnished to the covered officers immediately prior to the change of control, provided, however, that the obligation to provide such benefits shall cease at such time as the covered officer is employed on a full-time basis by a party not owned or controlled by the covered officer, that provides the covered officer, substantially the same benefits on substantially the same cost-sharing basis as that for the covered officer in effect immediately prior to the change of control, (f) for both vesting and benefit calculation purposes, credit with one (1), two (2) or three (3) additional, years of credited service , (as defined in the Corporation s Pension Plan), for the covered officers under the Corporation s Pension Plan and Supplemental Employee Retirement Plan, in addition to the years of credited service that would have otherwise been calculated by reference solely to the Termination Date, and (g) the cost of reasonable career counseling services for the covered officer. To the extent necessary to provide the covered officers with the additional years of credited service obtainable under the Agreements, the Corporation has agreed to amend its Supplemental Employee Retirement Plan or create such supplemental retirement plans as are necessary.

Certain of the Agreements terminate in 2006 but are automatically extended for additional one year periods unless the subsidiary provides written notice to cancel. The terms of outstanding Agreements cannot end prior to the expiration of two (2) years after the occurrence of a Change of Control regardless of any notice by the subsidiary to cancel.

In addition to the severance benefits outlined above, each covered officer would be entitled to receive all other compensation and benefits payable generally in the event of termination of employment. The aggregate

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amount of all such compensation and benefits is subject to a limitation designed to allow the deduction for federal income tax purposes of any payments made pursuant to the Agreements. The subsidiary may terminate each covered officer s employment, without liability, under the respective Agreements for Cause as defined therein.

The amount of severance salary benefits each of the Named Executive Officers would be entitled to, pursuant to the Agreements, if an event which triggered the payment occurred on the date of this Proxy Statement, is as follows: Messrs. Peters $999,280, Ricciardi $529,310, Pickering $615,030, Keefer $538,227 and Ms. Gers $540,805. The total of such severance salary benefit payments for all covered officers would be $5,156,574.

Option Grants Table

The following table sets forth certain information about grants of stock options made during 2005 to each of the Named Executive Officers.

OPTION GRANTS IN 2005

	Individual Grants (1)				Potential R Value at A Annual Rate Price Appre Option	
Name	Options Granted (#)	% of Total Options Granted to Employees in 2005	Exercisable or Base Price ($/Sh)	Expiration Date	5%	
Frederick C. Peters II	30,000		$ 18.91	05/12/2015	$ 356,700	$
	24,000		21.21	12/12/2015	319,920	
	54,000	18.8%			$ 676,620	$

Robert J. Ricciardi	15,000		18.91	05/12/2015	$ 178,350	$
	12,000		21.21	12/12/2015	159,960	
	27,000	9.4%			$ 338,310	$
John Pickering	15,000		18.91	05/12/2015	$ 178,350	$
	12,000		21.21	12/12/2015	159,960	
	27,000	9.4%			$ 338,310	$
Alison E. Gers	15,000		18.91	05/12/2015	$ 178,350	$
	12,000		21.21	12/12/2015	159,960	
	27,000	9.4%			$ 338,310	$
Joseph G. Keefer	15,000		18.91	05/12/2015	$ 178,350	$
	12,000		21.21	12/12/2015	159,960	
	27,000	9.4%			$ 338,310	$

FOOTNOTE TO TABLE

(1) In May and December, 2005, stock options were awarded to the Named Executive Officers. The stock options awarded in December, 2005, rather than April, 2006, were fully vested to enable the Corporation to save compensation expense associated with those options in future periods in its consolidated statements of income after adoption of FASB Statement 123R (Share Based Payment). The Corporation does not anticipate awarding any stock options to its current Named Executive Officers in 2006.

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Aggregated Option Exercises and Year-End Option Value Table

The following table sets forth certain information about the exercise of stock options during 2005 by each of the Named Executive Officers and the year-end values of unexercised options.

AGGREGATED OPTION EXERCISES IN 2005 AND

DECEMBER 31, 2005 OPTION VALUES

Name	(#) Shares Acquired in Exercise	($) Value Realized	(#) Unexercised Options Exercisable	Unexercisable	($) In-the-Option Exercisable	Un
Frederick C. Peters II		$	144,000	8,000	$ 559,186	
Robert J. Ricciardi			67,000	3,000	227,730	
Alison E. Gers			59,000	3,000	160,210	
Joseph G. Keefer			63,200	3,000	220,968	
John Pickering			34,500	0	55,575	

FOOTNOTE TO TABLE

(1) Based upon $21.66 per share the last bid price for the Common Stock on December 30, 2005.

Corporation s 2004 Stock Option Plan

In 2004, the Corporation s Board of Directors adopted and the Corporation s shareholders approved the Bryn Mawr Bank Corporation 2004 Stock Option Plan (the

Plan). The Corporation s Board of Director s Compensation Committee (the Committee), composed of independent, non-employee directors, is authorized to grant certain stock options (Option(s)) to directors of the Corporation who are not employees of the Corporation or any affiliate of the Corporation (the Eligible Directors) and key employees, including officers of the Corporation and its direct and indirect subsidiaries (the Employees).

The Options for the Common Stock are to be granted in consideration for the services provided to the Corporation by the Employees and Eligible Directors. Under the Plan, on February 28, 2006, there was a maximum of 21,064 shares of Corporation Common Stock available for the grant of Options.

Options granted under the Plan may be either incentive stock Options or non-qualified stock Options, as the Committee determines to be in the best interests of the Corporation at the time of the grant of Options. The purpose of the Plan is to promote the interests of the Corporation and its shareholders by strengthening the Corporation s ability to retain and attract the services of experienced and knowledgeable Employees and Eligible Directors and by encouraging such Employees and Eligible Directors to acquire an increased proprietary interest in the Corporation.

Each Option is exercisable in whole or in part at such times as the Committee may determine, but not later than ten (10) years from the date the Option is granted. The Committee may make such exercise provisions, or may accelerate exercise provisions previously established, if in the opinion of the Committee such action is appropriate to carry out the intent of the Plan or any requirements of the Internal Revenue Code. In lieu of a cash payment to exercise an Option in full or in part, payment may be made by the tender of shares of Common Stock with a fair market value as of the exercise date equal to the Option price of the Option being exercised.

Executive Deferred Bonus Plan

In 1989, the Corporation established the Deferred Bonus Plan, which permits certain officers of the Corporation and its subsidiaries who earn in excess of one hundred thousand dollars annually, to defer all or a portion of any bonus (the Deferred Compensation) which the executives may be awarded. The Deferred Bonus Plan is a non-qualified plan and Deferred Bonus Plan funds are held in a trust administered by the Bank s Wealth

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Management Division. Under the Deferred Bonus Plan the participating executives may elect to invest the Deferred Compensation in one or more different investment funds, including an investment in the Corporation s Common Stock. Participants may elect to defer the receipt of the Deferred Compensation until (i) January of the following year or (ii) retirement or separation from employment. In certain very limited circumstances involving a hardship, as defined in the Deferred Bonus Plan, participants may request withdrawal of his/her Deferred Compensation. The right to receive future payments under the Deferred Bonus Plan is an unsecured claim against the general assets of the Corporation.

Pension Plans

Employees of the Corporation and its subsidiaries (collectively called the participants) become eligible to participate in the Corporation s qualified non-contributory pension plan (Pension Plan) on January 1 following their attainment of age 20 $^{1}/2$ and completion of six (6) months of service. In no event, however, will an employee become a plan participant if he/she is scheduled to work less than 1,000 hours in a calendar year. Benefits under the Pension Plan are paid from a trust for which the Bank is Trustee. The payments are made monthly under various options provided for in the Pension Plan, selected by the participants. For funding purposes it is the Corporation s policy to fund amounts necessary to maintain the actuarial soundness of the Pension Plan. The Pension Plan is well funded and, based on ERISA funding requirements, no contribution was needed in 2005. However, after analysis of the funded status of the Pension Plan, a contribution of $939,126 was made in 2005 to improve the future performance of the Pension Plan. The net periodic pension cost is computed on the basis of accepted actuarial methods which include the current year service cost.

The Corporation s actuaries indicated that the amount of the contribution, payment or accrual with respect to a participant is not and cannot readily be separately or individually calculated under the actuarial cost method used in determining aggregate contribution requirements for the Corporation s Pension Plan. Covered compensation is the basic rate of salary paid to a participant including bonus and overtime.

Set forth below is a table of annual pension benefits based on the rates of salary in various years of service categories for participants retiring at age 65 in 2005.

Pension Plan Table

	Years of Service					
Remuneration	**15**	**20**	**25**	**30**	**35**	**40**
125,000	$ 30,098	$ 40,130	$ 50,163	$ 60,196	$ 70,228	$ 78,35
150,000	36,848	49,130	61,413	73,696	85,978	95,72
175,000	43,598	58,130	72,663	87,196	101,728	113,10
200,000	50,348	67,130	83,913	100.696	117,478	130,47
225,000	57,098	76,130	95,163	114,196	133,228	147,85
250,000	63,848	85,130	106,413	127,696	148,978	165,22
275,000	70,598	94,130	117,663	141,196	164,728	182,60
300,000	77,348	103,130	128,913	154,696	180,478	199,97
325,000	84,098	112,130	140,163	168,196	196,228	217,35
350,000	90,848	121,130	151,413	181,696	211,978	234,72
375,000	97,598	130,130	162,663	195,196	227,728	252,10
400,000	104,348	139,130	173,913	208,696	243,478	269,47
425,000	111,098	148,130	185,163	222,196	259,228	286,85
450,000	117,848	157,130	196,413	235,696	274,978	304,22

Differences in the pension benefits table exist because the Pension Plan is integrated with Social Security benefits, and participants with less income receive a greater portion of their retirement benefits from Social

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Security. The goal of the Pension Plan is to provide long-term participants with annual benefits from both the Pension Plan and Social Security approximating 60% of their highest average five year annual compensation.

Benefits paid by the Pension Plan are based on the participants highest average consecutive five year annual compensation, as defined in the Pension Plan, in the ten years prior to participant s retirement. The estimated benefits for the executive officers named in the Summary Compensation Table were based on each officer s 2005 compensation and do not take into consideration any future increases in compensation and are straight life annuity amounts which would be actuarially reduced for a 100% joint and survivor annuity to the officer and the officer s spouse.

Currently federal law places certain limitations on the amount of retirement income that can be paid pursuant to a pension plan qualified under the Internal Revenue Code, such as the Corporation s Pension Plan. As of December 31, 2005, any Pension Plan participant whose earnings were limited by the Internal Revenue Code or any participant who received deferred bonus compensation from the Bank would be affected by such limitations. Messrs. Peters, Ricciardi, Keefer, Pickering and Ms. Gers are the Named Executive Officers participating in the Pension Plan who, based on service to date, would be affected by such limitations.

The Corporation has adopted the Bryn Mawr Bank Corporation Supplemental Employee Retirement Plan (the SERP), which is a non-qualified plan and is designed to provide those amounts which would be payable as pension benefits, except for such limitations and deferrals. Participants under the Pension Plan must meet the requirements for Normal Retirement, Early Retirement, Permanent Disability (as defined in the Pension Plan), or Death, to qualify for a benefit under the

SERP whether or not such employee is entitled to a deferred vested benefit under the Pension Plan. SERP funds are held in a trust administered by the Bank s Wealth Management Division. The right to receive future payments under the SERP is an unsecured claim against the general assets of the Corporation. The SERP is not subject to ERISA funding requirements.

For the Named Executive Officers in the Summary Compensation Table, the estimated annual benefits upon normal retirement at age 65 under the Pension Plan and the SERP are as follows: Messrs. Peters, $79,983, Ricciardi $114,793, Pickering $51,381, Keefer $78,267 and Ms. Gers $65,585. Messrs Peters, Ricciardi, Keefer, Pickering and Ms. Gers have 5, 35, 15, 2 and 8 credited years of service, respectively, under the Pension Plan.

Bryn Mawr Bank Corporation Thrift and Savings Plan

An employee (collectively called the participants) of the Corporation or its subsidiaries, (collectively called the Employer) becomes eligible to participate in the Bryn Mawr Bank Corporation Thrift and Savings Plan (the Thrift Plan) on January 1 or July 1 following six (6) months of service during which 500 hours of service are credited as those terms are defined in the Thrift Plan. Participants may elect to have what would otherwise be his/her compensation reduced and cause the amount of such reduction to be contributed, on his/her behalf, to the Thrift Plan s related trust in an amount from 1% to 16% of his/her compensation subject to applicable yearly dollar limitations (catch up contributions are also permitted). The Employer makes a dollar for dollar matching contribution, up to 3% of each participant s base compensation. In any Thrift Plan year the Employer may make contributions to the participants discretionary accounts in the Thrift Plan of such portions of its net profits as the Employer s Board of Directors may determine, subject to certain limitations in the Thrift Plan.

The Thrift Plan permits a participant to cause the participant s account balance to be invested in one or more different investment funds, including an investment in the Corporation s Common Stock. As of December 31, 2005, the Thrift Plan s related trust held 156,740 shares of the Corporation s Common Stock for the benefit of 171 participants. Each such participant or beneficiary owns an undivided interest in the whole of the Corporation s Common Stock Fund of the Thrift Plan. Under the terms of the Thrift Plan and its related trust agreement, the trustee possesses the power and authority to vote the Corporation s Common Stock.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Some of the directors and executive officers of the Bank and the companies with which they are associated were customers of, and had banking transactions with, the Bank in the ordinary course of its business during 2005. All loans and commitments to lend were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other Bank customers. In the opinion of Bank management, the loans and commitments did not involve more than a normal risk of collectibility or present other unfavorable features. Loans made to directors and executive officers are in compliance with federal banking regulations and are thereby exempt from the insider loan prohibitions of the Sarbanes-Oxley Act of 2002.

Compensation Committee Interlocks and Insider Participation

None of the members of the Bank s and Corporation s Compensation Committees was an officer or employee of the Corporation or any of its subsidiaries during the year 2005. None of the members of the Compensation Committees was a former officer of the Corporation or any of its subsidiaries or had any other interlocking relationships as defined by the Securities and Exchange Commission.

PERFORMANCE GRAPH

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Bank s Board of Directors (the Bank Compensation Committee) is composed entirely of independent, non-employee directors (SEE INFORMATION ABOUT COMMITTEES OF THE BANK S BOARD OF DIRECTORS). The Bank Compensation Committee is responsible for recommending to the full Board the Bank s compensation policies and for administering those policies. The Bank s Compensation Committee in conjunction with the Corporation s Compensation Committee also determines the salary for, and the incentive program applicable to, the Bank s executive officers including the Named Executive Officers.

The Compensation Committee of the Corporation s Board of Directors (the Corporation Compensation Committee) is composed entirely of independent, non-employee directors (SEE INFORMATION ABOUT COMMITTEES OF THE CORPORATION S BOARD OF DIRECTORS). Among other responsibilities, the Corporation s Compensation Committee is responsible for setting and administering the policies which govern the grant to key Bank personnel of options to purchase the Corporation s stock including the Named Executive Officers.

Executive Compensation Policy Principles

The Bank s compensation policy is designed to (i) retain and attract highly qualified key executives essential to the long-term success of the Bank and Corporation; (ii) reward such executives for consistent successful management of the Bank and enhancement of shareholder value; and (iii) create a performance-oriented environment that rewards performance not only with respect to the Bank s goals but also the Bank s performance in relation to comparable industry performance levels.

The Bank s Compensation Committee annually considers the Bank s financial performance in terms of its net income, asset quality, expense levels, capital accumulation and retention, return on equity and other relevant criteria used in the financial services industry and seeks to relate those considerations to the Bank s performance and to that of each executive in performing his or her assigned duties.

The Bank s executive compensation program, established by the Bank s Compensation Committee, is based on the belief that each executive officer s compensation should bear a direct relationship to the financial success of the Bank and Corporation, the enhancement of shareholder value, the attainment of measurable annual objectives, and any other significant accomplishments.

Section 162(m) of the Internal Revenue Code excludes tax deductions for compensation paid to executives of public companies in excess of $1,000,000 per year, if not performance based. At the current salary levels and with the Corporation s existing compensation plans, the Committee does not expect this tax law to affect the Corporation.

Elements of Executive Compensation Program

The Bank s total compensation program for its executive officers currently consists of base salary, a fringe benefit package including the Thrift and Savings Plan, Pension Plan and SERP, and an opportunity (depending on the Bank s annual earnings, the performance of the executive officers divisions and other financial criteria) to obtain cash incentive compensation and options to purchase Corporation stock at the market price when such options are granted. Certain of the executive officers also have a

Change of Control Agreement.

Salary and Bonus Compensation and Fringe Benefits

The salary, bonus and long term compensation is developed to be competitive with other comparable financial institutions in the Greater Delaware Valley area and is combined with a fringe benefit package designed

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to retain and attract experienced and highly professional financial services personnel. On a periodic basis, the Bank utilizes professional services of qualified firms who provide trend data and benchmark executive compensation. Each Named Executive Officer s salary is reviewed annually based on that person s level of management responsibility at the Bank and performance of duties.

Each of the Bank s officers, including the Named Executive Officers, has an annual opportunity to be awarded a cash bonus based in large measure on the financial performance of the Bank, on his/her division s performance, and on individual accomplishment of his/her designated responsibilities and goals. Under the Corporation s corporate incentive program (CIP), if the Corporation meets or exceeds an established earnings per share target, the CIP is funded in an amount approved by the Compensation Committee. The Compensation Committee determines, based on the factors and criteria for the Chief Executive Officer s compensation set forth below, the amount to be awarded the Chief Executive Officer under the CIP up to a maximum of 50% of base salary. The Compensation Committee also approves the bonuses to be awarded to the Named Executive Officers, up to a maximum of 45% of base salary, based on the Bank s financial results, the performance of the Executive Officers and their divisions, other relevant financial criteria, and any significant accomplishments by that Named Executive Officer. Under the CIP, funds are allocated to each business unit and staff area based on its contribution to the Bank s and the Corporation s profitability and based on such division s achieving its predefined objectives. The Bank also has Line of Sight Incentive Plans (LOS) whereby key business line personnel with revenue generation accountability are eligible to participate in LOS incentive plans if targeted revenue goals are attained. The LOS plans are specific to the various business units of the Bank, such as the Wealth Management Division, Commercial Banking, Mortgage Banking and other divisions. The LOS plans are intended to reward individuals and teams for the generation of new business.

The Bank s Compensation Committee evaluated the Bank s business performance for 2005 and determined, based on such performance and the criteria outlined above, that in January of 2006, bonuses be awarded to Mr. Peters and the Named Executive Officers for their 2005 performance. The bonus awarded to Mr. Pickering included his minimum bonus of $50,000 for year 2005 as required by his agreement with the Corporation in connection with his accepting employment in April, 2004.

Stock Options

Based on the Bank s 2004 and 2005 financial results, the performance of the Executive Officers and their divisions and other financial criteria, stock options were awarded to the Bank s Executive Officers in May and December, 2005. The stock options awarded in December, 2005 rather than in April, 2006, were fully vested to enable the Corporation to save compensation expense associated with those options in future periods in its consolidated statements of income after adoption of FASB Statement 123R (Share Based Payment). The Corporation does not anticipate awarding any stock options to its current Named Executive Officers in 2006.

Executive Compensation Decisions

The Bank s Compensation Committee evaluated the Bank s business performance for 2004 and determined, based on such performance and the criteria outlined above, that in January of 2005, salary increases be granted to certain Named Executive Officers effective January 1, 2005. In addition, Mr. Keefer and Ms. Gers were each awarded an additional salary increase in 2005 based on their performance and increased responsibilities.

Factors and Criteria on Which the Chief Executive Officer s Compensation Was

Based

The Compensation Committee meets in executive session, Mr. Peters not being present, to evaluate and determine Mr. Peters compensation package. The Compensation Committee reports on that evaluation to the independent directors of the Board. Mr. Peters is eligible to participate in executive compensation programs available to all other executives.

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The Compensation Committee, in reviewing the appropriate level of compensation of its Chief Executive Officer, considers key financial results, organizational development, marketing initiatives, Board relations, work on representing the Corporation to its constituencies, and results on developing, expanding and integrating service lines.

The Compensation Committee determined in February, 2005 to increase Mr. Peters base salary by 4% to a rate equal to $320,282 per year effective January 1, 2005. Although the Corporation did not meet its earnings per share target and certain other financial targets for 2004, the Compensation Committee recognized Mr. Peters leadership and considered the non-financial factors set forth above and granted Mr. Peters the salary increase.

In the first quarter of 2006, Mr. Peters received a bonus of $142,500 for 2005. The Compensation Committee reviewed the Corporation s and the Bank s 2005 financial performance, recognizing that both the Corporation s and Bank s financial performance met or exceeded the 2005 targets for net income, earnings per share, wealth revenue, average deposits and average loans. This assessment was based on the foregoing criteria and the following 2005 performance accomplishments: a 21.5% increase in net income; a 22.4% increase in diluted earnings per share; a 12.0% increase in wealth division revenue; a 5.8% increase in average deposits, and an 8.1% increase in average loans. In addition, based on the above factors and criteria, the Compensation Committee determined in December, 2005 to award Mr. Peters options to purchase 24,000 shares of the Corporation s common stock. The exercise price was the price of the Corporation s common stock on the date preceding the grant of the options.

No specific weight is given by the Committee to any of the above individual criteria. The Chief Executive Officer s compensation is based on the Committee s subjective determination after review of the foregoing criteria and, if applicable, any other information that the Committee deems relevant.

The Compensation Committees

The Bank s and Corporation s Compensation Committees are composed of the same members consisting of Nancy J. Vickers (Chair), William Harral, III, Francis J. Leto and Thomas A. Williams who each endorsed this report.

Respectfully submitted:

Nancy J. Vickers, *Chair*
William Harral, III
Francis J. Leto
Thomas A. Williams

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AUDIT COMMITTEE REPORT

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of the Corporation s consolidated financial statements in accordance with generally accepted accounting principles. The Corporation s independent auditor is responsible for auditing those financial statements. The Audit Committee s responsibility is to monitor and review these processes, acting in an oversight capacity relying on the information provided to it and on the representations made by management and the independent auditor.

In connection with the preparation and filing of the Corporation s Annual Report on Form 10-K for the year ended December 31, 2005, the Audit Committee (i) reviewed and discussed the audited financial statements with the Corporation s management, (ii) discussed with KPMG, LLP, the Corporation s independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61 (as modified or supplemented), (iii) discussed the independence of KPMG, LLP with KPMG, LLP, and (iv) has received the written disclosures and the letter from KPMG, LLP required by Independence Standards Board Standard No. 1 (as modified or supplemented). Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation s Annual Report on Form 10-K for the year ending December 31, 2005.

The Corporation s Audit Committee is composed of William Harral, III (Chair), Wendell F. Holland, David E. Lees and Thomas A. Williams, who each endorsed this report.

Respectfully submitted:

William Harral, III, *Chair*

Wendell F. Holland

David E. Lees

Thomas A. Williams

INDEPENDENT AUDITORS

The Audit Committee of the Corporation has appointed KPMG LLP (KPMG) as the independent registered public accounting firm to audit the Corporation s financial statements for the fiscal year ended December 31, 2006. A partner in KPMG will be present at the Annual Meeting to answer questions and will have the opportunity to make a statement, if he or she so desires.

AUDIT AND NON-AUDIT FEES

The aggregate fees billed for professional services by KPMG in 2004 and 2005 for these various services were:

	2004	2005
Audit Fees	$ 336,671	$ 313,707
Audit Related Fees	146,094	79,756
Tax Fees	30,500	52,325
Subtotal	$ 513,265	$ 445,788
All Other Fees	0	0
Total Fees	$ 513,265	$ 445,788

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Services Provided by KPMG

All services rendered by KPMG are permissible under applicable laws and regulations, and are pre-approved by the Audit Committee.

1) Audit Fees These are fees for professional services performed by KPMG in 2004 and 2005 for the audit of the Corporation s financial statements and review of financial statements included in the Corporation s 10-Q and 10-K filings, and services that are normally provided in connection with statutory and regulatory filings or engagements. For 2004 and 2005, Audit Fees included examination of management s assertion with respect to internal controls for compliance with the Federal Deposit Insurance Corporation Improvement Act of 1991. For 2004 and 2005, Audit Fees included examination of management s assertion with respect to internal controls for compliance with Section 404 of the Sarbanes-Oxley Act of 2002 in the amount of $224,278 and $190,000, respectively. In addition, the fees included services in connection with the Corporation s S-8 registration statement filed with the SEC in 2004.

2) Audit Related Fees These are fees for services performed by KPMG in 2004 and 2005 that are reasonably related to the performance of the audit or review of the Corporation s financial statements. This includes employee benefit and compensation plan audits; attestations by the independent auditors that are not required by statute or regulation, and consulting on financial accounting/reporting standards. For KPMG in 2004 and 2005, this work also involved completion of the SAS-70 review relating to the Wealth Management Division. In addition, in 2005, KPMG s work included the audit of the common trust funds managed by the Wealth Management Division.

3)

Tax Fees These are fees for professional services performed by the independent auditors with respect to tax compliance, tax advice and tax planning. This includes preparation of tax returns for the Corporation and its consolidated subsidiaries; reviews of quarterly tax accruals, tax research and tax advice.

4) All Other Fees These are fees for other permissible work performed by the independent auditors that does not meet the above category descriptions.

The Audit Committee of the Corporation s Board of Directors has considered whether the provision of the non-audit services is compatible with maintaining the independence of KPMG.

Preapproval of Audit and Non-Audit Services

Under the Corporation s Audit Committee charter, the Audit Committee is required to preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its independent auditor, subject to the *de minimus* exception for non-audit services under SEC regulations which are approved by the Audit Committee prior to completion. The Audit Committee may also delegate the ability to preapprove audit and permitted non-audited services to a subcommittee consisting of one or more members, provided that any such preapprovals are reported to the full committee at its next scheduled meeting. All services performed by KPMG for the Corporation during 2005 were preapproved by the Audit Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Corporation s directors and executive officers file reports of their holdings of the

Corporation s Common Stock with the Securities and Exchange Commission (the Commission) and with the NASDAQ National Market Exchange on which the Corporation s Common Stock is traded. Based on the Corporation s records and other information available to it the Corporation believes that all the Commission s Section 16(a) reporting requirements applicable to the Corporation s directors and executive officers were complied with for the Corporation s fiscal year ended December 31, 2005, except for an inadvertent late filing of a Form 4 by three (3) days for Andrea F. Gilbert in connection with her purchase of 1,000 shares of Corporation common stock caused by her broker s delay in reporting the actual date of the purchase transaction.

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PROPOSAL 1

ELECTION OF DIRECTORS

(Item 1 on the Proxy Card)

One of the purposes of the Annual Meeting is the election of two directors to the Board of Directors of the Corporation.

Nominees for Directors

The following directors have been nominated by the Corporation s Board of Directors for election as directors to serve as follows:

Class III Term to Expire in 2009:

(1) David E. Lees

Class IV Term to Expire in 2010:

(1) Francis J. Leto

and until their successors are elected and take office.

The persons named as proxies in the accompanying form of proxy have advised the Corporation that, unless otherwise instructed, they intend at the Annual Meeting to vote the shares covered by proxies for the election of the nominees named in this Proxy Statement. The Corporation s Board of Directors may fill the vacancies in Class II and Class IV as provided in the Corporation s By-Laws if it finds suitable candidates. However, the proxies cannot be voted for a greater number of persons than the number of nominees named above. If one or more of the nominees should, at the time of the Annual Meeting, be unavailable or unable to serve as a director, the shares represented by the proxies will be voted to elect any remaining nominee. The Board of Directors knows of no reason why the nominees will be unavailable or unable to serve as directors. The Corporation expects all nominees to be willing and able to serve as directors.

The affirmative vote of the holders of at least a majority of the Corporation s shares of Common Stock present in person or by proxy at the Annual Meeting is required for the election of the nominees for directors. Proxies solicited by the Board of Directors will be voted for nominees listed above, unless the shareholders specify a contrary choice in their proxies.

The Board of Directors recommends a vote FOR the nominees listed above.

OTHER BUSINESS

Management does not know at this time of any other matter which will be presented for action at the Annual Meeting. If any unanticipated business is properly brought before the Annual Meeting, the proxies will vote in accordance with their best judgment.

SHAREHOLDER PROPOSALS FOR 2007

The Corporation s Annual Meeting of Shareholders will be held on or about April 24, 2007. Any shareholder desiring to submit a proposal to the Corporation for inclusion in the proxy and proxy statement relating to that meeting must submit such proposal or proposals in writing to the Corporation before November 17, 2006. Shareholder proposals for nominees for directors must be submitted to the Chair,

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Nominating Committee, Board of Directors, Bryn Mawr Bank Corporation, P.O. Box 351, Bryn Mawr, PA 19010-3396. Any other proposal or proposals should be submitted by certified mail-return receipt requested to the attention of Robert J. Ricciardi, the Corporation s Secretary, at the Corporation s executive office at 801 Lancaster Avenue, Bryn Mawr, PA 19010-3396. If a shareholder notifies the Corporation after November 17, 2006, of an intent to present a proposal at the 2006 Annual Meeting of Shareholders, the Corporation will have the right to exercise its discretionary voting authority with respect to such proposal without including information regarding such proposal in its proxy materials.

ADDITIONAL INFORMATION

A copy of the Corporation s Annual Report for the fiscal year ended December 31, 2005, containing, among other things, financial statements examined by its independent registered public accounting firm, was mailed with this Proxy Statement on or about March 17, 2005, to the shareholders of record as of the close of business on March 8, 2006.

Upon written request of any shareholder, a copy of the Corporation s Annual Report on Form 10-K for its fiscal year ended December 31, 2005, including the financial statements and schedules thereto, required to be filed with the Securities and Exchange Commission may be obtained, without charge, from the Corporation s Secretary, Robert J. Ricciardi, 801 Lancaster Avenue, Bryn Mawr, PA 19010-3396. The Annual Report on Form 10-K can also be obtained by going to the Corporation s website at *www.bmtc.com* and clicking on Bryn Mawr Bank Corporation s SEC Filings.

By Order of the Board of Directors

of Bryn Mawr
Bank
Corporation

ROBERT J.
RICCIARDI
Secretary

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APPENDIX A

BRYN MAWR BANK CORPORATION

AUDIT COMMITTEE CHARTER

Composition

The Audit Committee (the Committee) of Bryn Mawr Bank Corporation and The Bryn Mawr Trust Company (the Corporation) is appointed annually by the Corporation s and the Bank s Boards of Directors (the Board) and is comprised of not less than three (3) independent directors. All members of the Committee shall be independent directors under the standard proposed by the National Association of Securities Dealers (NASDAQ). All members shall meet the experience requirements of NASDAQ and at least one member, shall be a financial expert as defined by the rules of the Securities and Exchange Commission (SEC).

Purpose

The purpose of the Committee shall be to assist the Board in monitoring: the integrity of the financial statements of the Corporation; the Corporation s compliance with legal and appropriate regulatory requirements; the independence and qualifications of the independent auditor, and the performance of the Corporation s internal audit function and independent auditors.

Authority and Responsibility

The Committee shall recommend, for share owner approval, the independent auditor to examine the Corporation s accounts, controls, and financial statements. The Committee shall have the sole authority and responsibility to select, evaluate and replace the independent auditor. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.

The Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its independent auditor. The foregoing requirement is subject to the exception for non-audit services constituting not more than 5% of all auditing revenues paid during the fiscal year; not initially recognized to be non-audit services, and promptly brought to the attention of the Committee and approved prior to completion. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approval shall be presented to the full Committee at its next scheduled meeting.

The Committee will meet as often as it deems necessary, but not less frequently than quarterly with management, with the corporate audit staff and also with the Corporation s independent auditors. The Committee shall have authority to retain such outside counsel, experts and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms. The Committee shall report its recommendations to the Board after each Committee meeting and shall conduct and present to the Board an annual performance evaluation of the Committee. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

The Committee, to the extent it deems necessary or appropriate, shall:

Discuss with management and the independent auditor the annual audited financial statements and quarterly financial statements, including matters required to be reviewed under applicable legal,

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regulatory or NASDAQ requirements.
Review with management and the independent auditor the annual audited financial statements, including disclosures made in management s discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Corporation s Form 10-K and determine that the independent auditor is satisfied with the disclosure, content and quality of the financial statements to be filed with the SEC and to be presented to the shareholders in the Corporation s Annual Report to the shareholders.

Discuss with management and the independent auditor, as appropriate, earnings press releases and financial information and earnings guidance provided to analysts and to rating agencies prior to release.

Discuss with management and the independent auditor, as appropriate, any audit problems or difficulties and management s response thereto and discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Corporation s financial statements, including any significant changes in the Corporation s selection or application of accounting principles, any major issues as to the adequacy of the Corporation s internal controls and any special steps adopted in light of material control deficiencies.

Review and approve the internal audit staff functions, including: (i) purpose, authority and objectivity (ii) annual audit plan, budget and staffing; and (iii) concurrence in the appointment, and compensation of the Senior Vice President and Auditor, and annually evaluate the performance of the Senior Vice President and Auditor.

Review, with the Executive Vice President and Chief Financial Officer, the Senior Vice President and Auditor, and the independent auditor, or such others as the Committee deems appropriate, the Corporation s internal system of controls and the results of internal audits.

Review and discuss periodic reports from the independent auditors on: all critical accounting policies and practices to be used; all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

Obtain and review at least annually a formal written report from the independent auditor delineating: the auditing firm s internal quality-control procedures; any material issues raised within the preceding five years by the auditing firm s internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the foregoing reviews. Also, in order to assess auditor independence, the Committee will review at least annually all relationships between the independent auditor and the Corporation, consistent with Independence Standards Board Standard 1.

Obtain from the independent auditor assurance that the independent auditor has complied with Section 10 A (b) of the Exchange Act which requires the independent auditor to report to the Committee any illegal act which it detects or otherwise becomes aware of during the course of its audit.

Prepare and publish an annual committee report in the Corporation s proxy statement.

Recommend to the Board policies for the hiring of employees or former employees of the Corporation s independent auditor.

Insure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner for reviewing the audit as required by law.

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Review disclosures made to the Committee by the Corporation s CEO and CFO during their certification process for the Form 10-K and the Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation s internal controls.

Review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct as required in the policies of the Corporation and to approve all related party transactions.

Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Committee shall make such other recommendations to the Board on such matters as may come to its attention and which, at its discretion, warrant consideration by the Board.

Limitations

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

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1.
ELECTION OF DIRECTORS

To vote for the election of all nominees to the right.

Instruction: To withhold authority to vote for any individual nominee, strike a line through the nominee s name.

FOR	WITHHOLD AUTHORITY	
¨	¨	**NOMINEE CLASS IV TERM TO EXPIRE IN 2010:** (01) Francis J. Leto
		NOMINEES CLASS III TERM TO EXPIRE IN 2009: (02) David E. Lees

This proxy, when properly executed, will be voted in accordance with the directions given by the undersigned shareholder. In the absence of other directions, this proxy will be voted for Proposal 1 and upon such other matters as may properly come before the

meeting in accordance with the best judgement of the Proxies.

Please sign exactly as name appears. When shares are held by joint tenants, both should sign. When signing as attorney-in-fact, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign full corporate name by President or other authorized officer. If a partnership, please sign partnership name by an authorized person. If a limited liability company, please sign company name by an authorized person.

Signature(s) **Signature(s)** **Date , 2006**

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From Pennsylvania Turnpike

Take Exit 20 and follow Route 476 South to Exit 13 (St. Davids/Villanova). Follow Route 30 (Lancaster Avenue) east for 2.2 miles, turn right onto Bryn Mawr Avenue. Proceed down Bryn

Mawr Avenue past Bryn Mawr Hospital, across Haverford Avenue (WaWa Mini Mart on your left), and go approximately 150 yards to the main entrance of The American College on the right hand side. Turn into main entrance and follow the directional signs to the Gregg Conference Center.

From the New Jersey Turnpike

North of Philadelphia: Leave the New Jersey Turnpike at Exit 6 (PA Turnpike). Drive west on PA turnpike to Exit 20. See instructions under From Pennsylvania Turnpike for directions to the College.

From Center City Philadelphia

Take Route 76 West (Schuylkill Expressway) and drive west following Valley Forge signs. Exit at City Avenue (Route 1 South). Once on City Avenue, travel about 2- 1/2 miles and turn right onto Lancaster Avenue (Route 30 West). Continue on Lancaster approximately 4 miles to reach the center of Bryn Mawr. Turn left onto Bryn Mawr Avenue. Proceed down Bryn

Mawr Avenue past Bryn Mawr Hospital, across Haverford Avenue (WaWa Mini Mart on your left), and go approximately 150 yards to the main entrance of The American College on the right hand side. Turn into main entrance and follow the directional signs to the Gregg Conference Center.

From Wilmington DE and Other Points South

Via I-95 approaching Chester, PA, take Exit 7 (476 North towards Plymouth Meeting). Follow 476 North approximately 12 miles to Exit 13 (St. Davids/ Villanova). Follow Route 30 (Lancaster Avenue) east, then follow From Pennsylvania Turnpike above for directions to the College.

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REVOCABLE PROXY

Bryn Mawr Bank Corporation

ANNUAL SHAREHOLDERS MEETING APRIL 25, 2006

Proxy is Solicited on Behalf of the Board of Directors of Bryn Mawr Bank Corporation

The undersigned shareholder(s) of Bryn Mawr Bank Corporation (the Corporation) hereby appoints, J. Duncan Smith and Geoffrey L. Halberstadt as Proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent, and to vote all the shares of stock of the Corporation held of record by the undersigned on March 8, 2006, at the Corporation s Annual Meeting of Shareholders to be held at 2:00 P.M. on April 25, 2006, at The Gregg Conference Center at The American College, (see map on reverse side) 270 South Bryn Mawr Avenue, Bryn Mawr, Pennsylvania, and at any adjournment or postponement thereof.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

PLEASE PROMPTLY MARK, DATE AND RETURN THIS PROXY CARD USING THE ENCLOSED POSTAGE PAID ADDRESSED ENVELOPE.

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Address Change/Comments
(Mark the corresponding box on the reverse side)

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