

FIRST KEYSTONE CORP
Form DEF 14A
March 21, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

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
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

FIRST KEYSTONE CORPORATION
(Exact name of registrant as specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than Registrant)

Payment of Filing Fee (check the appropriate box):

- \$125 per Exchange Act Rule 0-11(c) (1) (ii), 14a-6(i) (1) or 14a-6(j) (2)
 \$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(1) (3)
 Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11
 No Fee Required

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

pursuant to Exchange Act Rule 0-11:*

4) Proposed maximum aggregate value of transaction:

[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- 1) Amount previously paid:
- 2) Form, Schedule or Registration No.:
- 3) Filing party:
- 4) Date filed:

*Set forth the amount on which the filing fee is calculated and state how it was determined.

FIRST KEYSTONE CORPORATION LOGO - 1K

First Keystone Corporation

111 West Front Street
Berwick, Pennsylvania 18603

March 27, 2001

DEAR SHAREHOLDER:

It is my pleasure to invite you to attend the 2001 Annual Meeting of Shareholders of First Keystone Corporation to be held on Tuesday, April 17, 2001, at 10:00 a.m., Eastern Daylight Time. The Annual Meeting this year will be held at the main office of The First National Bank of Berwick, 111 West Front Street, Berwick, Pennsylvania 18603.

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

The Notice of the Annual Meeting and the Proxy Statement on the following pages address the formal business of the meeting. The formal business schedule includes:

- * The election of 3 Class B Directors; and
- * The ratification of the selection of the independent auditors for 2001.

At the meeting, members of the corporation's management will review the corporation's operations during the past year and 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 sign, date and return the accompanying proxy form as soon as possible, in the postage-prepaid envelope. If you do attend the meeting and wish to vote in person, you must give written notice of your intentions to the Secretary of the corporation so that any ballot you submit at the meeting will supersede your prior proxy.

Thank you for your continued support. I look forward to seeing you at the Annual Meeting if you are able to attend.

Sincerely,

/s/ J. Gerald Bazewicz
J. Gerald Bazewicz
President

[THIS PAGE INTENTIONALLY LEFT BLANK]

FIRST KEYSTONE CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 17, 2001

TO THE SHAREHOLDERS OF FIRST KEYSTONE CORPORATION:

Notice is hereby given that the Annual Meeting of Shareholders of First Keystone Corporation will be held at 10:00 a.m., Eastern Daylight Time, on Tuesday, April 17, 2001, at the main office of The First National Bank of Berwick, 111 West Front Street, Berwick, Pennsylvania 18603, for the following purposes:

1. To elect 3 Class B Directors to serve for a three-year term and until their successors are properly elected and qualified;
2. To ratify the selection of J. H. Williams & Co., LLP as the independent auditors for the corporation for the year ending December

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

31, 2001; and

3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement of the meeting.

In accordance with the by-laws of the corporation and action of the Board of Directors, the corporation is giving notice of the Annual Meeting only to those shareholders on the corporation's records as of the close of business on March 13, 2001, and only those shareholders may vote at the Annual Meeting and any adjournment.

A copy of the corporation's Annual Report for the fiscal year ended December 31, 2000, is being mailed with this Notice. Copies of the corporation's Annual Report for the 1999 fiscal year may be obtained at no cost by contacting J. Gerald Bazewicz, President, First Keystone Corporation, 111 West Front Street, Berwick, Pennsylvania 18603, telephone: (570) 752-3671.

Whether or not you expect to attend the Annual Meeting in person, you are requested to complete, sign, date, and promptly return the enclosed proxy form in the accompanying postage-prepaid envelope. By so doing, you will ensure your proper representation at the meeting. The prompt return of your signed proxy will also save the corporation the expense of additional proxy solicitation. The execution and delivery of the enclosed 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,

/s/ J. Gerald Bazewicz
J. Gerald Bazewicz, President

March 27, 2001

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS
OF FIRST KEYSTONE CORPORATION TO BE HELD ON APRIL 17, 2001
Table of Contents

	Page
General Information	3
Introduction, Date, Time and Place of Annual Meeting	3
Voting Procedures	3
Solicitation and Voting of Proxies	3
Revocability of Proxy	3
Voting Securities, Record Date and Quorum	4
Vote Required for Approval	4
Principal Beneficial Owners of the Corporation's Stock	4
Principal Owners	4
Proposal No. 1: Election of Directors	6

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

Information as to Nominees and Directors	7
Beneficial Ownership by Officers, Directors and Nominees	8
Committees of the Board of Directors	9
Procedures for Nominating Directors	10
Compensation of Directors	10
Report of the Audit Committee	11
Board Compensation Committee Report on Executive Compensation	12
Base Salary	13
Cash Bonuses	13
Long-Term Incentives	13
Compensation Committee Interlocks and Insider Participation	14
Executive Compensation	14
Aggregated Option Exercises in 2000 and 2000 Year-End Options Values	15
401(k) Plan	16
Supplemental Employee Retirement Plan	16
Performance Graph	17
Certain Relationships and Related Transactions	18
Principal Officers of the Bank	19
Legal Proceedings	20
Proposal No. 2: Ratification of Independent Auditors	20
Shareholder Proposals	20
Other Matters	21
Appendix A: Charter of the Audit Committee of the Board of Directors	22

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS OF FIRST KEYSTONE CORPORATION TO BE HELD ON APRIL 17, 2001

GENERAL

INTRODUCTION, DATE, TIME AND PLACE OF ANNUAL MEETING

First Keystone Corporation, a Pennsylvania business corporation and registered bank holding company, is furnishing this Proxy Statement in connection with the solicitation by its Board of Directors of proxies to be voted at the Annual Meeting of Shareholders of the corporation and at any adjournment or postponement of the Annual Meeting. The corporation will hold the meeting on Tuesday,

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

April 17, 2001, at 10:00 a.m., Eastern Daylight Time, at the main office of The First National Bank of Berwick, 111 West Front Street, Berwick, Pennsylvania 18603.

The principal executive office of the corporation is located at The First National Bank of Berwick, 111 West Front Street, Berwick, Pennsylvania 18603. The bank is a wholly-owned subsidiary of the corporation and its sole subsidiary. The telephone number for the corporation is (570) 752-3671. All inquiries should be directed to J. Gerald Bazewicz, President of the corporation and the bank.

SOLICITATION AND VOTING OF PROXIES

This Proxy Statement and the enclosed proxy form are first being sent to shareholders of the corporation on or about March 27, 2001.

By properly completing and returning the accompanying proxy, a shareholder is appointing the proxy holders to vote his or her shares as the shareholder specifies on the proxy. If a shareholder signs the proxy but does not make any selection, the proxy holders will vote the proxy:

- * FOR the election of the nominees for Class B Director named below, and
- * FOR the ratification of the selection of J. H. Williams & Co. as the independent auditors for the corporation for the year ending December 31, 2001.

The execution and return of the enclosed proxy will not affect a shareholder's right to attend the Annual Meeting and vote in person, after giving written notice to the Secretary of the corporation of this.

The corporation will pay the cost of preparing, assembling, printing, mailing and soliciting proxies, and any additional material which the corporation may furnish shareholders in connection with the Annual Meeting. In addition to the use of the mail, certain directors, officers and employees of the corporation and the bank may solicit proxies personally, by telephone, telecopier or other electronic means. The corporation will not pay any additional compensation for the solicitation. The corporation will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward proxy solicitation material to the beneficial owners of stock held of record by these persons and will reimburse them for their reasonable forwarding expenses.

REVOCABILITY OF PROXY

A shareholder who returns a proxy may revoke the proxy at any time before it is voted only:

- * By giving written notice of revocation to John L. Coates, Secretary of First Keystone Corporation, at 11 West Front Street, Berwick, Pennsylvania, 18603;
- * By executing a later-dated proxy and giving written notice of this fact to the Secretary of the corporation; or

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

- * By voting in person after giving written notice to the Secretary of the corporation, in person or at the above address.

VOTING SECURITIES, RECORD DATE AND QUORUM

At the close of business on March 13, 2001, the corporation had outstanding 2,833,727 shares of common stock, par value \$2.00 per share, the only issued and outstanding class of stock. The corporation also had 100,000 shares held in treasury as issued but not outstanding shares as of that date. The corporation's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of common stock, par value of \$2.00 per share. The corporation also has 500,000 shares of preferred stock, par value \$10.00 per share, authorized. As of March 13, 2001, no shares of preferred stock were issued.

Only shareholders of record as of the close of business on March 13, 2001, may vote at the Annual Meeting. Cumulative voting rights do not exist with respect to the election of directors. On all matters to come before the Annual Meeting, each shareholder is entitled to one vote for each share of common stock outstanding on the record date.

Pennsylvania law and the by-laws of the corporation require the presence of a quorum for each matter that shareholders will vote on at the Annual Meeting. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast shall constitute a quorum for the transaction of business at the Annual Meeting. The corporation will count votes withheld and abstentions in determining the presence of a quorum for a particular matter. The corporation will not count broker non-votes in determining the presence of a quorum for a particular matter. A broker non-vote occurs when a broker nominee, holding shares for a beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item, and has not received instructions from the beneficial owner. Those shareholders present, in person or by proxy, may adjourn the meeting to another time and place if a quorum is lacking.

VOTE REQUIRED FOR APPROVAL OF PROPOSALS

Assuming the presence of a quorum, the 3 nominees for director receiving the highest number of votes cast by shareholders will be elected. Votes withheld from a nominee and broker non-votes will not be cast for the nominee.

Assuming the presence of a quorum, ratification of the selection of independent auditors requires the affirmative vote of a majority of all votes cast by shareholders, in person or by proxy, on the matter. Abstentions and broker non-votes are not votes cast and therefore do not count either for or against ratification. Abstentions and broker non-votes, however, have the practical effect of reducing the number of affirmative votes required to achieve a majority for each matter by reducing the total number of shares voted from which the majority is calculated.

PRINCIPAL BENEFICIAL OWNERS OF THE CORPORATION'S STOCK

PRINCIPAL OWNERS

Edgar Filing: FIRST KEYSTONE CORP - Form DEF 14A

The following table sets forth, as of March 13, 2001, the name and address of each person who owns of record or who is known by the Board of Directors to be the beneficial owner of more than 5% of the corporation's outstanding common stock, the number of shares beneficially owned by the person and the percentage of the corporation's outstanding common stock so owned.

Page 4

First Keystone Corporation

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Outstanding Common Stock
------------------	----------------------------------------------------	-------------------------------------------