

ORRSTOWN FINANCIAL SERVICES INC

Form S-4

July 09, 2018

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As filed with the Securities and Exchange Commission on July 9, 2018

Registration Statement No. 333-

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

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ORRSTOWN FINANCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

6021
(Primary Standard Industrial
Classification Code Number)
77 East King Street

23-2530374
(I.R.S. Employer
Identification Number)

Shippensburg, PA 17257

(888) 677-7869

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Thomas R. Quinn, Jr.

President and Chief Executive Officer

77 East King Street

Shippensburg, PA 17257

(717) 530-2602

(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Matthew Dyckman, Esq.
Goodwin Procter LLP
901 New York Avenue, N.W.**

**Washington, DC 20001
(202) 346-4000**

Dean H. Dusinberre, Esq.

**Stevens & Lee
17 North Second Street, 16th Floor
Harrisburg, PA 17101
(717) 255-7378**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and upon completion of the merger described in this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Registered	Amount to be Registered (1)	Proposed	Proposed	Amount of Registration Fee (3)
		Maximum Offering Price Per Unit	Maximum Aggregate Offering Price (2)	
Common Stock, no par value	1,052,890	N/A	\$31,998,160	\$3,983.77

(1) Represents the estimated maximum number of shares of Orrstown Financial Services, Inc. common stock estimated to be issuable upon the completion of the merger to which this Registration Statement relates.

(2) Pursuant to Rule 457(f), the registration fee was computed on the basis of \$39.50 per share, the last reported sale price on July 2, 2018, for the common stock of Mercersburg Financial Corporation to be exchanged or cancelled in the merger multiplied by the number of shares of common stock of Mercersburg Financial Corporation that may be received by the registrant and/or cancelled upon consummation of the merger.

(3) Calculated by multiplying the proposed maximum aggregate offering price by 0.0001245.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said

Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed or supplemented. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated July 9, 2018

[], 2018

Dear Stockholder:

Your vote is very important.

You are invited to attend a special meeting of stockholders (the special meeting) of Mercersburg Financial Corporation to be held on September 11, 2018, at 10:00 a.m., local time, at the Mercersburg American Legion Post 517, 100 Keefer Drive, Mercersburg, Pennsylvania. The special meeting is being held to approve, among other things, the merger of Mercersburg Financial Corporation with Orrstown Financial Services, Inc. (the merger) pursuant to the Agreement and Plan of Merger (the merger agreement) by and between Orrstown Financial Services, Inc. and Mercersburg Financial Corporation dated as of May 31, 2018. In connection with the merger agreement, Mercersburg Financial Corporation will be merged with and into Orrstown Financial Services, and its subsidiary, First Community Bank of Mercersburg will be merged with and into Orrstown Bank, a subsidiary of Orrstown Financial Services.

Pursuant to the merger agreement, if the merger agreement is approved by the holders of at least 60% of the shares of Mercersburg Financial Corporation common stock outstanding and entitled to vote at the special meeting and the merger is subsequently completed, each outstanding share of common stock, no par value per share, of Mercersburg Financial Corporation (Mercersburg Financial Corporation common stock) will be converted into the right to receive at the election of the holder thereof either (1) \$40.00 in cash, without interest, or (2) 1.5291 shares of common stock, no par value per share, of Orrstown Financial Services (Orrstown Financial Services common stock), subject to proration to ensure that in the aggregate 85% of Mercersburg Financial Corporation common stock will be converted to Orrstown Financial Services common stock and the remaining 15% of Mercersburg Financial Corporation common stock will be converted to cash. Orrstown Financial Services common stock is traded on NASDAQ under the symbol ORRF.

No fractional shares of Orrstown Financial Services common stock will be issued in connection with the merger. Instead, each Mercersburg Financial Corporation stockholder will receive an amount of cash, in lieu of any fractional share, based on the average daily closing price of Orrstown Financial Services common stock as reported on NASDAQ for the ten consecutive trading day period ending on the fifth business day prior to the closing date of the merger, rounded to the nearest whole cent.

The exchange ratio was determined based on the volume weighted average stock price of Orrstown Financial Services common stock for the 15 consecutive trading days ending on May 29, 2018 (the measurement period), which was \$26.16 per share, which would have resulted in Mercersburg Financial Corporation stockholders receiving Orrstown Financial Services common stock and cash in lieu of fractional shares in the merger with an implied value per share equal to \$40.00. Based on the closing price of Orrstown Financial Services common stock of \$[] per share on [], the most recent practicable date prior to the mailing of this proxy statement/prospectus, Mercersburg Financial

Corporation stockholders would receive Orrstown Financial Services common stock and cash in lieu of fractional shares in the merger with an implied value per share equal to \$[].

Mercersburg Financial Corporation has the right to terminate the merger agreement if the volume weighted average stock price of Orrstown Financial Services common stock as reported on NASDAQ for the 15 consecutive trading days immediately preceding the date on which all required regulatory and stockholder approvals have been obtained (the determination date) is less than \$20.928 per share and Orrstown Financial Services common stock underperforms the NASDAQ Bank Index by more than 20% between May 29, 2018 and the determination date. If Mercersburg Financial Corporation exercises this termination right, Orrstown Financial Services will have the option to increase the amount of Orrstown Financial Services common stock to be provided to Mercersburg Financial Corporation stockholders to an amount which, when multiplied by the volume weighted average price of Orrstown Financial Services common stock as reported on NASDAQ for the fifteen consecutive trading days immediately preceding the day on which all required regulatory and stockholder approvals have been obtained, equals the lesser of (1) \$40.00 or (2) \$40.00 multiplied by the index ratio set forth in the merger agreement. If Orrstown Financial Services elects to increase the stock consideration pursuant to the preceding sentence, no termination will occur.

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After careful consideration, our board of directors unanimously approved the merger agreement and determined that the transactions provided for in the merger agreement are advisable to, and in the best interests of, Mercersburg Financial Corporation. Our board of directors unanimously recommends that you vote **FOR** approval of the merger agreement and **FOR** the adjournment proposal, if necessary, as discussed in the attached proxy statement/prospectus.

Your vote is important, regardless of the number of shares of Mercersburg Financial Corporation common stock you own. We cannot complete the merger unless the merger agreement is approved by the affirmative vote of the holders of at least 60% of the shares of Mercersburg Financial Corporation common stock outstanding and entitled to vote at the special meeting.

The attached proxy statement/prospectus provides you with detailed information about the special meeting, the merger agreement and the merger. A copy of the merger agreement is attached as *Annex A* to the proxy statement/prospectus. We encourage you to read the proxy statement/prospectus and the merger agreement carefully and in their entirety, including the section titled Risk Factors, beginning on page 23. **Whether or not you expect to attend the special meeting in person, we urge you to submit a completed proxy as promptly as possible. You may submit your completed proxy by voting online at www.investorvote.com/MCBG, by mail in the enclosed postage-paid envelope, or by voting by telephone at 1-800-652-VOTE (8683). If your shares are held in the name of a broker, bank or other nominee, please follow the instructions on the voting instruction form furnished to you by your broker, bank or other nominee. Do not send your stock certificates with the proxy card. You will receive an election form with instructions for delivering your stock certificates under separate cover.**

On behalf of our board of directors, thank you for your continued support and interest in Mercersburg Financial Corporation. We look forward to seeing you at the special meeting.

Sincerely,

William E. Sanders, Jr.
Chairman of the Board
Mercersburg Financial Corporation

Robert J. Fignar
President and Chief Executive Officer
Mercersburg Financial Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger, the issuance of the Orrstown Financial Services common stock in connection with the merger or the other transactions described in this proxy statement/prospectus, or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The proxy statement/prospectus is dated [EFFECTIVE DATE], and is first being mailed to stockholders of Mercersburg Financial Corporation on or about July 30, 2018.

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MERCERSBURG FINANCIAL CORPORATION

12 South Main Street

Mercersburg, Pennsylvania 17236

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON SEPTEMBER 11, 2018

To the Stockholders of Mercersburg Financial Corporation:

A special meeting of stockholders of Mercersburg Financial Corporation will be held at the Mercersburg American Legion Post 517, 100 Keefer Drive, Mercersburg, Pennsylvania, on September 11, 2018 at 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger by and between Orrstown Financial Services, Inc. and Mercersburg Financial Corporation dated as of May 31, 2018 (the merger agreement), pursuant to which Mercersburg Financial Corporation will merge with and into Orrstown Financial Services, whereupon the separate corporate existence of Mercersburg Financial Corporation will cease (the merger);
2. To consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement; and
3. To consider and act upon such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

The merger agreement and the proposed merger of Mercersburg Financial Corporation with and into Orrstown Financial Services is more fully described in the attached proxy statement/prospectus, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as *Annex A* to the attached proxy statement/prospectus.

Mercersburg Financial Corporation has established July 23, 2018 as the record date for determining the stockholders entitled to notice of and to vote at the Mercersburg Financial Corporation special meeting. Only record holders of Mercersburg Financial Corporation common stock as of the close of business on that date will be entitled to vote at the Mercersburg Financial Corporation special meeting or any adjournment or postponement of that meeting. The affirmative vote of the holders of at least 60% of the shares of Mercersburg Financial Corporation common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement.

Mercersburg Financial Corporation's board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR the adjournment proposal, if necessary, as described above.

All Mercersburg Financial Corporation stockholders are cordially invited to attend the Mercersburg Financial Corporation special meeting. **To ensure your representation at the Mercersburg Financial Corporation special meeting, please follow the voting procedures described in the accompanying proxy statement/prospectus and on the enclosed proxy card.** Following these voting procedures will not prevent you from voting in person, but it will help to secure a quorum and allow your shares to be voted should anything prevent your attendance in person. Your proxy may be revoked at any time before it is voted.

BY ORDER OF THE BOARD OF DIRECTORS

Larry L. Nair
Secretary

[EFFECTIVE DATE]

YOUR VOTE IS IMPORTANT!

Whether or not you expect to attend the Mercersburg Financial Corporation special meeting in person, Mercersburg Financial Corporation urges you to submit a completed proxy as promptly as possible. You may submit your completed proxy by mail in the enclosed postage-paid envelope or by voting either online at www.investorvote.com/MCBG or by telephone at 1-800-652-VOTE (8683). If your shares are held in the name of a broker, bank or other nominee, please follow the instructions on the voting instruction form furnished to you by your broker, bank or other nominee. Do not send your stock certificates with the proxy card. You will receive an election form with instructions for delivering your stock certificates under separate cover.

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ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about Orrstown Financial Services from documents that are not included in or delivered with the proxy statement/prospectus. This information is publicly available at the Securities and Exchange Commission's (SEC) EDGAR website at www.sec.gov and will be made available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the proxy statement/prospectus by requesting them in writing or by telephone from Orrstown Financial Services at the following address and telephone number:

Orrstown Financial Services, Inc.

77 East King Street

Shippensburg, PA 17257

(888) 677-7869

Attn: Investor Relations

If you would like to request documents, please do so by September 6, 2018 in order to receive them before the special meeting of Mercersburg Financial Corporation stockholders.

For a more detailed description of the information incorporated by reference in the accompanying proxy statement/prospectus and how you may obtain it, see the section of the proxy statement/prospectus titled "Where You Can Find More Information" beginning on page 99.

The accompanying proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the proxy statement/prospectus, including any documents incorporated by reference into the proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the other meeting matters or the proxy statement/prospectus, or need assistance voting your shares, please contact Robert J. Fignar, President and Chief Executive Officer, at (717) 328-3121.

Please do not send your Mercersburg Financial Corporation stock certificates at this time. You will be sent separate instructions regarding the surrender of your Mercersburg Financial Corporation stock certificates.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder. To more fully understand the merger and the special meeting, you should read this entire proxy statement/prospectus, including the materials attached as annexes, as well as the documents that have been incorporated by reference into this proxy statement/prospectus.

Unless the context otherwise requires, throughout this proxy statement/prospectus, we, us and our refer collectively to Mercersburg Financial Corporation, First Community Bank of Mercersburg, Orrstown Financial Services, and Orrstown Bank. Also, we refer to the merger of Mercersburg Financial Corporation and Orrstown Financial Services, as the merger ; and the Agreement and Plan of Merger, dated as of May 31, 2018, by and between Orrstown Financial Services and Mercersburg Financial Corporation, as the merger agreement.

Q: Why am I receiving this proxy statement/prospectus?

A: Orrstown Financial Services and Mercersburg Financial Corporation have agreed to the merger of Mercersburg Financial Corporation with and into Orrstown Financial Services under the terms of a merger agreement that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as *Annex A*. In order to complete the merger, Mercersburg Financial Corporation stockholders must vote to approve the merger agreement. Mercersburg Financial Corporation will hold a special meeting of holders of its common stock to obtain this required approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the Mercersburg Financial Corporation special meeting, and other related matters, and you should read it carefully. The enclosed voting materials for the Mercersburg Financial Corporation special meeting allow you to vote your shares of Mercersburg Financial Corporation common stock without attending the special meeting of Mercersburg Financial Corporation.

We are delivering this proxy statement/prospectus to you as the proxy statement for the special meeting of stockholders of Mercersburg Financial Corporation and the prospectus for the shares of Orrstown Financial Services common stock to be issued in connection with the merger. It is a proxy statement because the Mercersburg Financial Corporation board of directors is soliciting proxies from stockholders to vote on the approval of the merger agreement and your proxy will be used at the special meeting or at any adjournment or postponement of the special meeting. It is a prospectus because Orrstown Financial Services will issue Orrstown Financial Services common stock to the Mercersburg Financial Corporation stockholders who receive stock consideration in the merger, and this prospectus contains information about Orrstown Financial Services common stock.

Q: Why are Orrstown Financial Services and Mercersburg Financial Corporation proposing this transaction? (pages 46 and 59)

A: The Orrstown Financial Services and Mercersburg Financial Corporation boards of directors have each approved the merger agreement and have determined that the merger agreement and the transactions provided for thereunder, including the merger, are advisable and in the best interests of the companies. In reaching these decisions, the Orrstown Financial Services and Mercersburg Financial Corporation boards of directors considered

the terms and conditions of the merger agreement and the ancillary agreements, as well as a number of other factors.

Q: What will happen in the merger? (page 64)

A: In the proposed merger, Mercersburg Financial Corporation will merge with and into Orrstown Financial Services. The surviving corporation in the merger will be Orrstown Financial Services. It is anticipated that First Community Bank of Mercersburg will merge with and into Orrstown Bank, with Orrstown Bank continuing as the surviving bank, immediately following the merger.

Q: What will Mercersburg Financial Corporation stockholders receive in the merger? (page 64)

A: Pursuant to the merger agreement, if the merger agreement is approved by the holders of at least 60% of the shares of Mercersburg Financial Corporation common stock outstanding and entitled to vote at the special meeting and the merger is subsequently completed, each outstanding share of Mercersburg Financial Corporation common stock will be converted into the right to receive at the election of the holder

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thereof either (1) \$40.00 in cash, without interest, or (2) 1.5291 shares of common stock, no par value per share, of Orrstown Financial Services (Orrstown Financial Services common stock), subject to proration to ensure that in the aggregate 85% of Mercersburg Financial Corporation common stock will be converted to Orrstown Financial Services common stock and the remaining 15% of Mercersburg Financial Corporation common stock will be converted to cash. Orrstown Financial Services common stock is traded on NASDAQ under the symbol ORRF.

You may elect to receive all cash, all Orrstown Financial Services common stock, or a combination of both cash and Orrstown Financial Services common stock in exchange for your shares of Mercersburg Financial Corporation common stock. However, the ability to receive all cash, all stock, or a combination of each will depend on the elections of other Mercersburg Financial Corporation stockholders. The allocation of the consideration payable to Mercersburg Financial Corporation stockholders in the merger will not be known until Orrstown Financial Services tallies the results of the elections made by Mercersburg Financial Corporation stockholders, which will not occur until immediately prior to the closing of the merger.

The exchange ratio was determined based on the volume weighted average stock price of Orrstown Financial Services common stock for the 15 consecutive trading days ending on May 29, 2018 (the measurement period), which was \$26.16 per share, which would have resulted in Mercersburg Financial Corporation stockholders receiving Orrstown Financial Services common stock and cash in lieu of fractional shares in the merger with an implied value per share equal to \$40.00. Based on the closing price of Orrstown Financial Services common stock of \$[] per share on [], the most recent practicable date prior to the mailing of this proxy statement/prospectus, Mercersburg Financial Corporation stockholders would receive Orrstown Financial Services common stock and cash in lieu of fractional shares in the merger with an implied value per share equal to \$[]. The following table presents the implied value per share to be received in exchange for each share of Mercersburg Financial Corporation common stock if the stock price of Orrstown Financial Services common stock at the closing of the merger is equal to the prices set forth in the table.

Illustrative

Orrstown Financial Services		Exchange	Implied Value Per Share of
Stock Price at Closing	Ratio	Mercersburg Financial Corporation common stock ⁽¹⁾	
\$25.00	1.5291	\$38.49	
\$25.50	1.5291	\$39.14	
\$26.00	1.5291	\$39.79	
\$26.16	1.5291	\$40.00	
\$26.50	1.5291	\$40.44	
\$27.00	1.5291	\$41.09	
\$27.50	1.5291	\$41.74	

⁽¹⁾ Assumes each stockholder of Mercersburg Financial Corporation receives merger consideration consisting of 85% Orrstown Financial Services common stock and 15% cash.

Mercersburg Financial Corporation has the right to terminate the merger agreement if the volume weighted average stock price of Orrstown Financial Services common stock as reported on NASDAQ for the 15 consecutive trading days immediately preceding the date on which all required regulatory and stockholder approvals have been obtained (the determination date) is less than \$20.928 per share and Orrstown Financial Services common stock underperforms the NASDAQ Bank Index by more than 20% between May 29, 2018 and the determination date. If Mercersburg

Financial Corporation exercises this termination right, Orrstown Financial Services will have the option to increase the amount of Orrstown Financial Services common stock to be provided to Mercersburg Financial Corporation stockholders to an amount which, when multiplied by the volume weighted average price of Orrstown Financial Services common stock as reported on NASDAQ for the fifteen consecutive trading days immediately preceding the determination date, equals the lesser of (1) \$40.00 or (2) \$40.00 multiplied by the index ratio. The index ratio is the ratio obtained by dividing (1) the volume weighted average of the daily volume weighted price of the Nasdaq Bank Index for the fifteen consecutive trading days immediately preceding the determination date by (2) the volume weighted average of the daily volume weighted price of the Nasdaq Bank Index for the measurement period. If Orrstown Financial Services elects to increase the stock consideration pursuant to the preceding sentence, no termination will occur. In such case, you would receive Orrstown Financial Services common stock and, if applicable, cash with an implied value equal to the minimum implied value that would have avoided triggering the termination right described above. See the section of this proxy statement/prospectus titled "The Merger Agreement Termination" beginning on page 73.

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Q: How many shares of Orrstown Financial Services common stock will be issued to Mercersburg Financial Corporation stockholders in the merger? (page 41)

A: Subject to the terms of the merger agreement, 85% of the merger consideration will be paid in the form of Orrstown Financial Services common stock. As of July 23, 2018, there were 810,080 shares of Mercersburg Financial Corporation common stock issued and outstanding. Based upon these numbers, approximately 1,052,890 shares of Orrstown Financial Services conversion stock will be issued to Mercersburg Financial Corporation shareholders in the merger. This will result in current Orrstown Financial Services stockholders owning approximately 88.8% of the combined company and Mercersburg Financial Corporation stockholders owning approximately 11.2% of the combined company.

Q: Will Mercersburg Financial Corporation stockholders receive the form of consideration they elect? (page 64)

A: The form of merger consideration you actually receive may differ from the form of consideration that you elect to receive. This is because the consideration to be received by each Mercersburg Financial Corporation stockholder will be subject to allocation procedures that are intended to ensure that 85% of the shares of Mercersburg Financial Corporation common stock outstanding immediately prior to the effective time of the merger will be converted into shares of Orrstown Financial Services common stock, and the remaining shares of Mercersburg Financial Corporation common stock will be converted into cash.

Q: Will Mercersburg Financial Corporation stockholders receive any fractional share of Orrstown Financial Services common stock as part of the merger consideration? (page 64)

A: No. Orrstown Financial Services will not issue any fractional shares of Orrstown Financial Services common stock in the merger. Instead, Orrstown Financial Services will pay you the cash value of a fractional share measured by the average daily closing price of Orrstown Financial Services common stock as reported on NASDAQ for the ten consecutive trading day period ending on the fifth business day prior to the closing date, rounded to the nearest whole cent.

Q: How do Mercersburg Financial Corporation stockholders make an election as to the form of merger consideration they wish to receive? (page 65)

A: No later than seven business days after the date of the special meeting (or such other date as Orrstown Financial Services and Mercersburg Financial Corporation shall mutually agree), an election form and letter of transmittal for the surrender of your Mercersburg Financial Corporation stock certificates in exchange for the merger consideration will be mailed to you. You will also receive detailed instructions describing the procedures you must follow to make your election.

We are not making any recommendation to you as to whether you should elect to receive cash, shares of Orrstown Financial Services common stock, or a combination of each in the merger. You should evaluate your own specific

circumstances and investment preferences in making your election.

Q: Can Mercersburg Financial Corporation stockholders elect to receive the merger consideration in the form of cash with respect to a portion of their Mercersburg Financial Corporation shares and Orrstown Financial Services common stock with respect to the rest of their Mercersburg Financial Corporation shares? (page 65)

A: The election form and letter of transmittal will permit you, subject to the allocation procedures described in this proxy statement/prospectus, to receive at your election:

all of your merger consideration in the form of cash;

all of your merger consideration in the form of shares of Orrstown Financial Services common stock; or

a portion of your merger consideration in cash and the remaining portion in shares of Orrstown Financial Services common stock.

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Q: Do Mercersburg Financial Corporation stockholders have to return the election form and letter of transmittal? (page 65)

A: No, but if you do not do so by the election deadline, you will be allocated cash and/or shares of Orrstown Financial Services common stock depending entirely upon the elections made by other Mercersburg Financial Corporation stockholders.

Q: What will happen to shares of Orrstown Financial Services common stock in the merger?

A: Nothing. Each share of Orrstown Financial Services common stock outstanding will remain outstanding as a share of Orrstown Financial Services common stock.

Q: What are the material federal income tax consequences of the merger to Mercersburg Financial Corporation stockholders? (page 87)

A: In general, if you exchange all of your shares of Mercersburg Financial Corporation common stock for shares of Orrstown Financial Services common stock, you will not recognize either gain or loss for federal income tax purposes on such exchange, except to the extent you receive cash in lieu of fractional shares of Orrstown Financial Services common stock. If you exchange all of your shares of Mercersburg Financial Corporation common stock for cash, you generally will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash received and your adjusted tax basis in your shares of Mercersburg Financial Corporation common stock. If you exchange some of your shares of Mercersburg Financial Corporation common stock for cash, you generally will re