

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

UNION BANKSHARES INC
Form DEF 14A
April 18, 2005

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant [X]
Filed by a party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

UNION BANKSHARES, INC.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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

 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

 - (4) Proposed maximum aggregate value of transaction:

 - (5) Total fee paid:

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

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

(1) Amount previously paid:

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

(3) Filing party:

(4) Date Filed:

Union Bankshares, Inc.

20 Lower Main Street
PO Box 667
Morrisville, VT 05661
802-888-6600

April 18, 2005

Dear Shareholder,

The 114th Annual Meeting of the Shareholders of Union Bankshares, Inc. will be held May 18th at 3:00 p.m. at the offices of Union Bank, located at 20 Lower Main Street, Morrisville, Vermont. You are cordially invited to attend.

Enclosed with this mailing is a Notice of Annual Meeting, a Proxy Statement and a Proxy Card for voting your shares.

Also enclosed is a copy of the Annual Report of Union Bankshares, Inc. and its wholly-owned subsidiary, Union Bank, for the year ended December 31, 2004. The report includes a letter to shareholders, audited consolidated financial statements, summary of financial highlights, management's discussion and analysis of financial results, and other information about the Company.

Your attendance and vote at the annual meeting are important. We hope you will join us immediately following the meeting for light refreshments and an informal gathering of shareholders, directors and bank officers.

Sincerely,

/s/ Kenneth D. Gibbons

Kenneth D. Gibbons
President and CEO

Union Bankshares, Inc.

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

NOTICE OF 2005 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, MAY 18, 2005

To the Shareholders of
Union Bankshares, Inc.:

The Annual Meeting of Shareholders of Union Bankshares, Inc. will be held at 3:00 p.m., local time, on Wednesday, May 18, 2005, at the banking offices of Union Bank, 20 Lower Main Street, Morrisville, Vermont, for the following purposes:

1. To fix the number of directors at eight for the ensuing year and to elect eight directors (or such lesser number as circumstances may warrant), all of whom will serve for one-year terms and until their successors are elected and qualified; and
2. To consider and act upon any other business which may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 1, 2005 as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournment of the meeting.

By Order of the Board of Directors,

/s/ Robert P. Rollins

Robert P. Rollins
Secretary

Morrisville, Vermont
April 18, 2005

YOUR VOTE IS IMPORTANT

PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING IN PERSON. SHOULD YOU ATTEND THE MEETING YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON IF YOU SO DESIRE.

TABLE OF CONTENTS

PROXY STATEMENT	1
INFORMATION ABOUT THE MEETING	1
Why have I received these materials?	1
Who is entitled to vote at the annual meeting?	1
How do I vote my shares at the annual meeting?	1
Can I change my vote after I return my proxy card?	2
Can I vote at the meeting instead of voting by proxy?	2
What is a broker non-vote?	2
What constitutes a quorum for purposes of the annual meeting?	2
What vote is required to approve matters at the annual meeting?	2
Do broker non-votes affect the outcome of shareholder votes?	3
How does the Board recommend that I vote my shares?	3
How are proxies solicited?	3
Who pays the expenses for soliciting proxies?	3
SHARE OWNERSHIP INFORMATION	3

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

Share Ownership of Management and Principal Holders	3
Section 16(a) Beneficial Ownership Reporting Compliance	5
PROPOSAL 1: TO ELECT DIRECTORS	5
Directors' Compensation	6
Attendance at Directors Meetings	7
Director Independence	7
Board Committees and Corporate Governance	7
Audit Committee	7
Compensation Committee	8
Nominating Functions	8
Shareholder Recommendations for Board Nominations	9
Codes of Ethics	9
Attendance at Annual Meeting of Shareholders	9
Communicating with the Board	10
Transactions with Management and Directors	10
Compensation Committee Interlocks and Insider Participation	10
Vote Required	10
AUDIT COMMITTEE REPORT	11
COMPENSATION COMMITTEE REPORT	12
STOCK PERFORMANCE GRAPH	14
EXECUTIVE OFFICERS	15
EXECUTIVE COMPENSATION	16
Summary Compensation Table	16
Benefit Plans	17
Union Bankshares, Inc. Incentive Stock Option Plan	17
Union Bankshares, Inc. Deferred Compensation Plan	18
Union Bank Defined Benefit Pension Plan	19
Union Bank 401(k) and Profit Sharing Plan	20
Union Bank Discretionary Bonus Payments	20
Other Employee Benefit Plans	20
INDEPENDENT AUDITORS	20
Change in Independent Auditors	20
Audit Fees	21
Audit Committee Pre-Approval Guidelines	22
SHAREHOLDER PROPOSALS	22
OTHER MATTERS	23

UNION BANKSHARES, INC.
20 Lower Main Street
Morrisville, VT 05661

PROXY STATEMENT

Annual Meeting of Shareholders

May 18, 2005

INFORMATION ABOUT THE MEETING

Why have I received these materials?

We are sending you this proxy statement and the accompanying proxy card to solicit your vote, on behalf of the Board of Directors, for action at the annual meeting of the shareholders of Union Bankshares, Inc. (the "Company," "we" or "our") to be held at 3:00 p.m. local time on Wednesday, May 18, 2005, at the offices of our subsidiary, Union Bank, at 20 Lower Main Street, Morrisville, Vermont. This proxy statement and proxy card are accompanied by the Company's Annual Report to Shareholders for the year

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

ended December 31, 2004, which contains the Company's audited consolidated financial statements. These materials were first sent to shareholders on or about April 18, 2005. You are cordially invited to attend the annual meeting and are requested to vote on the proposal to elect directors, as described in this proxy statement.

Who is entitled to vote at the annual meeting?

Holders of the Company's common stock, \$2.00 par value per share, as of the close of business on April 1, 2005 (the record date for the meeting), will be entitled to vote at the annual meeting. On April 1, 2005, there were outstanding and entitled to vote 4,554,663 shares of the Company's common stock, each of which is entitled to one vote on each matter presented for vote at the annual meeting. At this time, the only matter we are aware of that will be presented for vote at the meeting is the election of directors.

How do I vote my shares at the annual meeting?

If you are a shareholder of record of the Company's common stock, you may complete and sign the accompanying proxy card and return it in the enclosed postage-paid envelope, or you may deliver it in person to the Corporate Secretary or the Assistant Corporate Secretary at the offices of Union Bank. You are a shareholder of record if you hold your stock in your own name on the Company's shareholder records maintained by our transfer agent and wholly-owned subsidiary, Union Bank.

"Street name" shareholders of common stock, who wish to vote at the annual meeting will need to obtain a proxy form from the institution that holds their shares and follow the instructions on that form. Street name shareholders are shareholders who hold their common stock indirectly, through a bank, broker or other nominee.

Can I change my vote after I return my proxy card?

Yes, after you have submitted a proxy, you may change your vote at any time before the proxy is exercised at the annual meeting.

Shareholders of record may change their vote by submitting a written notice of revocation or a proxy bearing a later date. You may file a notice of revocation or request a new proxy by contacting the Assistant Corporate Secretary, JoAnn Tallman at Union Bank, 20 Lower Main Street, Morrisville, VT 05661 or by calling 802-888-6600.

"Street name" shareholders who wish to change their vote should contact the institution that holds their shares and follow the applicable procedures prescribed by the institution.

Can I vote at the meeting instead of voting by proxy?

Yes, a ballot will be available at the annual meeting for shareholders of record who wish to vote in person. However, we encourage you to complete and return the enclosed proxy card to be certain that your shares are represented and voted, even if you should be unable to attend the meeting in person. If you wish, you may revoke your previously given proxy at the annual meeting and vote by ballot instead.

What is a broker non-vote?

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

Under brokerage industry practices, a broker may generally vote the shares it holds for customers on routine matters, but requires voting instructions from the customer on other, nondiscretionary matters. A broker non-vote occurs when a broker votes less than all of the shares it holds of record for any reason, including with respect to nondiscretionary matters where customer instructions have not been received. The "missing" votes in such a case are broker non-votes.

What constitutes a quorum for purposes of the annual meeting?

The presence at the annual meeting in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote will constitute a quorum for the transaction of business. Proxies marked as "WITHHOLD AUTHORITY" on the election of directors, or marked as abstaining (including proxies containing broker non-votes) on any matter to be acted on by the shareholders will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast on such matters.

What vote is required to approve matters at the annual meeting?

The election of directors at the annual meeting requires the affirmative vote of a plurality of the votes cast. That means that the nominees who receive the highest number of vote totals for the number of vacancies to be filled will be elected as directors. Therefore, a vote to withhold authority for any nominee or the entire slate will not affect the outcome of the election unless there are more nominees than there are vacancies to be filled.

In order to be approved, any other matter that may be voted on at the meeting would require that more votes be cast in favor of the proposal than against it. As noted above, management of the Company is

2

not aware at this time of any matter that may be submitted to vote of the shareholders at the annual meeting other than the election of directors.

Do broker non-votes affect the outcome of shareholder votes?

Broker non-votes, while considered present and entitled to vote for purposes of determining a quorum, are not considered to be "votes cast." Because election of directors is by plurality vote, and, if presented, any other matters would be approved if more votes are cast for than against, broker non-votes would not affect the outcome of any such shareholder vote.

How does the Board recommend that I vote my shares?

The Board of Directors recommends that you vote FOR the proposal to set the number of directors for the ensuing year at eight and to elect the eight nominees listed in this proxy statement.

The proxy card gives you the ability to vote for, or withhold authority from voting, as to the entire slate of directors, or as to individual nominee(s). If you vote by proxy, your shares will be voted in the manner you indicate on the proxy card. If you sign and return your proxy card but do not specify how you want your shares to be voted, the persons named as proxy holders on the proxy card will vote your shares in accordance with the recommendations of the Board of Directors.

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

How are proxies solicited?

Proxies are being solicited by mail. Proxies may also be solicited by directors, officers or employees of the Company or Union Bank, in person or by telephone, facsimile, or electronic transmission. Those individuals will not receive any additional compensation for such solicitation.

Who pays the expenses for soliciting proxies?

The Company pays the expenses for soliciting proxies for the annual meeting. These expenses include costs relating to preparation, mailing and returning of proxies. In addition, we may reimburse banks, brokers or other nominee holders for their expenses in sending proxy materials to the beneficial owners of our common stock.

SHARE OWNERSHIP INFORMATION

Share Ownership of Management and Principal Holders

The following table shows the number and percentage of outstanding shares of the Company's common stock owned beneficially as of March 15, 2005 by:

- * each incumbent director and nominee for director of the Company;
- * each executive officer of the Company named in the summary compensation table included elsewhere in this proxy statement;
- * all of the Company's directors and executive officers as a group; and
- * each person (including any "group," as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934), known to the management of the Company to own beneficially more than 5% of the Company's outstanding common stock.

3

Except as otherwise indicated in the footnotes to the table, the named individuals possess sole voting and investment power over the shares listed.

Shareholder or Group	Shares Beneficially Owned	Percent of Class

Directors, Nominees and/or Executive Officers:		
Cynthia D. Borck	6,529 (1)	.14
Steven J. Bourgeois	1,388 (2)	.03
William T. Costa, Jr.	25,942 (3)	.57
Kenneth D. Gibbons	60,944 (4)	1.33
Franklin G. Hovey, II	603,928 (5) (10)	13.22
Richard C. Marron	3,065 (6)	.07
Marsha A. Mongeon	1,298 (7)	.03
Robert P. Rollins	5,133	.11
Richard C. Sargent	594,943 (8)	13.03
John H. Steel	5,500 (9)	.12

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

All Directors, Nominees and Executive Officers as a Group (10):	1,308,670	28.65
Other 5% or more Shareholders:		
Genevieve L. Hovey Trust	422,908 (10)	9.26
Susan Hovey Mercia	603,713 (10) (11)	13.22
Walter M. Sargent Revocable Trust	379,836 (12)	8.32