

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

UNION BANKSHARES INC  
Form DEF 14A  
April 14, 2006

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))  
[X] 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):

- [X] 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.  
-----

Union Bankshares, Inc.  
20 Lower Main Street  
PO Box 667  
Morrisville, VT 05661  
(802) 888-6600

April 14, 2006

Dear Shareholder,

The 115th Annual Meeting of the Shareholders of Union Bankshares, Inc. will be held May 17th 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, 2005. 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

Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

Union Bankshares, Inc.  
-----

NOTICE OF  
2006 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON WEDNESDAY, MAY 17, 2006

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 17, 2006, 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 March 31, 2006 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 14, 2006

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 in person at the meeting instead of voting by proxy?	2
What does it mean if I receive more than one proxy card?	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?	3
Do broker non-votes affect the outcome of shareholder votes?	3

## Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

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	4
Share Ownership of Management and Principal Holders	4
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	10
COMPENSATION COMMITTEE REPORT	12
STOCK PERFORMANCE GRAPH	14
EXECUTIVE OFFICERS	15
EXECUTIVE COMPENSATION	15
Summary Compensation Table	16
Benefit Plans	17
Union Bankshares, Inc. Incentive Stock Option Plan	17
Union Bank Discretionary Bonus Payments	18
Union Bankshares, Inc. Deferred Compensation Plan	19
Union Bank Defined Benefit Pension Plan	19
Union Bank 401(k) and Profit Sharing Plan	20
Other Employee Benefit Plans	20
INDEPENDENT AUDITORS	21
Audit Fees	22
Audit Committee Pre-Approval Guidelines	22
SHAREHOLDER PROPOSALS	22
OTHER MATTERS	23

UNION BANKSHARES, INC.  
20 Lower Main Street  
Morrisville, VT 05661  
(802) 888-6600

### PROXY STATEMENT

Annual Meeting of Shareholders

May 17, 2006

### INFORMATION ABOUT THE MEETING

Why have I received these materials?

We are sending this proxy statement and proxy card on behalf of the Board of Directors to solicit your vote on matters to be voted on at the annual meeting of the shareholders of Union Bankshares, Inc. (the "Company," "we"

## Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

or "our") to be held at 3:00 p.m. local time on Wednesday, May 17, 2006, 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 ended December 31, 2005, which contains the Company's audited consolidated financial statements. These materials were first sent to our shareholders on or about April 14, 2006. 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?

Only holders of record of the Company's common stock, \$2.00 par value per share, as of the close of business on March 31, 2006 (the record date for the meeting), will be entitled to vote at the annual meeting. On March 31, 2006, there were 4,540,837 shares of the Company's common stock outstanding, and each such share 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, 20 Lower Main Street, Morrisville, VT 05661. 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 (the "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 her at (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 in person 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

## Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

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.

If you hold your shares through a bank, broker or other nominee, you must obtain a legal proxy from the bank, broker or nominee in order to vote your shares at the meeting.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered differently in more than one account (for example, "John Doe" and "J. Doe"). To ensure that all your shares are voted, you should complete, sign and return all proxy cards. We encourage you to register all your accounts in the same name and address. You may do so by contacting Assistant Corporate Secretary JoAnn Tallman at Union Bank, 20 Lower Main Street, Morrisville, VT 05661, or by calling her at (802) 888-6600.

What is a broker non-vote?

Under stock exchange rules and 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.

Election of directors at the annual meeting is considered to be a routine matter for purposes of a broker's discretionary voting authority.

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 (including proxies containing broker non-votes) will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast.

2

If a matter is considered to be routine (such as an uncontested election of directors), broker non-votes are counted for determining a quorum on that matter, since the broker is entitled to vote those shares under its discretionary authority. On any matter considered to be non-routine, broker non-votes would not be considered shares entitled to be voted by the broker without voting instructions from the beneficial owner, and therefore would not be counted in determining a quorum.

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.

## Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

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 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 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. On some non-routine matters, such as charter amendments, the applicable vote required to approve the matter may be based on a specified percentage of the outstanding shares. In such a case, broker non-votes would have the same effect as a vote against the matter.

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 FOR the entire slate of directors, and in accordance with the recommendations of the Board of Directors on any other matters that may be presented for vote of shareholders at the meeting.

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.

3

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 10, 2006 by:

- \* each incumbent director and nominee for director of the Company;
- \* each executive officer of the Company named in the summary

## Edgar Filing: UNION BANKSHARES INC - Form DEF 14A

- 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.

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
<b>Directors, Nominees and/or Executive Officers:</b>		
Cynthia D. Borck	6,529 (1)	.14
Steven J. Bourgeois	1,388 (2)	.03
Kenneth D. Gibbons	60,944 (3)	1.34
Franklin G. Hovey, II	603,928 (4) (9)	13.30
Richard C. Marron	3,965 (5)	.09
Marsha A. Mongeon	1,333 (6)	.03
Robert P. Rollins	7,133	.16
Richard C. Sargent	594,843 (7)	13.10
John H. Steel	5,500 (8)	.12
<b>All Directors, Nominees and Executive Officers as a Group (9):</b>	<b>1,285,563</b>	<b>28.31</b>
<b>Other 5% or more Shareholders:</b>		
Genevieve L. Hovey Trust	422,908 (9)	9.31
Susan Hovey Mercia	603,713 (9) (10)	13.29
Walter M. Sargent Revocable Trust	379,736 (11)	8.36

(footnotes on following page)