

UNION BANKSHARES INC
Form DEF 14A
April 09, 2018

UNITED STATES
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

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 Section 240.14a-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.

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

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
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4) Proposed maximum aggregate value of transaction:

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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 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 9, 2018

Dear Shareholder,

The 127th annual meeting of Union Bankshares, Inc. (the "Company", "we", or "our") will be held Wednesday, May 16th at 3 p.m. at the Charlmont Restaurant meeting room located at 116 Vermont Route 15 West, Morrisville, Vermont. You are cordially invited to attend. Enclosed are a notice of annual meeting, a proxy statement and a proxy card for voting your shares.

Also enclosed with this mailing is a copy of our Annual Report on Form 10-K for Union Bankshares, Inc. for the year ended December 31, 2017, along with a brochure containing other information of interest about your Company. Our proxy materials, Annual Report on Form 10-K and informational brochure are also posted on www.ublocal.com and on a special internet website, as indicated in the Notice of Internet Availability section of the attached Notice of Annual Meeting.

If your shares are held through a broker, please note that your broker will not have the authority to vote your shares on the election of directors without your specific instructions. Therefore, it is especially important that you submit your proxy promptly so your votes can be counted.

All shareholders of record will have three options for voting. In addition to returning the enclosed proxy card by mail, you may alternatively vote by phone or via the internet. For further details, refer to the proxy card or the Information About the Meeting section of the Proxy Statement.

We hope you will join us immediately following the meeting for an informal gathering of shareholders, directors and bank officers at the Charlmont Restaurant, Route 15 West, Morrisville, Vermont.

Sincerely,
Kenneth D. Gibbons David S. Silverman
Chairman President & Chief Executive Officer

Union Bankshares, Inc.

NOTICE OF
2018 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, May 16, 2018

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 16, 2018, at the Charlmont Restaurant meeting room located at 116 Vermont Route 15 West, Morrisville, Vermont for the following purposes:

1. To fix the number of directors at ten for the ensuing year and to elect ten directors (or such lesser number as circumstances may warrant), to serve a one year term and until their successors are elected and qualified;
 2. To ratify the appointment of the independent registered public accounting firm of Berry Dunn McNeil & Parker, LLC as the Company's external auditors for 2018; and
 3. To consider and act upon any other business that may properly come before the meeting or any adjournment thereof.
- The Board of Directors has fixed the close of business on March 23, 2018 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.

IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR 2018 ANNUAL MEETING OF SHAREHOLDERS

This notice of meeting and proxy statement, the accompanying proxy card, our Annual Report on Form 10-K for the year ended December 31, 2017 and a brochure containing certain additional information about the Company are available on the internet in a downloadable, printable and searchable format and may be accessed at <http://www.materials.proxyvote.com/905400>.

By Order of the Board of Directors,

John H. Steel
Secretary

Morrisville, Vermont
April 9, 2018

YOUR VOTE IS IMPORTANT

PLEASE VOTE YOUR SHARES BY COMPLETING AND RETURNING THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, OR BY FOLLOWING THE INSTRUCTIONS ON THE PROXY TO VOTE BY TELEPHONE OR THE INTERNET, 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.

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UNION BANKSHARES, INC.

20 Lower Main Street
Morrisville, VT 05661
(802) 888-6600

PROXY STATEMENT

Annual Meeting of Shareholders
May 16, 2018

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. to be held at 3:00 p.m. local time on Wednesday, May 16, 2018, at the Charlmont Restaurant meeting room located at 116 Vermont Route 15 West, Morrisville, Vermont. This proxy statement and proxy card are accompanied by the Company's Annual Report on Form 10-K for the year ended December 31, 2017 containing the Company's audited consolidated financial statements and footnotes, and a brochure containing certain additional information about the Company. These materials were first sent to our shareholders on or about April 9, 2018. You are cordially invited to attend the annual meeting and are asked to vote on the following proposals:

1. To elect ten directors to the Company's Board of Directors (the "Board") for the ensuing year; and
2. To ratify the selection of our independent auditors for 2018.

Who is entitled to vote at the annual meeting?

Only holders of record of the Company's \$2.00 par value common stock as of the close of business on March 23, 2018 (the record date for the meeting) will be entitled to vote at the annual meeting. On that date there were 4,465,657 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.

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 vote your shares by completing and signing the accompanying proxy card and returning it in the enclosed postage paid envelope. Alternatively, you may vote your shares by telephone (toll free in the United States) at 1-800-690-6903 or over the internet at <http://www.proxyvote.com>. Be sure to have your proxy card in hand if you vote by telephone or the internet and follow the instructions on the card. 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, Broadridge Corporate Issuer Solutions, Inc., of Brentwood, New York.

"Street name" shareholders of common stock, who wish to vote at the annual meeting will need to obtain a proxy card 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 submit my proxy?

Yes, after you have mailed your proxy card or submitted your proxy by telephone or the internet, you may change your vote at any time before the proxy is exercised at the annual meeting. A timely-submitted later dated proxy supersedes all earlier proxies. Shareholders of record may change their vote by:

mailing a proxy card bearing a later date. You may request a new proxy by contacting our transfer agent, Broadridge Corporate Issuer Solutions, Inc., at the following address or toll free telephone number: Broadridge

Corporate Issuer Solutions, Inc. , Attn: Investor Relations Dept., P. O. Box 1342, Brentwood, NY 11717, 1-866-321-8022. You may also contact our Assistant Corporate Secretary, Kristy Adams Alfieri, for assistance at the address and telephone number shown on page one of this proxy statement; or
submitting a later dated proxy by telephone or the internet; or
withdrawing your previously given proxy in person at the annual meeting and voting your shares by ballot.
“Street name” shareholders who wish to change their vote must 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, or to vote your shares by telephone or the internet, 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. 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 in person 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 our transfer agent, Broadridge Corporate Issuer Solutions, Inc., at the following address or toll free telephone number: Broadridge Corporate Issuer Solutions, Inc. , Attn: Investor Relations Dept., P. O. Box 1342, Brentwood, NY 11717, 1-866-321-8022. You may also contact our Assistant Corporate Secretary, Kristy Adams Alfieri, for assistance at the address and telephone number shown on page one of this proxy statement.

What is a broker nonvote?

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, nonroutine matters. A broker nonvote occurs when a broker votes less than all of the shares it holds of record for any reason, including with respect to nonroutine matters where customer instructions have not been received. The “missing” votes in such a case are broker nonvotes.

Please note that under applicable brokerage industry rules for broker voting of shares, all director elections, whether or not contested, are considered nonroutine. Therefore, a broker may not vote a customer's shares in the election of directors (Proposal 1) without specific instructions from the beneficial owner. If you hold your shares through a broker, please be sure to follow your broker's instructions on how to direct the voting of your shares at the annual meeting.

The ratification of the appointment of the Company's independent auditors is considered to be a routine matter for purposes of a broker's discretionary voting authority under current stock exchange rules. Therefore, a broker may vote uninstructed shares on Proposal 2 under its discretionary 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. Shares voted by proxy or ballot on either of the proposals, including those marked as “ABSTAIN” on the election of directors (Proposal 1) or on the ratification of the appointment of the independent auditors (Proposal 2), will be treated as present at the meeting for purposes of determining a quorum.

Broker nonvotes are counted for determining a quorum to convene the meeting and for voting on routine matters (such as ratification of the appointment of the independent auditors) since the broker is entitled to vote those shares under its discretionary authority. On any matter considered to be nonroutine (such as the election of directors) broker nonvotes

are

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not considered shares entitled to be voted by the broker, and therefore would not be counted for determining whether a quorum is present to vote on such matters.

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

The election of directors (Proposal 1) will require 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 ABSTAIN from voting on 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.

Ratification of the appointment of the Company's independent auditors (Proposal 2) will require that more votes be cast FOR the proposal than AGAINST. Therefore, abstentions will not affect the outcome of the vote on Proposal 2. If any other matter should be presented at the meeting, approval of such matter would generally require that more votes be cast in favor than opposed; abstentions and broker nonvotes would not affect the outcome. 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 and ratification of the appointment of the independent auditors.

Do broker nonvotes affect the outcome of the shareholder votes on Proposals 1 and 2?

Because the election of directors (Proposal 1) is not the subject of an election contest and is by plurality vote, broker nonvotes at the annual meeting will not affect the outcome of the election of directors.

Broker nonvotes are not considered to be "votes cast" and therefore will not affect the outcome of the votes on approval of the appointment of independent auditors (Proposal 2).

How does the Board recommend that I vote my shares?

The Board of Directors recommends that you vote FOR Proposal 1 to set the number of directors for the ensuing year at ten, or such lesser number as circumstances require, and to elect the ten nominees listed in this proxy statement; and FOR Proposal 2 to ratify the appointment of the independent registered public accounting firm of Berry Dunn McNeil & Parker, LLC as the Company's external auditors for 2018.

If you vote by proxy card, 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 Proposals 1 and 2, 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 and by internet posting of our proxy materials. Proxies may also be solicited by directors, officers or employees of the Company or our wholly-owned subsidiary, Union Bank ("Union" or the "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 23, 2018 by:

• each incumbent director of the Company;

• each non-incumbent director nominee;

• each executive officer named in the 2017 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.

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 Executive Officers		
Steven J. Bourgeois	2,000 (1)	*
Dawn D. Bugbee	234	*
Jeffery G. Coslett	6,382 (2)	*
Kenneth D. Gibbons	56,157 (3)	1.26
John M. Goodrich	1,100	*
Karyn J. Hale	2,524 (4)	*
Nancy C. Putnam	1,000 (5)	*
Timothy W. Sargent	1,688	*
David S. Silverman	18,546 (6)	*
John H. Steel	8,000 (7)	*
Schuyler W. Sweet	4,500 (8)	*
Cornelius J. Van Dyke	2,172 (9)	*
All Directors and Executive Officers as a Group (12 in number)	104,303	2.34
5% or more Shareholders		
Richard C. Sargent	502,866(10)	11.26
Susan Hovey Mercia	392,259(11)	8.78
Walter M. Sargent Revocable Trust	277,358(12)	6.21

*Denotes less than one percent (1%) of class.

(1) Mr. Bourgeois has shared voting and investment power over all shares listed. All of such shares are held in the Bourgeois Family Trust.

(2) Mr. Coslett has shared voting and investment power over 6,382 of the shares listed.

(3) Mr. Gibbons has shared voting and investment power over all of the shares listed.

(4) Ms. Hale has shared voting and investment power over 1,024 of the shares listed. Includes 1,500 shares Ms. Hale has the right to acquire under presently exercisable incentive stock options.

(5) Nominee Putnam has shared voting and investment power over all of the shares listed.

Mr. Silverman has shared voting and investment power over 11,662 of the shares listed. Includes 884 shares held (6) in an IRA for the benefit of Mr. Silverman's wife. Includes 6,000 shares Mr. Silverman has the right to acquire under presently exercisable incentive stock options.

(7) Mr. Steel has shared voting power over 2,000 of the shares listed. Includes 1,000 shares held in an IRA for the benefit of Mr. Steel's wife.

(8) All shares are held in the Schuyler W. Sweet 2000 Revocable Trust, of which Mr. Sweet is settlor and trustee.

Includes 1,772 shares held in the Cornelius J. Van Dyke Revocable Trust of which Mr. Van Dyke is settlor and (9) trustee and 400 shares held in the Carol Phillips Hillman Revocable Trust, of which Mr. Van Dyke's wife is settlor and trustee.

Mr. Sargent has shared voting power over 502,866 of the shares listed. The total includes 162,000 shares held by the Copley Fund, a charitable trust of which Mr. Sargent serves as co-trustee. Mr. Sargent does not have any (10) beneficial interest in the fund and disclaims beneficial ownership of all 162,000 shares held by the fund. The total also includes 277,358 shares held by the Walter M. Sargent Revocable Trust, of which Mr. Sargent and members of his family are beneficiaries and of which he is one of three co-trustees.

(11) Ms. Mercia has shared voting and investment power over all 392,259 of the shares listed.

All 277,358 shares are included in the share total disclosed elsewhere in this table as beneficially owned by (12) Richard C. Sargent, who is one of three co-trustees of the Trust and of which he and members of his family are beneficiaries.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and ten percent or more shareholders to file with the Securities and Exchange Commission ("SEC") reports of their ownership and changes in ownership of the Company's equity securities and to furnish the Company with copies of all such reports. Based solely on its review of copies of Section 16 reports received by it, or on written representations from certain reporting persons that no filings were required for them, except as set forth below, the Company believes that during 2017 all Section 16(a) filing requirements applicable to its officers, directors and ten percent or more shareholders were timely complied with, except for the following: a late filed Form 5 report for Richard C. Sargent, relating to the receipt of a gift of shares during 2016 and 2017; and a late filed Form 4 report for each of the three executive officers listed in the 2017 Summary Compensation Table, following the final calculation as of December 31, 2017 of the number of shares of common stock underlying an award to each such officer of restricted stock units subject to time based vesting conditions.

PROPOSAL 1: TO ELECT DIRECTORS

The Company's Amended and Restated Articles of Association and Bylaws provide for a Board of at least three directors, with the exact number to be fixed by the shareholders at each annual meeting. The Board of Directors currently consists of nine individuals and the Board has recommended that the number of directors be increased to ten to accommodate the nomination of Union Bank director Nancy C. Putnam to stand for election to the Company Board. Accordingly, the shareholders are being asked to fix the number of directors for the ensuing year at ten, or such lesser number as circumstances require should any of the nominees be unable to serve.

The table below contains certain biographical information about board nominee Putnam and each of the nine incumbent directors standing for reelection to the Board. Additional biographical information for each of them is set forth following the table under the caption "Director Qualifications."

Name and Age	Served as Director Since (1)	Principal Occupation for Past Five Years
Steven J. Bourgeois, 69	2005	Chief Executive Officer and Principal Owner, Strategic Initiatives for Business LLC (business consulting) St. Albans, VT
Dawn D. Bugbee, 61	2016	Vice President and Chief Financial Officer, Green Mountain Power Corporation Colchester, VT
Kenneth D. Gibbons, 71	1989	Chairman of the Board, Union Bankshares, Inc. and Union Bank; Morrisville, VT
John M. Goodrich, 68	2014	Chief Executive Officer, Superior Technical Ceramics Corporation; 2017 - present St. Albans, VT Previously, Vice President of Production of the Americas of Weidmann Electrical Technology St. Johnsbury, VT
Nancy C. Putnam, 62	-	Retired Previously, CPA, Marckres Norder & Company, Inc. (accounting firm) Morrisville, VT
Timothy W. Sargent, 42	2011	Attorney at Law, Sargent Law Office, PLLC Morrisville, VT
David S. Silverman, 57	2011	President and Chief Executive Officer Union Bankshares, Inc. and Union Bank Morrisville, VT
John H. Steel, 68	2002	Owner, President and Treasurer, Steel Construction, Inc. Stowe, VT
Schuyler W. Sweet, 70	2008	Owner and Manager, Stony River Properties, LLC (equipment leasing and property management) Littleton, NH
Cornelius J. Van Dyke, 64	2010	Search and Rescue Coordinator, Vermont Department of Public Safety; 2013 - present

Previously, President and General Manager, Golden Eagle Resort
Waterbury, VT

(1) Director nominee Putnam and each incumbent director is also a director of Union Bank; years of service do not include any prior years of service on the Board of Union Bank.

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Director Qualifications

Community banking is about being a good member of the communities we serve and providing quality customer service and products, while ensuring that the interests of our stockholders and employees are satisfied and our regulatory requirements are met. The Company's Board meets at least quarterly, and Union Bank's Board meets semi-monthly, to strategize, guide and monitor the activities of the Bank to achieve these goals. We rely on our directors for their strategic vision, business acumen and knowledge of local markets and opportunities. All of our directors live or work in the communities we serve and bring a unique set of talents, perspectives and backgrounds to our Board. They have been active members in organizations of their choice and interest over their lifetimes, usually in a leadership position, which has added to their reputations as respected individuals. Our incumbent directors include long-standing members of the Board who have served through many economic cycles, technological advancements, regulatory changes and periods of Company growth.

The information below summarizes the specific experience, qualifications, attributes and skills that led our Board to conclude that the individual should serve on the Company's Board. We believe that in their professional and personal lives and through their Board service, each has demonstrated sound judgment, leadership capabilities, high ethical standards and a strong commitment for service to the Company.

Steven Bourgeois began his career in banking in 1969. He served as the President and Chief Executive Officer (“CEO”) of Franklin Lamoille Bank in St. Albans, Vermont from 1991 to 2001 when the bank's parent Company was acquired. He continued as Regional President of Banknorth until 2002 and as an Advisory Board member until 2004. He is the owner and CEO of Strategic Initiatives for Business LLC, a business consulting firm he founded in 2002. Steve served as an officer/board member of the Vermont Economic Development Authority from 1988 to 2016, as a member of the Governor's Council of Economic Advisors from 2002 to 2010, and on many statewide councils at the Governor's request. Steve has numerous other business, community, civic and banking industry group memberships in Vermont and Franklin County. He joined the Company's Board in 2005, and is the Chair of the Audit Committee. Steve is the designated “audit committee financial expert” as defined by the regulations of the SEC, and is also the Audit Committee representative on the Company's Disclosure Control Committee. He is also a member of Union's St. Albans Advisory Board. Steve's many years of experience in Vermont community banking, including as a community bank CEO, and his financial knowledge and expertise provide an important contribution to the Board.

Dawn Bugbee joined the Company's Board in 2016 and has served on Union Bank's Board since September 2015. She is currently a Vice President and Chief Financial Officer for Green Mountain Power Corporation, which prior to its acquisition in 2007 by Gaz Metro, L. P. was a publicly-traded, SEC reporting company. Prior to March 2006 she was the Chief Financial officer at Northwestern Medical Center (NMC) in St. Albans, Vermont. She is a certified public accountant (CPA) and holds a Bachelor of Science degree from Castleton University. She is an active member in the local community serving on the Board of Directors and finance committees at NMC and Goodwill of Northern New England. Dawn is a past Trustee of Champlain College in Burlington, a gubernatorial appointee to the Vermont Education and Health Building Financing Agency (VEHBFA), a Board member of United Way of Chittenden County and a Rotarian in the St. Albans and Colchester Rotary clubs. Dawn's years of experience as Chief Financial Officer and knowledge of SEC reporting requirements add valuable strength to the Board. Dawn serves on the Company's Audit Committee.

Kenneth Gibbons has served as Chairman of the Board since the 2011 annual meeting and served as President of both the Company and Union from 1991 until April 1, 2011 and as CEO of the Company and Union until his retirement at the 2012 annual meeting. Ken's banking career began in 1965 in Massachusetts and he has worked in all areas of banking during the intervening years. In 1975, he moved to Vermont and joined Union in 1984 as Vice President of Commercial Lending. Ken has served on many committees of the Vermont Bankers Association (VBA) and is a past VBA Chair. He has also been actively involved with the American Bankers Association and is a former member of the Board of Directors of the Independent Community Bankers of America (ICBA). Ken has been very active in

numerous civic organizations and currently serves on the boards of the VEHBFA, the finance committee of Copley Hospital, and is currently the Vice Chair of the Sterling College Board of Trustees. Ken's expertise in the community banking field and his leadership and

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strategic planning skills, as well as, his long tenure with the Company, add valuable depth and strength to the Board. Ken joined the Company's Board in 1989, and serves on Union's Pension Committee.

John Goodrich joined the Company's Board in 2014 and has served on Union Bank's Board since 2013. During 2017, John assumed the Chief Executive Officer position at Superior Technical Ceramics, in St. Albans where he previously served as an advisory board member. John previously served as Vice President of Production for Americas for Weidmann Electrical Technology in St. Johnsbury prior to his retirement from that position in 2015. John is very active in the community, currently serving on Board of Trustees and the executive committee of Northeastern Vermont Regional Hospital in St. Johnsbury, and having previously served on the St. Johnsbury School Board for seven years and on the Planning Commission for five years. John also participated in the writing of the St. Johnsbury Town Plan. He is a past member of the Board of Directors of Central Vermont Public Service Corporation, and was a Director of the Associated Industries of Vermont (AIV) for many years. John remains active in the Vermont political process at the local and state levels and was appointed by then Vermont Governor Jim Douglas to first serve on and then chair the state's Commission for the Future of Economic Development. John's considerable experience in management of a large business enterprise and his knowledge of one or our important local markets, adds valuable strength to the Board. John also serves on the Company's Compensation Committee.

Nancy Putnam has been a Union Bank director since her appointment to the Board in March 2017. During 2017 Ms. Putnam retired from Marckres Norder and Company, an accounting firm in Morrisville, where she practiced as a CPA for 21 years. Prior to this, Ms. Putnam was Vice President and Trust Officer for the former Franklin Lamoille Bank in Morrisville, Vermont. Nancy is very active in the community, currently serving on the executive, compensation, and finance committees of the Board of Trustees of Copley Hospital, where she previously served as Board chair for two years. Nancy is a past member of the finance committee for the Town of Cambridge and volunteers with the Smuggler's Notch Adaptive Ski Program and the Cambridge Food Shelf. Nancy's considerable experience as a CPA and previous community bank experience add valuable insight to Union's Board and will similarly enhance the Company's Board if she is elected at the annual meeting.

Timothy Sargent joined the Company's Board in 2011 and has served on Union Bank's Board since 2010. Tim holds a law degree from Vermont Law School (South Royalton, Vermont) and a Bachelor of Science from Bates College (Lewiston, Maine). Tim practices law in Morrisville, Vermont at Sargent Law Office, PLLC and has been with the firm for fourteen years. He is an active member in the local community and cares very deeply about the economic health and vitality of the region. Tim recently served on the Board of Directors for the "start up" Morrisville Food Cooperative and currently sits on the Ron Terrill Scholarship Fund, which awards annual scholarships to local graduating high school students. In addition, he served more than eight years as a Trustee on the Morrisville Water & Light Department and as a Rotarian on the Morrisville Rotary Club. The Company values Tim's legal insights, knowledge of local businesses and perspectives. Tim serves on the Company's Audit Committee.

David Silverman became President of the Company and the Bank on April 1, 2011 and CEO of both in May 2012. He was appointed to the Bank's Board of Directors in November 2010 and elected to the Company's Board at the 2011 annual meeting. David has been with the Bank for 31 years and before becoming President, served in many capacities, including as Vice President of the Company and Senior Vice President and Senior Loan Officer of the Bank. David has been active in the community having served as a Trustee of the Hardwick Electric Department, on the Boards of the Stowe Area Association, Lamoille County Mental Health Services, Community Health Services of the Lamoille Valley, and as a member of the Morristown Development Review Board. He is currently serving on the Copley Hospital Board of Trustees, and on the Board of Directors of the Lamoille Economic Development Corporation, where he is past president, and serves as a federal delegate to the Independent Community Bankers Association. David serves on the Bank's Trust, Pension and 401K Committees and all three of Union's local Advisory Boards. David's many years of service to the Company in various positions, and his day to day leadership since becoming CEO in 2012 provide the Board with the benefit of his thorough knowledge of the Company's business operations,

markets and strategic challenges and opportunities.

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John Steel founded Steel Construction in Stowe, Vermont in 1981 and is now one of the premier builders in Stowe. He holds a degree in Business Administration from the University of Denver. John has been a leader in many civic organizations in Stowe. He is a member of the Lamoille Region Chamber of Commerce and the Homebuilders and Remodelers Association of Vermont. He previously served as a member-at-large of the Copley Hospital Board of Trustees, serving on its executive, finance and compensation committees, and served as Chair of the Copley Woodlands Board, and as a member of the Copley Hospital Construction Advisory Board. His business, trust and investment knowledge brings valuable insight to the Board. John is one of our longest serving board members having joined the Board in 2002, and serves on the Company's Compensation Committee, as well as on Union's Asset Management Group, 401K, and Pension Committees. He became Secretary of the Company in October, 2010.

Schuyler Sweet is the owner and Manager of Stony River Properties, LLC, an equipment leasing and property management company in Littleton, New Hampshire. Schuyler has owned and operated a number of businesses over the years, including busing companies, a travel agency and leasing companies. Schuyler, who joined the Board in 2008, has been on Union Bank's Northern New Hampshire Advisory Board since 2005 and is very active in local civic and business organizations. His considerable experience in managing small businesses, his in-depth familiarity with the Littleton market and his inquisitive nature adds strength to the Company's Board. Schuyler's knowledge of the New Hampshire banking market is especially important as Union acquired three full-service New Hampshire branches in May 2011, opened another full-service branch in Lincoln, New Hampshire in May 2014, and continues to grow its franchise in the state. Schuyler serves as Chair of the Company's Compensation Committee, and also serves on the Company's Audit Committee and Union's Pension Committee.

Neil Van Dyke from Stowe, Vermont has served as Vice Chairman of the Board since 2016. He adds a unique perspective to the Company's complement of Board members as a previous long time owner of a large resort property in Stowe. Neil joined the staff of the Golden Eagle Resort in 1979 and served as its President and was a co-owner until its sale in September of 2014. In 2013, Neil became the Search and Rescue Coordinator for the Vermont Department of Public Safety. Neil holds a Bachelor of Arts degree from Dartmouth College and a Master of Science with a concentration in recreation management from SUNY College of Environmental Science and Forestry. Neil was actively involved on the board of the Stowe Area Association 1982 through 2014, and is the founder of Stowe Mountain Rescue, where he has been a team leader since 1980. He has also served as a member of the Stowe Select Board since 2010. Neil served as a director of the Franklin Lamoille Bank and on the Vermont advisory board of Banknorth from 1998 until 2006. Neil's extensive education and experience in the travel and tourism business, which is an important business segment in our markets, as well as his prior bank board involvement, add further depth to our Board. Neil serves on the Company's Compensation Committee and currently serves as Chair of Union's Asset Management Group.

Director's Compensation

Directors' fees, committee fees and advisory board member fees are determined annually by the Company's Board of Directors for service on the Boards of the Company and Union. The appropriateness of the fees paid and the fee structure are reviewed on a periodic basis by the Compensation Committee ("Committee") or the Company's Board based on published surveys, consultant recommendations and available information on the director compensation practices of other financial institutions. An analysis conducted in 2016 by Pearl Meyer & Partners, LLC ("Pearl Meyer"), an independent outside consulting firm specializing in Board and executive compensation, revealed that our total compensation per Director was appropriately positioned when compared to a peer group of thirteen publicly-traded financial institutions of similar asset size, performance and geographic region. Pearl Meyer found that our use and mix of retainers and meeting fees aligned with peer practice, although they noted that the Boards of the Company and Union met more frequently than was common for the peer group. Various survey data of director compensation guides the Committee in recommending fees paid and fee structure, including the annual Berry Dunn Financial Institutions Compensation Survey, which includes director compensation data and covers Vermont, New Hampshire and Maine. An updated review of director compensation has been authorized by the Committee to be

conducted by Pearl Meyer in 2018 to assess the competitiveness and reasonableness of our director compensation. In 2017, the Company's Board adopted a Director and Advisory Board Compensation Policy to provide a framework for setting director compensation. Director fees for 2017 consisted of a similar mix of retainers and Board and committee

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meeting fees as in 2016, but with a 3.1 % increase in the retainer paid to Company Board members, a 3.4% increase in the retainer paid to Union Board members, a 3.4% increase in the Union per meeting fee, and a 73.1% increase in the Company Board Chair retainer fee and a 34.6% increase in the Union Board Chair retainer fee to bring these closer in line with peer bank board chair fees. The percentage increase in the Company and Union Board retainer fees and the Union per meeting fee were comparable to the average salary increase for Union's senior officers in 2017. All Company and Union directors' fees for 2017 were paid in cash. The Compensation Committee and the Boards of the Company and Union believe that our director compensation remains reasonable and commensurate with our peers. Each of the nine incumbent directors of the Company and of Union served as directors of both boards throughout 2017. Nominee Nancy C. Putnam was appointed to Union's board on March 1, 2017, but does not currently serve on the Company's board. All directors of the Company received an annual retainer of \$9,900 but did not receive any fees for attendance at regular or special meetings of the Company's Board. Mr. Gibbons received an additional retainer of \$4,500 for his service as Chair of the Company's Board throughout 2017 and Mr. Van Dyke received an additional retainer of \$1,000 for his service as Vice Chair of the Company's Board throughout 2017. For 2017, the Committee Chairs of the Company's Compensation and Audit Committees were paid an annual retainer of \$1,000. All members of the Audit Committee received a \$415 per meeting fee and all members of the Compensation Committee received a \$375 per meeting fee. The Audit Committee member who sits on the Company's Disclosure Control Committee received a \$1,000 per meeting fee.

In addition to fees earned for service on the Company's Board of Directors, nonemployee directors of Union received an annual retainer of \$7,650, prorated for Ms. Putnam from the time of her appointment to Union's board, and a per meeting fee of \$750 for service on Union's Board during 2017. Mr. Gibbons received an annual retainer of \$3,500 for his service as Union's Board Chair in 2017 and Mr. Van Dyke received an annual retainer of \$1,000 for his service as Union's Board Vice Chair in 2017. In addition, nonemployee directors of Union who serve on Union's Asset Management Committee received a \$150 per meeting fee, and the Chair of the Asset Management Committee received an annual retainer of \$500. All nonemployee directors who serve on Union's Defined Benefit Pension Plan Committee received a \$160 per meeting fee and nonemployee directors who served on Union's 401(k) Plan Committee received a \$125 per meeting fee. Union's special meeting fee for its nonemployee Directors is \$250 for ½ day sessions and \$500 for all day sessions. From time to time, ad hoc meetings for special projects occur which are compensated at the special meeting rate. Mr. Gibbons, Mr. Goodrich, Mr. Steel and Mr. Van Dyke received compensation in 2017 for attending ad hoc meetings, with such compensation included in their Fees Earned or Paid in Cash in the table below. Directors may also serve on one of Union's three regional advisory boards, for St. Johnsbury or St. Albans, Vermont or Northern New Hampshire. Nonemployee directors of Union who serve on any of these advisory boards receive a per meeting fee of \$285.

During 2017, Mr. Silverman, who is a full-time employee of Union, served as a Director of the Company and of Union. He received an annual retainer of \$9,900 for serving as a Company director but was not separately compensated for attendance at Company Board meetings, nor did he receive any compensation for his service on Union's Board, Union's advisory boards or on any of Union's committees. The annual retainer paid to Mr. Silverman during 2017 for his service on the Company's Board is disclosed in the 2017 Summary Compensation Table and footnotes contained elsewhere in this proxy statement under the caption "EXECUTIVE COMPENSATION - 2017 Summary Compensation Table."

Company and Union directors are eligible to participate in the Executive Nonqualified Excess Plan, a defined contribution plan which permits participants to elect to defer receipt of current compensation from the Company or Union in order to provide retirement or other benefits as selected in the individual adoption agreements. During 2017, Ms. Bugbee elected to defer all of her Company and Union director fees, and Ms. Putnam elected to defer all of her Union director fees. Additional information about the plan is contained elsewhere in this proxy statement under the caption "EXECUTIVE COMPENSATION - Deferred Compensation Plans." Deferred fees are reflected as Fees Earned or Paid in Cash in the 2017 Director Compensation Table below.

The Company and Union also maintain the 2008 Amended and Restated Nonqualified Deferred Compensation Plan, a defined benefit plan which was closed to new participants in 1998 and closed to new deferrals in 2004. The plan was amended and restated in 2008 in order to comply with the provisions of Section 409A of the Internal Revenue Code.

During 2017, one of our current nonemployee directors received an annual payout under the plan, and is entitled to future

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annual payments. Promised benefits under the plan constitute general unsecured claims, as no assets of the Company have been segregated to meet the Company's payment obligations under the plan. However, the Company and Union have jointly purchased insurance on the lives of the participants for the purpose of recouping, in the future, benefit payments made under the plan.

Nonemployee directors are eligible to receive grants of nonqualified stock options, restricted stock and restricted stock units under the Company's 2014 Equity Incentive Plan, which was approved by the Company's shareholders at the 2014 annual meeting. However, no such grants were made to directors under the Plan during 2017.

Except as described above, the Company's and Union's nonemployee directors were not eligible to receive any other form of compensation during 2017 for their services as directors.

The following table lists the annual compensation paid to or earned during 2017 by the Company's nonemployee directors for service on the Boards of the Company and Union, and by Ms. Putnam for her service on the Union Board:

2017 Director Compensation Table

Name	Fees Earned or Paid in Cash (\$) (1)	All Other Compensation (\$)(2)(3)	Total (\$)
Steven J. Bourgeois	\$42,870	\$ 3,420	\$46,290
Dawn D. Bugbee	\$36,545	\$ —	\$36,545
Kenneth D. Gibbons	\$43,780	\$ —	\$43,780
John M. Goodrich	\$39,350	\$ 1,995	\$41,345
Nancy C. Putnam	\$23,675	\$ —	\$23,675
Timothy W. Sargent	\$38,870	\$ —	\$38,870
John H. Steel	\$42,090	\$ —	\$42,090
Schuyler W. Sweet	\$43,615	\$ 3,420	\$47,035
Cornelius Van Dyke	\$43,675	\$ —	\$43,675

Includes fees paid to the named individuals for service on the Boards of Directors and committees of both the Company and Union Bank throughout 2017, except for Ms. Putnam who did not serve on the Company's Board (1) during 2017 and who was appointed to Union's Board in March 2017. Director fees earned by President and CEO David Silverman during 2017 for service on the Company's Board are disclosed in the 2017 Summary Compensation Table.

(2) Does not include annual benefit payments paid to nonemployee directors under the Company's 2008 Amended and Restated Nonqualified Deferred Compensation Plan, attributable to compensation deferrals in prior years.

(3) Represents Union regional advisory board fees.

Attendance at Directors' Meetings

During 2017, the Company's Board of Directors held 13 regular meetings and no special meetings. All incumbent directors attended 100% of all such meetings and meetings of Board committees of which they were members. In addition to serving on the Company's Board, each of the Company's directors also serves on Union Bank's Board, which meets twice monthly.

Director Independence

The Board of Directors has determined that Board nominee Putnam and each of the incumbent directors is independent within the meaning of The NASDAQ Stock Market LLC ("NASDAQ") rules for listed companies, except President and CEO David Silverman due to his status as a current employee and executive officer of the Company. Under these rules, factors that cause a director to be considered not independent include the existence of a material relationship with the listed company that would interfere with the exercise of independent judgment. An employment

relationship with the Company or the Bank within the past three years is deemed to constitute such a material relationship.

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Related Party Transactions

Certain of our directors and executive officers, as well as members of their immediate families and the companies, organizations, trusts, and other entities with which they are associated, are, or during 2017 were, also customers of Union Bank in the ordinary course of business. As permitted by applicable law, these persons may have had loans outstanding during 2017, and it is anticipated that these persons and their associates will continue to be customers of and indebted to Union Bank in the future. All of these loans were made in the ordinary course of business, and did not involve more than normal risk of collectability or present other unfavorable features, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unaffiliated persons and, where required by law, received prior approval by Union Bank's Board of Directors. At December 31, 2017, these loans totaled approximately \$961 thousand. None of these loans to directors, executive officers, or their associates are past due, in a nonperforming status, or have been restructured to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower.

Board Committees and Corporate Governance

As further described below, the Company's Board of Directors has two standing committees, the Audit Committee and the Compensation Committee. The Company does not have a standing nominating committee; rather, as described below all independent directors on the Board serve the function of such a committee.

Audit Committee. The Audit Committee comprises Directors Steven Bourgeois (Chair), Dawn Bugbee, Timothy Sargent and Schuyler Sweet. NASDAQ rules for listed companies and applicable securities laws require that the Company have an Audit Committee consisting of at least three directors, each of whom is independent. NASDAQ rules also require that all members of a listed company's audit committee be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement, and require that at least one member of the committee qualify as "financially sophisticated," based on past employment experience in finance or accounting, professional accounting certification or other comparable experience or background. Similarly, SEC rules require that at least one member of a listed company's audit committee qualify as a "financial expert." The Board of Directors, in its discretion, and based on all of the information available to it, has determined that each of the members of the Audit Committee is independent under applicable legal standards, that each is able to read and understand fundamental financial statements and that Mr. Bourgeois, with his extensive bank management experience, including formerly as a community bank President and CEO, is "financially sophisticated" within the meaning of the NASDAQ rules and is an "audit committee financial expert" within the meaning of applicable SEC rules.

The Audit Committee is responsible for selecting the independent auditors and determining the terms of their engagement, for reviewing the reports of the Company's internal and external auditors, for monitoring the Company's adherence to accounting principles generally accepted in the United States of America and for overseeing the quality and integrity of the accounting, auditing and financial reporting practices of the Company and its system of internal controls. In addition, the Audit Committee has established procedures for the confidential reporting of complaints (including procedures for anonymous complaints by employees) on matters of accounting, auditing or internal controls. A copy of the Audit Committee's charter, as revised most recently in 2018, is posted on the Investor Relations page of the Company's website at www.ublocal.com.

During 2017, the Company's Audit Committee met eight times. A report of the Audit Committee on its 2017 activities is included elsewhere in this proxy statement under the caption "AUDIT COMMITTEE REPORT."

Compensation Committee. The Compensation Committee comprises Directors Schuyler Sweet (Chair), John Goodrich, John Steel, and Neil Van Dyke. The Board has determined that each of such directors is independent under applicable NASDAQ rules for listed companies. The Compensation Committee evaluates, reviews and makes decisions or recommendations to the Board of Directors on executive salary levels, bonuses, equity-based compensation, including stock option and restricted stock unit awards, and benefit plans. A copy of the Compensation Committee's charter, as revised most recently in 2017, is posted on the Investor Relations page of the Company's website at www.ublocal.com.

During 2017, the Compensation Committee met nine times. A report of the Compensation Committee on its 2017 activities is set forth elsewhere in this proxy statement under the caption "COMPENSATION COMMITTEE REPORT."

Board Nominating Functions. In lieu of a separate committee, the functions of a nominating committee are performed by all of the Company's independent directors (all directors other than Mr. Silverman who is not considered independent due to his current position as an executive officer of the Company and Union Bank). The Board has elected not to establish a separate nominating committee at this time in order to obtain the widest possible input on the nominations process from all of the independent, nonmanagement directors.

The independent directors have adopted a resolution addressing the process for director nominations, including recommendations by shareholders and minimum qualifications for director nominees. In accordance with these criteria, directors and director candidates should possess the following attributes:

- Strong personal integrity;
- Previous leadership experience in business or administrative activities;
- Ability and willingness to contribute to board activities, committees, and meetings;
- Willingness to apply sound and independent business judgment;
- Loyalty to the Company and concern for its success;
- Awareness of a director's role in the Company's corporate citizenship and image;
- Willingness to assume broad, fiduciary responsibility;
- Willingness to become familiar with the banking industry and regulations;
- Familiarity with the Company's service area; and
- Qualification as an independent director under applicable NASDAQ rules for listed companies.

Although the Board does not have a formal policy with regard to the consideration of diversity in identifying director nominees, the director nomination process is designed to ensure that the Board consists of members with diverse backgrounds and viewpoints, including diversity of skills and experience, with a focus on appropriate financial and other expertise relevant to the Company's business, as well as geographic location throughout our market area and community service. The goal of this process is to assemble a group of directors with deep, varied experience, sound judgment, personal integrity and commitment to the Company's success. For a discussion of the individual experience and qualifications of our directors, please refer to the section above under caption "Director Qualifications."

In reviewing the composition of the Board, the directors are also mindful of the requirement that at least a majority of the directors must be independent under NASDAQ criteria for listed companies, and of the requirement under SEC rules and NASDAQ listed company criteria that at least one member of the Audit Committee must have the qualifications and skills necessary to be considered an "audit committee financial expert."

The process followed by the independent directors to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and, if warranted following preliminary evaluation, interviews of selected candidates.

In deciding to nominate Nancy Putnam for election to the Company's Board, the independent directors evaluated her business and professional experience and her personal attributes, as well as her performance and contributions as a Union Bank director and concluded that she meets the criteria for Board membership.

In addition, all nominees for election at the annual meeting who are incumbent directors of the Company, were deemed by the independent directors to meet the criteria for Board membership.

During 2017, the independent directors met twice to perform their nominating functions.

Board Leadership Structure and Role in Risk Oversight

The Company currently has a Chairman of the Board separate from the CEO. Our commitment to independent oversight is demonstrated by the fact that, except for President, CEO and Director David Silverman, all of our directors are considered independent. The Board believes that its structure, with a nonemployee Chairman providing leadership, helps to ensure that the Board discharges its independent oversight function by enabling nonemployee directors to raise issues and concerns

for Board consideration without immediately involving management. The Chairman presides at meetings of the Board, including executive sessions and also serves as a liaison between the Board and senior management. Separation of the positions of Chairman and CEO permits the CEO to better focus on his management responsibilities and on expanding and strengthening our franchise. While the CEO's leadership role is respected as to the day-to-day management and operations of the Company and the Bank, the Chairman's independence provides meaningful and appropriate oversight in fulfilling the fiduciary responsibilities of the Board and representing the interests of the Company's stockholders.

Risk is inherent in every business, particularly financial institutions. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, reputation risk and cyber risk. As a one-bank holding company much of our risk management process takes place at the Bank level, where all of the Company's incumbent directors also serve on the Bank's Board, as does nominee Putnam. Union Bank's enterprise-wide risk management processes are designed to bring to the Board's attention material risks and to facilitate the Board's understanding and evaluation of those risks, as well as its decision-making process in overseeing how management addresses them.

The Board performs its risk oversight function in several ways. The Board establishes standards for risk management by approving policies and procedures that address and mitigate the Company's most material risks. These include policies addressing credit and investment risk, interest rate risk, liquidity risk and risks relating to Bank Secrecy Act/Anti-Money Laundering compliance. The Board also monitors, reviews and reacts to our risks through various reports presented by management, internal and external auditors and bank regulatory examiners.

In addition, Board committees, both at the Bank and Company Board level, provide risk oversight in discrete areas. In particular, at the holding company level the Audit Committee plays a central role in risk oversight of the Company's accounting, auditing and financial reporting practices and its system of internal controls. A description of the Audit Committee's 2017 activities is contained elsewhere in this proxy statement under the caption "AUDIT COMMITTEE REPORT."

Codes of Ethics

The Board expects all of its directors, officers and employees to maintain the highest standards of professionalism and business ethics. All directors, officers and employees are required to adhere to the Company's Code of Ethics, which is contained in the Union Bank Employee Handbook. In addition, President and CEO David Silverman and Treasurer and CFO Karyn Hale are subject to a separate Code of Ethics for Senior Financial Officers and the Chief Executive Officer. Copies of both Codes of Ethics are posted on the Investor Relations page of the Company's website at www.ublocal.com.

Shareholder Recommendations for Board Nominations

Shareholders of record wishing to recommend individuals to the independent directors for consideration as possible director nominees should submit the following information, in writing, at least ninety days before the annual meeting of shareholders:

- the name, address and share ownership of the shareholder making the recommendation;
- the proposed nominee's name, address, biographical information and number of shares beneficially owned (if available); and
- any other information that the recommending shareholder believes may be pertinent to assist in evaluating the nominee.

The information should be delivered in person to the Assistant Corporate Secretary, Kristy Adams Alfieri, at the main office of Union Bank, 20 Lower Main Street, Morrisville, Vermont, or mailed to: Chairman, Union Bankshares, Inc., P.O. Box 1346, Morrisville, VT 05661. The independent directors will use the same criteria to evaluate an individual recommended by a shareholder as they do other potential nominees. The recommending shareholder will be notified of the action taken on his or her recommendation.

Any beneficial owner of shares who is not a shareholder of record who wishes to recommend a person for consideration as a board nominee must make appropriate arrangements with such owner's nominee (record) holder to

submit the recommendation through such nominee.

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During the course of evaluating a potential nominee, the independent directors may contact him or her for additional background and other information as they deem advisable, and may choose to interview the potential nominee in an effort to determine his or her qualifications under the specified criteria, as well as his or her understanding of director responsibilities. The independent directors will then determine if they will recommend the nominee to the shareholders. No person will be nominated unless he or she consents in writing to the nomination and to being named in the Company's proxy statement and agrees to serve, if elected.

Attendance at Annual Meeting of Shareholders

The Board of Directors has adopted a policy stating that incumbent directors are expected to attend the annual meeting of shareholders, absent exigent circumstances, such as illness, family emergencies and unavoidable business travel. Last year, all nine of the incumbent directors attended the annual meeting.

Communicating with the Board

Shareholders who wish to do so may communicate in writing with the Board of Directors, its committees, or individual directors regarding matters relating to the Company's business operations, financial condition or corporate governance. Any such communication should be addressed to the Board of Directors, or Board committee or individual director, as applicable, Union Bankshares, Inc., P.O. Box 1346, Morrisville, VT 05661. The correspondence will be forwarded to the addressee for review and response, as appropriate in the circumstances.

Compensation Committee Interlocks and Insider Participation

The Company is not aware of the existence of any interlocking relationships between the senior management of the Company and that of any other company.

Vote Required to Approve Proposal 1

Election of directors is by a plurality of the votes cast.

Unless authority is withheld, proxies solicited hereby will be voted to fix the number of directors at ten and in favor of each of the ten nominees listed above to serve a one year term expiring at the 2019 annual meeting of shareholders, or until their successors are elected and qualify. If for any reason not now known by the Company any of such nominees should not be able to serve, proxies will be voted for a substitute nominee or nominees designated by the Board of Directors, or will be voted to fix the number of directors at fewer than ten and for fewer than ten nominees, as the Board may deem advisable in its discretion.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1.

2017 AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board of Directors (“Board”), the Audit Committee of Union Bankshares, Inc. (the “Company”) assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company.

The Audit Committee is comprised of Mr. Bourgeois (Chair), Ms. Bugbee, Mr. Sargent, and Mr. Sweet. The Board has determined that each member of the Committee satisfies the independence requirements of the NASDAQ listing standards, that each member of the Committee is financially literate, knowledgeable and qualified to review financial statements, and that Mr. Bourgeois has the attributes of an “audit committee financial expert” as defined by the regulations of the Securities and Exchange Commission (SEC).

In 2017, the Audit Committee appointed Berry, Dunn, McNeil & Parker, LLC. (BerryDunn), an independent registered public accounting firm, to perform the audit of our consolidated financial statements for the year ended December 31, 2017. Berry Dunn was also appointed to audit our controls over financial reporting as of December 31, 2017. The appointment was ratified by the Board and the shareholders.

The Audit Committee has reviewed and discussed both with management and with BerryDunn, the Company's audited consolidated financial statements as of and for the year ended December 31, 2017. The Audit Committee has also discussed with management its assertion on the design and effectiveness of the Company's internal control over financial reporting as of December 31, 2017. Management has the responsibility for the preparation of the Company's consolidated financial statements and for assessing the effectiveness of internal controls over financial reporting; the independent registered public accounting firm has the responsibility for the audit of the consolidated financial statements and for expressing an opinion on whether such financial statements are in conformity with generally accepted accounting principles in the United States of America. The independent registered public accounting firm reports directly to the Audit Committee, which meets with the independent auditors on a regular basis, in separate executive sessions when appropriate. In 2017, the Audit Committee met eight times.

The Audit Committee has also discussed with the independent auditors the matters required to be communicated to the Audit Committee in accordance with generally accepted audit standards, including the auditors' judgment regarding the quality as well as the acceptability of the Company's accounting principles, as applied in its financial reporting. The Audit Committee has received and reviewed the written disclosures from the independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, and has discussed with the independent auditors their independence from the Company and its management. The Committee has determined that the services performed by BerryDunn are compatible with maintaining that firm's independence in connection with serving as the Company's independent auditors.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC.

Submitted by the Union Bankshares, Inc. Audit Committee
Steven J. Bourgeois (Chair)
Dawn D. Bugbee
Timothy W. Sargent
Schuyler W. Sweet

EXECUTIVE OFFICERS

The following table sets forth certain information regarding the Company's current executive officers:

Name and Age	Position(s) with the Company and Subsidiary
David S. Silverman, 57	President, CEO and a Director of the Company and Union Morrisville, VT
Karyn J. Hale, 48	Vice President, Treasurer, and Chief Financial Officer of the Company and Senior Vice President of Union Bank Morrisville, VT
Jeffrey G. Coslett, 60	Vice President of the Company and Senior Vice President of Union Bank Morrisville, VT

Additional information about the business background, experience and qualifications of Ms. Hale and Mr. Coslett is set forth below, and such information pertaining to Mr. Silverman is contained elsewhere in this proxy statement under the caption "PROPOSAL 1: TO ELECT DIRECTORS - Director Qualifications."

Karyn Hale joined Union Bank in November 2005 as a project specialist and moved into the role of Finance Officer in early 2008 until she assumed the role as Chief Financial Officer and Treasurer of the Company and Union on April 1, 2014 and became a Senior Vice President of Union on May 21, 2014. Ms. Hale's responsibilities include oversight of accounting, internal controls, treasury, taxation, regulatory reporting, asset/liability management, audit/exam processes, shareholder relations and serving on the senior management team. Prior to joining the Company and Union,