

UNION BANKSHARES INC

Form DEFA14A

April 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

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[ ] Definitive Proxy Statement

[X] 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):

[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:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

YEARINREVIEW

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Market for Union Bankshares Common Stock

On March 17, 2014, there were 4,458,262 shares of common stock outstanding held by 592 stockholders of record. The number of stockholders does not reflect the number of beneficial owners, including persons or entities who may hold the stock in nominee or “street name.” Union Bankshares’ common stock is listed on the NASDAQ Global Market trading under the symbol UNB. For shareholder assistance please contact us at 802-888-6600 or our Transfer Agent, Registrar and Transfer Company, at 800-368-5948.

Union Bankshares

Again Recognized for High Performance

In 2013, for the second year in a row, Union Bankshares was recognized as one of the top performing small-cap banks and thrifts in the United States by investment firm Sandler O’Neill. The ranking methodology evaluated publicly traded banks and thrifts with market capitalizations between \$25 million and \$2.5 billion. Assessment focused on growth, profitability, credit quality and capital strength. In order to qualify as a Sm-All Star, Union Bank needed to achieve results at or above their peer median for all of the metrics listed in the chart below.

In addition, Union Bank was again recognized by investment firm, Raymond James in its Community Bankers Cup awards for being in the top 10% of community banks (with assets of \$500 million to \$10 Billion) based on various profitability, operational efficiency and balance sheet metrics. Union Bank was the only bank in the country with assets under \$1 Billion to earn this distinction.

Performance Metrics:

2013 Sm-All Stars vs. Industry Medians

| Last Twelve Months | Union Bankshares | Sm-All Stars | All Banks and Thrifts |
|--------------------|------------------|--------------|-----------------------|
| EPS Growth         | 32.1 %           | 16.6 %       | 5.6%                  |
| Loan Growth        | 5.6 %            | 11.8 %       | 4.2%                  |

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|                                       |      |   |      |        |
|---------------------------------------|------|---|------|--------|
| Deposit Growth                        | 3.2  | % | 9.0  | %2.4%  |
| ROAE                                  | 17.5 | % | 11.3 | %7.4%  |
| NPAs <sup>1</sup> / Loans<br>and OREO | 0.6  | % | 1.0  | %1.8%  |
| NCOs / Avg.<br>Loans                  | 0.06 | % | 0.16 | %0.36% |
| Reserves /<br>NPAs <sup>1</sup>       | 174  | % | 129  | %68%   |

1 Accruing TDRs  
are excluded from  
NPAs. Source:  
SNL Financial  
and Sandler  
O'Neill

2013 Year In <sub>1</sub>  
Review

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#### Final Basel III Capital Standard

We are pleased to report the financial results for your company for the year ended December 31, 2013. Net Income was \$7.1 million compared to Net Income for the year ended December 31, 2012 of \$6.8 million. Results for 2013 reflect a year to year increase in net interest income of \$345 thousand, a decrease in noninterest expenses of \$1.8 million, and a decrease in noninterest income of \$2.0 million. The decrease in noninterest income was primarily due to a reduction in gain on sale of real estate loans of \$1.2 million and a decrease in gain on sale of securities of \$673 thousand compared to 2012.

Total assets grew to \$585.4 million as of December 31, 2013 compared to \$577.3 million as of December 31, 2012. Total loans increased \$9.8 million to \$465.1 million, as of December 31, 2013 compared to \$455.3 million, as of December 31, 2012. The 2013 loan growth was net of \$123.1 million of residential mortgage loans sold to the secondary market during the year to manage long-term interest rate risk, compared to sales of \$125.7 million in 2012. Total deposits reached \$518.4 million compared to the prior year of \$510.0 million, an increase of \$8.4 million. The company had total capital of \$49.8 million with a book value per share of \$11.17 as of December 31, 2013 compared to \$45.0 million with a book value of \$10.11 as of December 31, 2012.

Regulations were issued in July of 2013 with a January 1, 2015 effective date for the Company. We have since tested our balance sheet under the new Capital Standards and found ourselves compliant with the new regulations in the initial year through full implementation in 2019. Considering our compliance with Basel III and our earnings, the Board of Directors voted to increase the dividend 4% on an annual basis beginning in the third quarter. Of course, future dividends are dependent on future financial performance.

During the autumn of 2013 we had a team from the FDIC perform an examination of our compliance with the Community Reinvestment Act (CRA). The CRA measures a bank's responsiveness in meeting the credit needs of the communities it serves. We again received the top CRA rating of Outstanding. According to FDIC data less than 5% of the banks examined in the past three years have received the "Outstanding" designation. Finally, we wish to recognize two long time staff members who have recently retired and who have been important factors in our success for many years. JoAnn Tallman has served the bank for almost 28 years holding several positions before becoming the President's Executive Secretary and Board Meeting Recorder. JoAnn's calm, quiet demeanor has been a welcome

2013 was a year of modest growth in loans, deposits, and assets. Inflation has been very low and the local economy has been tepid, though slowly improving. We would like to grow our assets at a brisker pace to allow us to spread regulatory and compliance costs over a larger base, but we resist “growth for growth’s sake.”

counterpoint to two Presidents and 19 different Board Members. Marsha Mongeon has served as the bank’s Chief Financial Officer for 24 years. Marsha will be remembered for her knowledge, professionalism, and dedication to the bank. Both of these fine individuals will be missed both personally and professionally. We are happy for both to enjoy well deserved retirement years.

There are several items of note that occurred in 2013. After careful analysis we chose to close our Green Mountain Mall branch office in St. Johnsbury. This was done to make our branch delivery system more efficient and without material attrition in customer accounts. We continue to evaluate our entire organization seeking areas where we can be more efficient.

Sincerely,

Kenneth D. Gibbons

Chairman

David S. Silverman

President & Chief Executive Officer

AT OR FOR THE YEARS ENDED  
DECEMBER 31

|  | 2013  | 2012      | 2011      | 2010      | 2009      |
|--|---|-----------|-----------|-----------|-----------|
| Balance Sheet Data                       |   |           |           |           |           |
|  | (Dollars in thousands, except per share data) |           |           |           |           |
| Total assets                             | \$585,443                                     | \$577,256 | \$552,751 | \$452,995 | \$447,522 |
| Investment securities                    | 45,492  | 26,126    | 46,954    | 24,280    | 24,649    |
| Loans, net of unearned income            | 465,123                                       | 455,298   | 429,384   | 382,071   | 358,167   |
| Allowance for loan losses                | (4,647)                                       | (4,657)   | (4,226)   | (3,755)   | (3,493)   |
| Deposits                                 | 518,354                                       | 509,993   | 473,439   | 376,660   | 368,827   |
| Borrowed funds                           | 13,216  | 15,747    | 29,015    | 28,986    | 30,993    |
| Stockholders' equity <sup>1</sup>        | 49,820  | 45,046    | 40,339    | 41,725    | 41,180    |
| Income Statement Data                    |   |           |           |           |           |
| Total interest and dividend income       | \$24,481                                      | \$25,028  | \$23,669  | \$22,907  | \$23,217  |
| Total interest expense                   | (2,459)                                       | (3,351)   | (3,908)   | (4,117)   | (5,294)   |
| Net interest and dividend income         | 22,022  | 21,677    | 19,761    | 18,790    | 17,923    |
| Provision for loan losses                | (305)   | (660)     | (775)     | (520)     | (400)     |
| Noninterest income                       | 8,501   | 10,525    | 7,125     | 5,649     | 5,521     |
| Noninterest expenses                     | (21,221)                                      | (23,035)  | (19,773)  | (16,630)  | (16,397)  |
| Income before provision for income taxes | 8,997   | 8,507     | 6,338     | 7,289     | 6,647     |
| Provision for income taxes               | (1,862)                                       | (1,663)   | (1,119)   | (1,702)   | (1,420)   |
| Net income                               | \$7,135                                       | \$6,844   | \$5,219   | \$5,587   | \$5,227   |
| Per Common Share Data                    |   |           |           |           |           |
| Net income <sup>2</sup>                  | \$1.60  | \$1.54    | \$1.17    | \$1.25    | \$1.17    |
|  | 1.01  | 1.00      | 1.00      | 1.00      | 1.00      |

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Cash dividends paid                           |           |           |           |           |           |
| Book value <sup>1</sup>                       | 11.17     | 10.11     | 9.05      | 9.36      | 9.23      |
| Weighted average number of shares outstanding | 4,457,261 | 4,457,029 | 4,456,842 | 4,458,193 | 4,466,760 |
| Number of shares outstanding                  | 4,458,359 | 4,456,081 | 4,457,204 | 4,455,704 | 4,461,208 |

<sup>1</sup>Stockholders' equity includes unrealized gains or losses, net of applicable income taxes, on investment securities classified as "available-for-sale" and includes the unfunded liability for pension benefits, net of taxes for the defined benefit pension plan.

<sup>2</sup>Computed using the weighted average number of shares outstanding for the period.

#### Commercial Services

Over many decades, Union Bank has earned a reputation as a reliable, experienced and responsive commercial lender. With seasoned staff and in-market lending decisions, we are able to provide borrowers with a more rapid and personalized loan process than is customary from large banks.

Union Bank provides prospective borrowers with an excellent blend of attractive services, knowledgeable lenders and a formidable lending capacity with a singular focus on serving clients in our local market areas. As a Preferred Lender with the US Small Business Administration, Union Bank officers a variety of loan options to prospective applicants.

These positive attributes and welcome referrals from existing commercial customers helped Union Bank achieve record levels in our commercial loan portfolio during 2013.

#### Municipal Services

Much of the same can be said of our service to towns, villages, school districts and other municipal entities. Union Bank is extremely well positioned to serve local municipal and non-profit clients who value both the financial services which the bank officers and the readily-accessible personal service. Our staff regularly advises customers in determining the

this market with both our traditional branch network and our very successful Mortgage Loan Center in South Burlington, VT. Our lenders are knowledgeable and versatile enough to serve a range of customers from those needing customized jumbo mortgages or BUILD construction loans to those seeking to buy a first home with the assistance of an affordable housing program.

The positive impact that Union Bank has made in the lives of such first time home buyers has been recognized by the FDIC with a rating of Outstanding for our Community Reinvestment activities. Additionally, in 2013 Union Bank has been recognized by the US Department of Agriculture as its Rural Development Home Loan Lender of the Year for Vermont.

Union Bank is extremely proud of these distinctions and believes our varied business efforts have a direct benefit for our customers, our communities, our staff and our shareholders.

#### Consumer Banking

Gathering deposits to fund our lending activities is a core function of the bank. During 2013 we introduced Advantage Banking, a package of banking services to reward customers who maintain higher deposit balances with Union Bank. We view deposits as a sign of commitment to the bank and this

optimal deposit, lending and electronic banking products to meet their particular needs. The Bank is proud to serve the towns, school districts, hospitals, nursing homes, medical practices, social service agencies and other non-profits that are such an important part of the fabric of our communities.

#### Mortgage Lending

2013 marked a banner year for Union Bank's vibrant residential lending business despite the increase in long term interest rates slowing the refinance market. Repeat customers, client referrals, attractive products and outstanding service also characterize our mortgage business line. While the increase in rates began to impact the refinance market in the last quarter of the year, we attained excellent results lending to families looking to buy or build a new residence throughout the entire year. Union Bank is well positioned to serve

is our effort to reward and retain these important depositors who contribute substantially to our overall success. Advantage Banking has proven to be extremely popular with hundreds of customers signing up in just the first few months. These participating customers gain enhanced value through the special pricing offered on popular bank services. Advantage Checking and Advantage Checking Plus are our flagship checking accounts and reward individuals who maintain deposit relationships of \$25,000 or more with enhanced value and discounts on popular bank services. From complementary checks and ATM fee waivers to no-cost services and higher rates on CD's, Advantage Banking provides special pricing, allowing these customers to take full advantage of their banking relationship with Union Bank. The qualifying deposit relationship is a combination of all personal deposit accounts held individually or jointly by the primary account holder on the Advantage Checking Account. This includes checking accounts, CD's, IRAs, Savings and Money Market accounts.

### Asset Management Group

Union Bank's Asset Management Group offers a full range of investment management and trust services to individual investors, corporations and non-profit organizations. Our team has the expertise to oversee fully managed investment accounts as well as advisory and custodial relationships. In addition to counseling clients in or approaching retirement, we are experts at advising organizations on effective asset management strategies. For those looking to control the distribution of their estate, we have the expertise to guide clients through the intricacies of personal trust and estate planning. We also serve as advisor to individuals who have assumed the important roles of trustee and executor.

We are pleased to announce that Lura Jacques has been named Managing Trust Officer for the Asset Management Group. Lura has been with Union Bank for the past 6 years in the capacity of Trust Officer in the Western Region. Overall, she has a total of 25 years' asset management experience. In addition; we have expanded our Asset Management services into our Eastern Region with the hiring of Joseph (JJ) Ilacqua. JJ brings over 17 years of investment management experience to the position.

Our network of office locations allows us to offer local, personalized services to our clients and conduct regular

investment and life reviews to assist in evaluating a client's investing and asset management strategies. These personalized reviews consider each investor's risk tolerance, time horizon, tax circumstances and income needs.

There has never been a more important time for clients to have access to objective, insightful and personalized investment advice. Union Bank offers the broad expertise, long term perspective and focused customer service to provide our customers with an investment strategy that best meets their needs.

2013 Year In Review 5

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|  |                        |                          |  |
|--|------------------------|--------------------------|--|
| Union Bankshares, Inc.                                 |                        |                          | Union Bank   |
|  |                        |                          | OFFICERS   |
| DIRECTORS  |                        |                          | Tracy Pierce Ash -<br>Assistant Littleton          |
|  |                        |                          | Treasurer  |
| Kenneth D. Gibbons -<br>Chairman                       |                        |                          | Diana M. Ashley -<br>Assistant Fairfax             |
|  |                        |                          | Treasurer  |
| Cynthia D. Borck                                       |                        |                          | Rhonda L. Bennett<br>- Vice President Morrisville  |
|  |                        |                          | Sherrie A. Bull -<br>Vice President Morrisville    |
| Steven J. Bourgeois                                    |                        |                          | Stacey L.B. Chase<br>- Assistant Vice Morrisville  |
|  |                        |                          | President  |
| Timothy W. Sargent                                     |                        |                          | Barbara J.<br>Churchill -<br>Assistant Morrisville |
|  |                        |                          | Treasurer  |
| David S. Silverman                                     |                        |                          | Everett C.<br>Comstock -<br>Assistant Morrisville  |
|  |                        |                          | Treasurer  |
| John H. Steel  |                        |                          | Jeffrey G. Coslett<br>- Senior Vice Morrisville    |
|  |                        |                          | President  |
| Schuyler W. Sweet                                      |                        |                          | Michael C. Curtis<br>- Vice President St. Albans   |
|  |                        |                          | Jennifer M.<br>Degree - Assistant Morrisville      |
| Neil J. Van Dyke                                       |                        |                          | Treasurer  |
|  |                        |                          | Ronald C. Dion -<br>Assistant Morrisville          |
| OFFICERS   |                        |                          | Treasurer  |
|  |                        |                          | Jessica Eastman -<br>Assistant Vice S. Burlington  |
| Kenneth D. Gibbons -<br>Chairman                       |                        |                          | President  |
|  |                        |                          | Kenneth D.<br>Gibbons -<br>Chairman Morrisville    |
| David S. Silverman -<br>President & CEO                |                        |                          | Don D. Goodhue -<br>Vice President Morrisville     |
| Marsha A. Mongeon -<br>Vice<br>President/Treasurer/CFO | Top To Bottom          |                          | Melissa A. Greene<br>- Vice President Hardwick     |
| John H. Steel - Secretary                              | Cynthia D. Borck       | Steven J. Bourgeois      | Paul E. Grogan -<br>Facilities Officer Morrisville |
| JoAnn A. Tallman -<br>Assistant Secretary              | OWNER                  | CEO                      | Karyn J. Hale -<br>Vice President Morrisville      |
| Jeffrey G. Coslett - Vice<br>President                 | CONSULTING<br>SERVICES | STRATEGIC<br>INITIATIVES |  |

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|                                       |                                   |                           |  |                |
|---------------------------------------|-----------------------------------|---------------------------|--|----------------|
|                                       | INFORMATION                       | FOR BUSINESS LLC          | Claire A. Hindes -<br>Vice President                     | Morrisville    |
|                                       |                                   |                           | Robert D.<br>Hofmann - Senior<br>Vice President          | Morrisville    |
| Union Bank                            | Kenneth D.<br>Gibbons             | David S. Silverman        | Patricia N. Hogan<br>- Senior Vice<br>President          | Morrisville    |
|                                       | CHAIRMAN                          | PRESIDENT & CEO           | Tracey D.<br>Holbrook -<br>Regional Vice<br>President    | St. Johnsbury  |
| DIRECTORS                             | UNION<br>BANKSHARES,<br>INC.      | UNION<br>BANKSHARES, INC. | Joseph J. Ilacqua -<br>Assistant Vice<br>President       | Littleton      |
| Kenneth D. Gibbons -<br>Chairman      | AND UNION<br>BANK                 | AND UNION BANK            | Lura L. Jacques -<br>Assistant Vice<br>President         | St. Albans     |
| Cynthia D. Borck                      |                                   |                           | Lynne P. Jewett -<br>Vice President                      | Morrisville    |
| Steven J. Bourgeois                   | John H. Steel                     | Timothy W. Sargent        | Stephen H.<br>Kendall - Senior<br>Vice President         | Morrisville    |
| John M. Goodrich                      | FOUNDER                           | ATTORNEY/OWNER            | Susan F. Lassiter -<br>Vice President                    | Jeffersonville |
| Timothy W. Sargent                    | STEEL<br>CONSTRUCTION             | SARGENT LAW<br>OFFICE     | Christine S.<br>Latulip - Regional<br>Vice President     | Littleton      |
| David S. Silverman                    |                                   |                           | R. Ryan Leap -<br>Senior Vice<br>President               | Morrisville    |
| John H. Steel                         | Schuyler W. Sweet                 | Neil J. Van Dyke          | Edward L. Levite -<br>Senior Loan<br>Originator          | S. Burlington  |
| Schuyler W. Sweet                     | OWNER                             | PRESIDENT                 | Carrie R. Locklin -<br>Assistant Vice<br>President       | Morrisville    |
| Neil J. Van Dyke                      | STONY RIVER<br>PROPERTIES,<br>LLC | GOLDEN EAGLE<br>RESORT    | Bonnie J. Losty -<br>Vice President                      | Morrisville    |
| REGIONAL ADVISORY                     |                                   |                           | John L. Malm -<br>Vice President                         | Littleton      |
| BOARD MEMBERS                         |                                   |                           | Robyn A. Masi -<br>Vice President                        | Stowe          |
|                                       |                                   |                           | Marsha A.<br>Mongeon - Senior<br>Vice President &<br>CFO | Morrisville    |
| Michael R. Barrett - St.<br>Johnsbury |                                   |                           | Samantha A.<br>Norrie - Assistant<br>Treasurer           | Littleton      |
|                                       |                                   |                           |  | Morrisville    |

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Joel S. Bourassa -  
Northern New Hampshire

Steven J. Bourgeois - St.  
Albans

Dwight A. Davis - St.  
Johnsbury

Stanley T. Fillion -  
Northern New Hampshire

Rosemary H. Gingue - St.  
Johnsbury

Coleen K. Kohaut - St.  
Albans

Justin P. Lavaley - St.  
Johnsbury

Daniel J. Luneau - St.  
Albans

Alexandra S. MacLean -  
St. Johnsbury

Mary K. Parent - St.  
Johnsbury

Samuel H. Ruggiano - St.  
Albans

David S. Silverman - All

Schuyler W. Sweet -  
Northern New Hampshire

Norrine A. Williams -  
Northern New Hampshire

Karen Carlson  
Noyes - Vice  
President

Barbara A. Olden - Vice President St. Johnsbury

Deborah J.  
Partlow - Assistant Vice President Morrisville

Bradley S. Prior -  
Assistant Vice President Morrisville

Craig S. Provost - Vice President Stowe

Robert J.  
Richardson - Vice President Morrisville

David S.  
Silverman - President & CEO Morrisville

Judy R. Smith - Vice President St. Albans

Karen Blanchard  
Smith - Assistant Treasurer Morrisville

John H. Steel - Secretary Morrisville

Curtis C. Swan - Assistant Vice President St. Albans

JoAnn A. Tallman - Assistant Secretary Morrisville

Melyssa S.  
Whitcomb - Assistant Treasurer Lyndonville

Martha J. Wilkins - Assistant Treasurer St. Johnsbury

Lorraine G.  
Willett - Assistant Vice President Morrisville

VERMONT

|                |                                     |              |
|----------------|-------------------------------------|--------------|
| Danville       | 421 Route 2<br>East                 | 802-684-2211 |
| Fairfax        | Jct. Routes 104<br>& 128            | 802-849-2600 |
| Hardwick       | 103 VT Route<br>15 West             | 802-472-8100 |
| Jeffersonville | 44 Main Street                      | 802-644-6600 |
| Johnson        | 198 Lower<br>Main Street            | 802-635-6600 |
| Lyndonville    | 183 Depot<br>Street                 | 802-626-3100 |
| Morrisville    | 20 Lower Main<br>Street             | 802-888-6600 |
|                | 65 Northgate<br>Plaza               | 802-888-6860 |
| St. Albans     | 15 Mapleville<br>Depot              | 802-524-9000 |
| St. Johnsbury  | 364 Railroad<br>Street              | 802-748-3131 |
|                | 325 Portland<br>Street              | 802-748-3121 |
| S. Burlington  | Loan Center<br>30 Kimball<br>Avenue | 802-865-1000 |
| Stowe          | 47 Park Street                      | 802-253-6600 |

NEW HAMPSHIRE

|                 |                 |              |
|-----------------|-----------------|--------------|
| Groveton        | 3 Street        | 603-636-1611 |
| Littleton       | 263 Dells Road  | 603-444-7136 |
|                 | 76 Main Street  | 603-444-5321 |
| N.<br>Woodstock | 155 Main Street | 603-745-2488 |

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1-866-862-1891 (toll free)