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UNION BANKSHARES INC  
Form PRE 14A  
April 02, 2007

SCHEDULE 14A  
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

(Amendment No. )

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

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

UNION BANKSHARES, INC.

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(Name of Registrant as Specified in Its Charter)

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

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- No fee required
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(1) Amount previously paid:

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(3) Filing party:

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(4) Date Filed:

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

April 13, 2007

Dear Shareholder,

The 116th Annual Meeting of the Shareholders of Union Bankshares, Inc. will be held May 16th at 3:00 p.m. at the offices of Union Bank, located at 20 Lower Main Street, Morrisville, Vermont. You are cordially invited to attend.

Enclosed with this mailing is a Notice of Annual Meeting, a Proxy Statement and a Proxy Card for voting your shares. In addition to election of directors, we are asking shareholders to approve an amendment to the Company's Amended and Restated Articles of Association to increase the number of authorized shares of common stock from 5,000,000 to 7,500,000.

Also enclosed is a copy of the Annual Report of Union Bankshares, Inc. and its wholly-owned subsidiary, Union Bank, for the year ended December 31, 2006. The report includes a letter to shareholders, audited consolidated financial statements, summary of financial highlights, management's discussion and analysis of financial results, and other information about the Company.

Your attendance and vote at the annual meeting are important. We hope you will join us immediately following the meeting for an informal gathering of shareholders, directors and bank officers, including a tour of our new commercial services center and light refreshments.

Sincerely,

Kenneth D. Gibbons  
President and CEO

Union Bankshares, Inc.

NOTICE OF  
2007 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON WEDNESDAY, MAY 16, 2007

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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, 2007, at the banking offices of Union Bank, 20 Lower Main Street, Morrisville, Vermont, for the following purposes:

1. To fix the number of directors at eight for the ensuing year and to elect eight directors (or such lesser number as circumstances may warrant), all of whom will serve for one-year terms and until their successors are elected and qualified;

2. To approve an amendment to Section 7 of the Company's Amended and Restated Articles of Association increasing the number of authorized shares of common stock, \$2.00 par value per share, from 5,000,000 to 7,500,000 shares; and

3. To consider and act upon any other business which may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 30, 2007 as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournment of the meeting.

By Order of the Board of Directors,

Robert P. Rollins  
Secretary

Morrisville, Vermont  
April 13, 2007

YOUR VOTE IS IMPORTANT

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

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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, 2007

INFORMATION ABOUT THE MEETING

Why have I received these materials?

We are sending this proxy statement and proxy card on behalf of the Board of Directors to solicit your vote on matters to be voted on at the annual meeting of the shareholders of Union Bankshares, Inc. (the "Company," "we" or "our") to be held at 3:00 p.m. local time on Wednesday, May 16, 2007, at the offices of our subsidiary, Union Bank at 20 Lower Main Street, Morrisville, Vermont. This proxy statement and proxy card are accompanied by the Company's Annual Report to Shareholders for the year ended December 31, 2006, which contains the Company's audited consolidated financial statements. These materials were first sent to our shareholders on or about April 13, 2007. You are cordially invited to attend the annual meeting and are asked to vote on the proposals to elect

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directors and increase the number of authorized shares of common stock, as described in this proxy statement.

Who is entitled to vote at the annual meeting?

Only holders of record of the Company's common stock, \$2.00 par value per share, as of the close of business on March 30, 2007 (the record date for the meeting), will be entitled to vote at the annual meeting. On March 30, 2007, there were 4,530,414 shares of the Company's common stock outstanding, and each such share is entitled to one vote on each matter presented for vote at the annual meeting. At this time, the only matters we are aware of that will be presented for vote at the meeting are the election of directors and the increase in the number of authorized common shares.

How do I vote my shares at the annual meeting?

If you are a shareholder of record of the Company's common stock, you may complete and sign the accompanying proxy card and return it in the enclosed postage-paid envelope, or you may deliver it in person to the Corporate Secretary or the Assistant Corporate Secretary at the offices of Union Bank, 20 Lower Main Street, Morrisville, VT 05661. You are a shareholder of record if you hold your stock in your own name on the Company's shareholder records maintained by our transfer agent and wholly-owned subsidiary, Union Bank (the "Bank").

"Street name" shareholders of common stock, who wish to vote at the annual meeting will need to obtain a proxy form from the institution that holds their shares and follow the instructions on that

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form. Street name shareholders are shareholders who hold their common stock indirectly, through a bank, broker or other nominee.

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

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

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

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

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

Yes, a ballot will be available at the annual meeting for shareholders of record who wish to vote in person. However, we encourage you to complete and return the enclosed proxy card to be certain that your shares are 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.

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

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

What is a broker 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, nondiscretionary 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 nondiscretionary matters where customer instructions have not been received. The "missing" votes in such a case are broker nonvotes.

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Election of directors at the annual meeting and an increase in the number of authorized shares of common stock are considered to be routine matters for purposes of a broker's discretionary voting authority.

What constitutes a quorum for purposes of the annual meeting?

The presence at the annual meeting in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote will constitute a quorum for the transaction of business. Proxies marked as "WITHHOLD AUTHORITY" on the election of directors or "ABSTAIN" on the proposal to increase the number of common shares (including proxies containing broker nonvotes) will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast.

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

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

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

In order to be approved, the proposal to increase the number of authorized common shares, as well as any other matter that may be voted on at the meeting, would require that more votes be cast in favor of the proposal than against it. As noted above, management of the Company is not aware at this time of any matter that may be submitted to vote of the shareholders at the annual meeting other than the election of directors and an increase in the number of authorized common shares.

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Do broker nonvotes affect the outcome of shareholder votes?

Broker nonvotes are not considered to be "votes cast." Because election of directors is by plurality vote, and approval of an increase in the number of authorized shares (and, if presented, any other matters) will be approved if more votes are cast for than against, broker nonvotes would not affect the outcome of any such shareholder vote. On some nonroutine matters, such as certain charter amendments and mergers, the applicable vote required to approve the matter may be based on a specified percentage of the outstanding shares. In such a case, broker nonvotes would have the same effect as a vote against the matter.

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How does the Board recommend that I vote my shares?

The Board of Directors recommends that you vote (i) FOR the proposal to set the number of directors for the ensuing year at eight and to elect the eight nominees listed in this proxy statement; and (ii) FOR the proposal to amend the Company's Amended and Restated Articles of Association to increase the number of authorized shares from 5,000,000 to 7,500,000.

The proxy card gives you the ability to vote FOR, or WITHHOLD AUTHORITY from voting, as to the entire slate of directors, or as to individual nominee(s) and to vote FOR, AGAINST or to ABSTAIN from voting on the proposal to increase the number of authorized common shares. If you vote by proxy, your shares will be voted in the manner you indicate on the proxy card.

If you sign and return your proxy card but do not specify how you want your shares to be voted, the persons named as proxy holders on the proxy card will vote your shares FOR the entire slate of directors, and FOR the increase in the number of authorized shares, in accordance with the recommendations of the Board of Directors on any other matters that may be presented for vote of shareholders at the meeting.

How are proxies solicited?

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

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 14, 2007 by:

- o each incumbent director and nominee for director of the Company;
- o each executive officer named in the summary compensation table included elsewhere in this proxy statement ("named executive

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- officers");
- o all of the Company's directors and the named executive officers as a group; and
  - o 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.

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Shareholder or Group	Shares Beneficially Owned	Percent of Class
Directors, Nominees and/or Executive Officers		
Cynthia D. Borck	7,279 (1)	.16
Steven J. Bourgeois	1,388 (2)	.03
Kenneth D. Gibbons	62,944 (3)	1.39
Franklin G. Hovey, II	603,928 (4) (10)	13.33
Richard C. Marron	4,365 (5)	.10
Marsha A. Mongeon	1,583 (6)	.03
Robert P. Rollins	7,133	.16
Richard C. Sargent	594,243 (7)	13.12
David S. Silverman	1,375 (8)	.03
John H. Steel	7,500 (9)	.17
All Directors, Nominees and Executive Officers as a Group (10)	1,291,738	28.51
Other 5% or more Shareholders		
Genevieve L. Hovey Trust	422,908 (10)	9.33
Susan Hovey Mercia	603,713 (10) (11)	13.33
Walter M. Sargent Revocable Trust	379,136 (12)	8.37

- 
- (1) Ms. Borck has shared voting and investment power over 102 of the shares listed. Includes 2,000 shares Ms. Borck has the right to acquire under presently exercisable incentive stock options.
  - (2) Mr. Bourgeois has shared voting and investment power over all shares listed.
  - (3) Mr. Gibbons has shared voting and investment power over 28,174 of the shares listed. Includes 9,000 shares Mr. Gibbons has the right to acquire under presently exercisable incentive stock options and 30,980 shares pledged as collateral to secure loans from two nonaffiliated banks.
  - (4) Mr. Hovey, II has shared voting and investment power over 596,534 of the shares listed, including the 422,908 shares held in the Genevieve L. Hovey Trust.
  - (5) Mr. Marron has shared voting and investment power over all but 865 of the shares listed. Includes 850 shares held in an Individual Retirement Account (IRA) for the benefit of Mr. Marron's wife, as to which shares he disclaims beneficial ownership.
  - (6) Includes 750 shares Ms. Mongeon has the right to acquire under presently exercisable incentive stock options.
  - (7) Mr. Sargent has shared voting power over 594,228 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 beneficial interest in the fund and disclaims



- beneficial ownership of all 162,000 share held by the fund. The total also includes 379,136 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 a co-trustee.
- (8) Includes 450 shares in an IRA for the benefit of Mr. Silverman's wife, as to which shares he disclaims beneficial ownership. Includes 925 shares Mr. Silverman has the right to acquire under presently exercisable incentive stock options.
  - (9) Mr. Steel's total includes 1,500 shares held as custodian for his minor children under the Uniform Transfers to Minors Act. Mr. Steel has shared voting power over 2,000 of the shares listed.
  - (10) Mr. Hovey, II and his sister, Susan Hovey Mercia, are co-trustees and beneficiaries of the Genevieve L. Hovey Trust. Mr. Hovey and Ms. Mercia share voting and investment power over the shares held by the trust and all such shares are included in the share totals in this table for both Mr. Hovey, II and Ms. Mercia. Each of them disclaims beneficial interest in one-half of such shares, in which the other has a pecuniary interest.
  - (11) Ms. Mercia has shared voting and investment power over 596,533 of the shares listed, including the 422,908 shares held in the Genevieve L. Hovey Trust.
  - (12) All 379,136 shares are included in the share total disclosed elsewhere in this table as beneficially owned by Richard C. Sargent, who is a co-trustee 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, the Company believes that during 2006 all Section 16(a) filing requirements applicable to its officers, directors and ten percent or more shareholders were complied with.

PROPOSAL 1: TO ELECT DIRECTORS

The Company's Amended and Restated Articles of Incorporation and By-laws 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 eight individuals and the Board has recommended that the shareholders again fix the number of directors for the ensuing year at eight, or such lesser number as circumstances require should any of the nominees be unable to serve. Each of the incumbent directors will stand for election to a one-year term.

The table below contains certain biographical information about each of the incumbent directors standing for re-election to the Board.

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Name and Age -----	Director Since (1) -----	Principal Occupation for Past Five Years -----
Cynthia D. Borck, 56	1995	Vice President - Union Bankshares, Inc. and Executive Vice President - Union Bank Morrisville, VT
Steven J. Bourgeois, 58	2005	Chief Executive Officer and Principal Owner, Strategic Initiatives for Business LLC St. Albans, VT (business consulting), 2002-present. Previously, Regional President, Banknorth-Vermont, Burlington, VT and President and Chief Executive Officer, Franklin-Lamoille Bank, St. Albans, VT
Kenneth D. Gibbons, 60	1989	President and Chief Executive Officer - Union Bankshares, Inc. and Union Bank Morrisville, VT
Franklin G. Hovey, II, 57	1999	President, Hovey Enterprises, Inc. St. Johnsbury, VT (real estate)
Richard C. Marron, 69	1998	Owner, Town and Country Motor Lodge Stowe, VT
Robert P. Rollins, 68	1983	Retired Insurance Agent; Investments and real estate holdings Morrisville, VT
Richard C. Sargent, 68	1982	Attorney at Law Richard Sargent Law Office Morrisville, VT
John H. Steel, 57	2002	Owner, President and Treasurer, Steel Construction, Inc. Stowe, VT

(1) Does not include prior service with Union Bank and/or Citizens Savings Bank and Trust Company ("Citizens") (merged into Union Bank in May, 2003). Each incumbent director is also a director of Union Bank.

### Directors' Compensation

Directors fees, committee fees and Advisory Board member fees are determined annually by the Company's Board of Directors for the Company and Union Bank. The appropriateness of the fees paid are reviewed on a periodic basis by the Compensation Committee or the Company Board based on published surveys and knowledge of other financial institutions. The annual increase in

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the directors fees is normally the same percentage as the overall wage percentage increase for the Bank's employees.

All directors of the Company receive an annual retainer of \$7,375 but do not receive any fees for attendance at regular or special meetings of the Board. Directors who serve on the Company's Compensation Committee are paid annual retainers for their service of \$1,000 while the chair of the committee is paid

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\$1,500. Directors who serve on the Company's Audit Committee are paid annual retainers for their service of \$1,000 while the chair is paid \$1,500, and all members of the Committee are paid a \$50 per meeting fee for regularly scheduled meetings (8 in 2006) and \$200 per meeting for unscheduled meetings (0 in 2006).

Each director of the Company also serves as a director of Union Bank. Nonemployee directors of Union Bank receive an annual retainer of \$5,689 and a per meeting fee of \$564. Nonemployee directors of the Bank who serve on the Bank's Trust Committee (the Bank Board's only committee) receive an annual retainer of \$1,000.

During 2006, Mr. Gibbons and Ms. Borck, who are full-time employees of the Bank, served as directors of both the Company and Union Bank, and received the annual retainer fee for serving on the Company's Board. Mr. Gibbons and Ms. Borck were not separately compensated for their service as directors of Union Bank nor, in the case of Ms. Borck, for her service as a member of the Bank's Trust Committee. All Company director fees paid to Mr. Gibbons and Ms. Borck are disclosed in the summary compensation table and footnotes contained elsewhere in this proxy statement under the caption "COMPENSATION DISCUSSION AND ANALYSIS- Summary Compensation Table."

Directors may also serve on one of the Bank's two advisory boards for the St. Johnsbury, Vermont or Littleton, New Hampshire region. Nonemployee directors who serve on either of these advisory boards receive a per meeting fee of \$250.

Company directors are eligible to participate in the Executive Nonqualified Excess Plan. The plan is a defined contribution plan to provide a means by which participants may elect to defer receipt of current compensation from the Company or its subsidiary in order to provide retirement or other benefits as selected in the individual adoption agreements. There were no nonemployee directors who chose to participate in the plan during 2006.

One nonemployee director is currently receiving annual payouts under the Company's old defined benefit Nonqualified Deferred Compensation Plan which was frozen for new members in 1998 and frozen for additional deferrals in 2004. The nonemployee director is entitled to future annual payments. No other nonemployee directors are participants in the plan. The Company has purchased insurance on the lives of the participants for the purpose of recouping in the future the benefit payments made under the plan.

The Company's nonemployee directors were not eligible to receive any other form of compensation during 2006. The following table contains the annual cash compensation paid to the Company's nonemployee directors during 2006:

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2006 Director Compensation Table (1)

Name	Fees Earned or Paid in Cash (2) (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non- Qualified Deferred Compensation Earnings (\$)
Steven J. Bourgeois	\$28,514	\$0	\$0	\$0	\$0
Franklin G. Hovey, II	\$29,164	\$0	\$0	\$0	\$0

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Richard C. Marron	\$28,564	\$0	\$0	\$0	\$0
Robert P. Rollins	\$30,014	\$0	\$0	\$0	\$0
Richard C. Sargent	\$28,664	\$0	\$0	\$0	\$0
John H. Steel	\$28,164	\$0	\$0	\$0	\$0

- (1) Table and narrative pertain to nonemployee directors only.
- (2) Includes fees paid for service on the Boards of Directors and committees of both the Company and Union Bank.
- (3) St. Johnsbury Regional Advisory Board Fees.
- (4) Annual benefit payment under the Union Bankshares, Inc. Deferred Compensation Plan.

### Attendance at Directors' Meetings

During 2006, the Company's Board of Directors held 12 regular meetings and no special meetings. All incumbent directors attended at least 92% of the aggregate of all such meetings and meetings of Board committees of which they were members. In addition to serving on the Company's Board, all of the Company's incumbent directors also serve on the Board of Directors of Union Bank, which meets at least twice monthly.

### Director Independence

The Board of Directors has determined that each of the directors, except Mr. Gibbons and Ms. Borck, who are executive officers of the Company and Union Bank, are independent within the meaning of American Stock Exchange (AMEX) rules for listed companies. Under these rules, a director is generally not considered to be independent if he or she has a material relationship with the listed company (including an employment relationship) that would interfere with the exercise of independent judgment.

### 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, all independent directors on the Board serve the function of such a committee.

Audit Committee. The Audit Committee comprises directors Robert Rollins (Chair), Steven Bourgeois and Richard Marron. AMEX rules for listed companies and applicable securities laws require that the Company have an Audit Committee consisting of at least three directors, each of

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whom is independent. AMEX 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 the 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 and that Mr. Bourgeois, a former community bank President and Chief Executive Officer, is "financially sophisticated" within the meaning of the AMEX 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

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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.

During 2006, the Company's Audit Committee met 8 times. A report of the Audit Committee on its 2006 activities is included elsewhere in this proxy statement under the caption "AUDIT COMMITTEE REPORT." A copy of the Audit Committee's charter is attached to this proxy statement as Appendix A.

Compensation Committee. The Compensation Committee comprises directors Richard Sargent (Chair), Franklin Hovey, II and Robert Rollins. The Board has determined that each of such directors is independent under applicable AMEX rules for listed companies. The Compensation Committee evaluates, reviews and makes decisions or recommendations on executive salary levels, bonuses, stock option awards and benefit plans. The compensation Committee does not currently operate under a written charter but expects to develop one during 2007.

During 2006, the Compensation Committee met four times. A report of the Compensation Committee 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. Gibbons and Ms. Borck, who are executive officers 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.

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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:

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

In reviewing the composition of the Board and potential Board nominees, the directors are also mindful of the requirement that at least a majority of the directors must be independent under AMEX criteria for listed companies, and of the requirement under SEC rules and AMEX 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."

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### 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, JoAnn Tallman, 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 (record) nominee holder to submit the recommendation through such nominee.

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 their understanding of director responsibilities. The independent directors will then determine if they will recommend the nominee to the shareholders. No person

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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.

### 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. That Code of Ethics is filed with the SEC as exhibit 14.2 to the Company's 2006 Annual Report on Form 10-K. In addition, President and CEO Kenneth Gibbons and Vice President, Treasurer and CFO Marsha Mongeon are subject to a separate Code of Ethics for Senior Financial Officers and the Chief Executive Officer. That Code of Ethics is filed with the SEC as exhibit 14.1 to the Company's 2005 Annual Report on Form 10-K. The Company's Annual Reports on Form 10-K and other periodic reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

### Attendance at Annual Meeting of Shareholders

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

### Communicating with the Board

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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, c/o 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.

### Transactions with Management and Directors

Some of the incumbent directors and executive officers of the Company, and some of the corporations and firms with which these individuals are associated, are customers of Union Bank in the ordinary course of business, or have loans outstanding from such bank, and it is anticipated that they will continue to do business with Union Bank in the future. All loans to such persons or entities were made in the ordinary course of business, do not involve more than normal risk of collectibility or present other unfavorable features, and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions by Union Bank with unaffiliated persons, although directors were generally allowed the lowest interest rate given to others on comparable loans.

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### 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

Unless authority is withheld, proxies solicited hereby will be voted to fix the number of directors at eight and in favor of each of the eight nominees listed above to serve a one-year term expiring at the 2008 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 eight and for fewer than eight nominees, as the Board may deem advisable in its discretion.

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

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1.

### AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board of Directors ("Board"), a copy of which is included as an appendix to this proxy statement, 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 consists of Mr. Rollins (Chair), Mr. Marron and Mr. Bourgeois. The Board of Directors has determined that Mr. Bourgeois is an audit committee financial expert as defined by the SEC and that all members of the Audit Committee are independent within the meaning of AMEX listing standards and SEC regulations.

The Audit Committee's responsibility is one of oversight. Members of the Audit

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Committee rely on the information provided and the representations made to them by management and the independent auditor. Management has primary responsibility for establishing and maintaining appropriate internal controls over financial reporting, and for the Company's financial statements and periodic reports filed with the SEC. To aid management in the discharge of these responsibilities, the Company has a Disclosure Control Committee of which Mr. Bourgeois is a member. The independent auditor is responsible for auditing the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), and for issuing an opinion thereon. In 2006, the Company was not subject to Section 404 of the Sarbanes-Oxley Act of 2002 governing internal controls, but expects to fall under these provisions in 2007. In anticipation of reporting under Section 404, management has discussed compliance requirements and the time frame for adherence to the Act with the Audit Committee and the Company's independent auditors.

The Audit Committee has reviewed and discussed the Company's December 31, 2006 audited consolidated financial statements with management and with the Company's independent auditors. Specifically, the Committee has discussed with the independent auditors the matters required under

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Statement on Auditing Standards ("SAS") No. 61 "Communications with Audit Committees", as amended. The Audit Committee has received the written disclosures from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with the independent auditors their independence. The Committee has determined that the services performed by UHY, LLP, are compatible with maintaining that firm's independence in connection with serving as the Company's independent auditors. A description of the fees billed to the Company for the services of the independent auditors for 2006 reporting is included in the proxy statement under the caption "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, 2006 for filing with the SEC.

The Committee has approved the selection of UHY, LLP as the Company's independent auditors for 2007.

Submitted by the Union Bankshares Audit Committee

Robert P. Rollins (Chair)  
Steven J. Bourgeois  
Richard C. Marron

### COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that is included below. Based on this review and these discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this definitive Proxy Statement and that it be incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Submitted by the Union Bankshares, Inc. Compensation Committee

Richard C. Sargent (Chair)  
Franklin G. Hovey, II



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Robert P. Rollins

Pursuant to the rules and regulations of the SEC, neither the foregoing Audit Committee Report nor, the Compensation Committee Report shall be deemed to be filed with the SEC for purposes of the Securities Exchange Act of 1934, nor shall any such material be deemed to be incorporated by reference in any past or future filing by the Company under the Securities Exchange Act of 1934 or the Securities Act of 1933, as amended.

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### PROPOSAL 2: TO INCREASE THE AUTHORIZED COMMON STOCK

The Board of Directors voted on March 21, 2007 to recommend a proposed increase in the Company's authorized common stock, \$2.00 par value per share, from 5,000,000 to 7,500,000 shares. The Board believes that the additional shares will provide the Company with desirable corporate and strategic flexibility by ensuring the prompt availability of shares for issuance should the opportunity or need arise in the future. Additional uses for the authorized shares could include, for example, stock dividends and splits, raising additional capital, making future acquisitions of banks, branches or banking related businesses or assets, attracting or retaining valuable employees through stock options and other stock-based compensation arrangements, and issuing stock in connection with dividend reinvestment or stock purchase plans, should such plans be adopted in the future. Corporate opportunities may arise from time to time that require prompt action, and the Board believes that the delay and expense of obtaining shareholder approval of an increase in authorized shares could in some circumstances be detrimental to the interests of the Company and its shareholders.

At this time the Company has no commitments, plans, agreements or undertakings obligating it to issue any shares to anyone, except that 61,525 shares remain reserved for future issuance under the Company's 1998 Incentive Stock Option Plan. However, because the Incentive Stock Option Plan expires in 2008 and options for only 16,075 shares are currently outstanding, it is unlikely that all, or even most, of the remaining shares will actually be issued pursuant to the plan.

Under Vermont law, the Board of Directors generally may issue authorized but unissued shares of common stock without shareholder approval. However, depending on the circumstances of a particular issuance, shareholder approval may be required by applicable law, AMEX rules or the Company's Amended and Restated Articles of Association or By-laws then in effect. Even if shareholder approval were not otherwise required, the Board in its discretion might nevertheless deem it advisable to seek shareholder approval in connection with a particular stock issuance or transaction involving a stock issuance.

Although the Board has no present intention of doing so, shares of authorized and unissued common stock could be issued in one or more transactions that would make removal of the Board and management, or takeover of the Company more difficult. For example, additional shares could be issued to dilute the stock ownership of a person seeking to obtain control of the Company or could be privately placed with purchasers who would support the Company's Board in opposing a hostile takeover attempt. The availability of shares for issuance under these circumstances could have the effect of deterring an offer for the Company at a substantial premium over the prevailing trading price of the Company's common stock. The Company's Amended and Restated Articles of Association and By-laws currently contain provisions that may have such an effect, including provisions requiring a 67% vote of shareholders to approve certain mergers, consolidations and other business combinations.

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The additional authorized shares of the Company's common stock, if and when issued, will have all of the rights and privileges that the presently outstanding shares of such common stock possess. All outstanding shares would continue to have one vote per share on all matters to be voted on by the shareholders, including the election of directors. The Company does not have any other authorized class of capital stock.

Shareholders do not have dissenters' rights of appraisal in connection with the proposed amendment.

The full text of the proposed amendment to the Company's Articles is as follows:

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To amend Section 7 of the Amended and Restated Articles of Association of Union Bankshares, Inc. to read in full as follows:

7. Capital Stock. The aggregate number of shares the Corporation shall have the authority to issue shall be seven million five hundred thousand (7,500,000) having a par value of two dollars (\$2.00) per share.

Vote Required

Approval of the proposed increase in the Company's authorized common stock will require that more votes are cast "FOR" the proposal than "AGAINST" it.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 2.

### EXECUTIVE OFFICERS

The following table sets forth certain information regarding the executive officers of the Company:

Name and Age -----	Position(s) with the Company and Subsidiary and Occupation for the Past Five Years (1) -----
Kenneth D. Gibbons, 60	President, Chief Executive Officer and Director, Union Bankshares, Inc. and Union Bank Morrisville, VT
Cynthia D. Borck, 56	Vice President and Director, Union Bankshares, Inc. and Executive Vice President and Director, Union Bank Morrisville, VT
Marsha A. Mongeon, 51	Vice President, Treasurer and Chief Financial Officer, Union Bankshares, Inc. and Senior Vice President and Treasurer, Union Bank Morrisville, VT
David S. Silverman, 46	Senior Vice President, Union Bank, Morrisville, VT

- (1) Certain of the named officers also held the following positions with Citizens, prior to its merger with Union Bank in May, 2003: Mr. Gibbons, Director (1999-2003) and Interim President (February-May, 2003); Ms. Borck, Director (1999-2003); and Ms. Mongeon, Assistant Treasurer (2002-2003).

### COMPENSATION DISCUSSION AND ANALYSIS

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[TO BE SUPPLIED]

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## INDEPENDENT AUDITORS

The independent registered accounting firm of UHY LLP ("UHY") has served as the Company's independent auditor since its first appointment by the Audit Committee on November 17, 2004, and the Audit Committee has selected UHY as the Company's independent auditor for 2007.

A representative of UHY will be present at the annual meeting and will be given the opportunity to make a statement if he/she so desires and will be available to respond to appropriate questions.

Through the date of this proxy statement filing, UHY had a continuing relationship with UHY Advisors NY, Inc. ("Advisors") from which it leased auditing staff who were full time, permanent employees of Advisors and through which UHY's partners provide non-audit services. UHY has only a few full time employees. Therefore, few, if any, of the audit services performed were provided by permanent full-time employees of UHY and virtually all of such services were performed by employees of Advisors, on behalf of UHY. UHY manages and supervises the audit services and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination.

### Audit Fees

Aggregate fees billed for professional services rendered to the Company by UHY and/or Advisors for the years ended December 31, 2006 and 2005, were as follows:

Services Provided	2006	2005
Audit	\$ 84,750	\$71,750
Audit Related	15,316	11,350
Tax	8,850	10,810
All Other	0	0
Total	\$108,916	\$93,910

The Audit fees for each of the two years shown in the table were for the audits of the annual consolidated financial statements of the Company included in the Company's annual report on Form 10-K and review of quarterly financial statements included in the Company's quarterly reports on Form 10-Q, filed with the SEC.

The Audit Related fees for each of the two years shown in the table were for assurance and related services relating to Union Bank's trust operations. Audit related fees for 2006 and 2005 also include fees paid for assistance relating to implementation of various provisions of the Sarbanes-Oxley Act of 2002 and attendance at shareholder and disclosure control committee meetings.

Tax fees for each of the two years shown in the table were for services related to tax compliance, including the preparation of tax returns, review of estimates, consulting and tax planning, and tax advice.

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Audit Committee Pre-Approval Guidelines

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All audit and non-audit services provided by UHY or Advisors during the preceding two fiscal years were approved in advance by the Audit Committee. The Audit Committee has adopted Pre-Approval Guidelines relating to the provision of audit and non-audit services by the Company's external auditors. Under these Guidelines, the Audit Committee pre-approves both the type of services to be provided by the external auditor and the estimated fees related to these services. During the approval process, the Audit Committee considers the impact of the types of services and the related fees on the independence of the auditor. The services and fees must be compatible with the maintenance of the auditor's independence, including compliance with SEC rules and regulations.

In order to ensure timely review and approval, the Committee has delegated to the Chair of the Committee the authority to amend or modify the list of pre-approved services and fees, subject to prompt reporting to the full Committee of action taken pursuant to such delegated authority.

### SHAREHOLDER PROPOSALS

Under SEC rules, management of the Company will be permitted to use its discretionary authority conferred in the proxy card for the annual meeting to vote on a shareholder proposal even if the proposal has not been discussed in the Company's proxy statement, unless the shareholder-proponent has given timely notice to the Company of his or her intention to present the proposal at the meeting. In order to be considered timely for consideration at the 2008 annual meeting, the shareholder-proponent must have furnished written notice to the Company of the proposal no later than March 4, 2008.

If a shareholder seeks to have his or her proposal included in the Company's proxy materials for the annual meeting, the notification deadline is earlier than noted in the preceding paragraph. In order to be eligible for inclusion in the Company's proxy material for the 2008 annual meeting, shareholder proposals must be submitted in writing to the Secretary of the Company no later than December 18, 2007 and must comply in all respects with applicable SEC rules relating to such inclusion. Any such proposal will be omitted from or included in the proxy material at the discretion of the Board of Directors, subject to such SEC rules.

### OTHER MATTERS

As of the date of this proxy statement, management knows of no business expected to be presented for action at the annual meeting, except as set forth above. If, however, any other business should properly come before the meeting, the persons named in the enclosed proxy form will vote in accordance with the recommendations of management.

Union Bankshares, Inc.  
Morrisville, Vermont

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APPENDIX A

Union Bankshares, Inc  
Audit Committee Charter  
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### PURPOSE

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The Audit Committee (Committee) shall assist the Board of Directors (Board) with its oversight of (i) the integrity of the Company's financial statements,

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(ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, and (iv) the performance of the Company's internal audit function and independent auditors.

Although the Committee has the oversight responsibilities and powers set forth in this Charter, it does not have a duty to prepare financial statements, to conduct audits, or determine that the Company's financial statements and disclosures are complete and accurate and in accordance with Generally Accepted Accounting Principles (GAAP) or laws and regulations. Those are the duties and responsibilities of management and the independent auditors.

### COMPOSITION

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The Committee shall consist of at least three directors appointed annually by a resolution passed by a majority of the Board and each of whom shall satisfy the independence and qualification requirements established by the Securities and Exchange Commission (SEC) and the American Stock Exchange (AMEX). All members should be financially sophisticated and at least one member of the Committee shall qualify as a "financial expert" as defined by the SEC. The Committee shall meet at least quarterly or more frequently as necessary, shall keep minutes of its proceedings, and shall report regularly to the Board of Directors.

### DUTIES AND RESPONSIBILITIES

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In carrying out its purposes, the Committee shall have the following duties, responsibilities and authority:

#### Financial Reporting

- 
- o Annually, review and ratify the Disclosure Control Committee Charter.
  - o Prior to release, review and approve the quarterly press release on earnings.
  - o Review with management and the independent auditor the Company's Form 10-K prior to filing with the SEC, including the annual financial statements and disclosures contained therein, as well as any certification, report, opinion or review rendered by management or the independent auditor in connection with the foregoing.
  - o Review Company's proposed quarterly report on Form 10-Q prior to filing with the SEC but after review of the Disclosure Control Committee, legal counsel and independent auditor, including the financial statements and disclosures contained therein, as well as any certification,

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report, opinion or review rendered by management or the independent auditor in connection with the preparation and certification of the foregoing.

- o Review current reports (Form 8-K) to be filed with the SEC.
- o Submit the report that is required of the Committee by the rules of the SEC to be included in the Company's annual proxy statement.
- o Prior to filing the Company's annual report with the SEC, review with the

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independent auditor (i) critical accounting and financial reporting policies and practices used by the Company; (ii) alternative treatments of financial information as permitted by Generally Accepted Accounting principles (GAAP) that have been discussed with the management of the Company, including the ramifications of such alternative treatments and the proper disclosure thereof, as well as any treatment of such financial information that may have been preferred by the independent auditors and (iii) other material written communications between the independent auditor and management.

- o Meet separately, at least annually, or more frequently as appropriate, with management, the internal auditor, and the external auditor.

### The Independent Auditor

- o Appoint, compensate and oversee the work of the independent auditor for the Company in connection with the preparation and issuance of any audit report or related work including a review of the proposed scope of such work; and review and resolve any disputes between management and the independent auditor. The Committee shall also have the authority to terminate the engagement of the independent auditor as it deems necessary or appropriate. The independent auditor shall report directly to the Audit Committee.
- o Serve as the channel of communication between the independent auditor and the Board.
- o Review the qualifications and performance of the independent auditor, and evaluate the independence of the independent auditor, including any potential conflicts of interest that may exist between the Company and the independent auditor. The Committee shall obtain annually a written statement from the independent auditor consistent with Independence Standards Board Standard 1 disclosing all relationships with, and services provided to, the Company by the independent auditor and/or its affiliates. The Committee will discuss such relationships with the independent auditor and take appropriate actions where needed.
- o Review the policies governing the hiring of individuals who are or have been a part of the independent audit engagement team.
- o Review any significant written communication between the management of the Company and the independent auditor including, without limitation, the independent auditor's observation on internal control matters, management letters, and schedule of unadjusted differences, if any, or any other audit problems or difficulties as well as management's response.

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- o Pre-approve any non-audit services performed on behalf of the Company by the independent auditor that are not prohibited by law or regulation and ensure that such services are properly disclosed by the Company.

### Internal Audit

- o Oversee the selection of the internal auditor and review his/her performance and compensation annually. The internal auditor shall report functionally to the Committee and administratively to the Chief Executive Officer.

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- o Oversee the internal audit department's staffing, training, and budget.
- o Annually review and approve the internal audit plan and any material changes to audit methodology.
- o Review significant findings of the internal audit department, and management's responses to those findings, including the risk attributed to unresolved issues.

### Internal Controls and Procedures

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- o Annually review with management and the independent auditor, the basis for disclosures made in the annual report to stockholders regarding the control environment of the Company.
- o At least annually consider, in consultation with management, the independent auditor, and the internal auditor, the adequacy of the Company's internal controls including the resolution of identified material weaknesses and reportable conditions, if any.
- o Review deficiencies, if any, identified by management in the design and operation of internal controls which may be referred to in the Chief Executive Officer and Chief Financial Officer certifications required by the Sarbanes-Oxley Act of 2002.
- o Periodically, as appropriate, review policies and procedures with respect to risk assessment and risk management.

### Other Duties

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- o Establish and ensure that procedures are in place for (i) the receipt, retention and treatment of complaints received by the Company from any source, either internally or externally, in connection with any accounting, internal accounting controls, or audit matters, and (ii) the submission by employees of the Company, on a confidential and anonymous basis, of communications involving any employee concerns regarding questionable accounting or auditing matters.
- o Review any related party transactions in accordance with Union Bankshares, Inc. Related Person Transactions Approval Policy.

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- o Annually review the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- o The Committee shall have such other duties as the Board may delegate to the Committee from time to time.

### RESOURCES AND AUTHORITY

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The Committee shall also have the authority to direct an investigation into any matter related to the Company's business and affairs. The Committee may also retain without approval from the Board or management its own outside counsel and any other advisors that the Committee deems necessary in connection with carrying out its duties. This does not preclude advice from internal counsel or the Company's' outside counsel. The Committee shall determine, in its sole

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discretion, the level of funding to compensate the independent auditor and any counsel or advisor employed by the Committee and the Company shall be obligated to make such funding available.

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PROXY  
UNION BANKSHARES, INC.  
ANNUAL MEETING OF SHAREHOLDERS  
MAY 16, 2007

The undersigned hereby appoints JoAnn A. Tallman and Marsha A. Mongeon, and each of them individually, as his or her lawful agents and proxies with full power of substitution in each, to vote all of the common stock of Union Bankshares, Inc. that the undersigned is (are) entitled to vote at the Annual Meeting of the Shareholders to be held at the offices of Union Bank, 20 Lower Main Street, Morrisville, Vermont on Wednesday, May 16, 2007, at 3:00 p.m., local time, and at any adjournment thereof.

1. TO FIX THE NUMBER OF DIRECTORS AT EIGHT (OR SUCH LESSER NUMBER AS CIRCUMSTANCES MAY WARRANT) FOR THE ENSUING YEAR AND TO ELECT THE NOMINEES LISTED BELOW. (All terms expire at the next annual meeting.)

- FOR ALL NOMINEES (Except as noted below)  
 WITHHOLD AUTHORITY AS TO ALL NOMINEES

Cynthia D. Borck	Franklin G. Hovey, II	Richard C. Sargent
Steven J. Bourgeois	Richard C. Marron	John H. Steel
Kenneth D. Gibbons	Robert P. Rollins	

INSTRUCTION: To withhold authority to vote for any individual nominees while voting in favor of the others, strike a line through the nominee's name in the list above.

2. TO AMEND SECTION 7 OF THE COMPANY'S AMENDED AND RESTATED ARTICLES OF ASSOCIATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 5,000,000 TO 7,500,000.

- FOR                       AGAINST                       ABSTAIN

In their discretion, the persons named as Proxies are authorized to vote upon such other business as may properly come before the meeting. If any such business is presented, it is the intention of the proxies to vote the shares represented hereby in accordance with the recommendations of management.

(continued, and to be signed on other side)

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS AND MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. THE BOARD RECOMMENDS A VOTE "FOR" ARTICLES 1 AND 2. SHARES WILL BE VOTED AS SPECIFIED. IF THE PROXY IS SIGNED AND DATED, BUT NO VOTING SPECIFICATION IS MADE, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN FAVOR OF ARTICLES 1 AND 2.

PLEASE COMPLETE, DATE AND SIGN THIS PROXY CARD IN THE SPACE PROVIDED AND RETURN IT IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON.

\_\_\_\_\_ I/we plan to attend in person.                      (Number of persons attending: \_\_\_\_\_)

\_\_\_\_\_ I/we do not plan to attend in person.



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Dated: \_\_\_\_\_, 2007

Please sign exactly as your name(s) appear(s) on this proxy card. If shares are held jointly, both holders should sign. When signing as attorney, executor, administrator, trustee, guardian, or representative capacity, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership or entity, please sign in partnership or entity name by authorized person.

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Signature

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Signature if held jointly