

JUNIATA VALLEY FINANCIAL CORP  
Form DEF 14A  
April 10, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

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

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Juniata Valley Financial Corp**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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**Juniata Valley Financial Corp.**

Bridge and Main Streets

Post Office Box 66

Mifflintown, PA 17059

Telephone (717) 436-8211

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Date: May 15, 2012

Time: 10:30 a.m.

Place: Quality Inn Suites, 13015 Ferguson Valley Road,

Burnham, Pennsylvania

**Matters to be voted on:**

1. Election of Directors: Election of three Class A Directors to serve until the 2015 Annual Meeting.
2. Say on Pay Proposal: A non-binding say on pay proposal to approve the compensation of the named executive officers.
3. Say When on Pay Proposal: A non-binding say when on pay proposal for shareholders to recommend the frequency with which shareholders prefer to be presented with a non-binding resolution to approve the compensation of the named executive officers.
4. Other Business: Any other business properly brought before the shareholders at the meeting and any adjournment or postponement thereof.

You may vote your shares of common stock at the Annual Meeting if you owned the shares at the close of business on February 24, 2012. Your vote at the Annual Meeting is very important to us. Please vote your shares of common stock by completing the enclosed proxy and returning it to us in the enclosed prepaid envelope. This proxy will not be used if you are present at the meeting and desire to vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

Charles L. Hershberger  
Secretary

Mifflintown, Pennsylvania

April 10, 2012

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**Juniata Valley Financial Corp.**

**Proxy Statement**

**General Information**

This proxy statement contains information about the 2012 Annual Meeting of shareholders of Juniata Valley Financial Corp. We refer to Juniata Valley Financial Corp. in this proxy statement as the Company or we, our or us. The Company is the holding company for The Juniata Valley Bank, which we refer to as the Bank. We first mailed this proxy statement and the enclosed proxy card to shareholders on or about April 10, 2012.

**Date, Time and Place of Meeting**

The Annual Meeting of the shareholders of the Company will be held at 10:30 a.m. on Tuesday, May 15, 2012, at the Quality Inn Suites, 13015 Ferguson Valley Road, Burnham, Pennsylvania (the Annual Meeting ).

**Purpose of the Meeting**

The shareholders will be asked to consider and vote upon the following matters at the meeting:

the election of three Class A directors to serve until the 2015 Annual Meeting;

a non-binding say on pay proposal to approve the compensation of the named executive officers;

a non-binding say when on pay proposal for shareholders to recommend the frequency with which the shareholders prefer to be presented with a non-binding resolution to approve the compensation of the named executive officers; and

such other business as may be properly brought before the meeting and any adjournment or postponement thereof.

**Solicitation of Proxies**

The enclosed proxy is being solicited by the Board of Directors of the Company (the Board ) for use at the Annual Meeting. The Company will bear the entire cost of the solicitation of proxies, including the costs of preparing, printing and mailing the proxy statement and all related materials. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians to forward to beneficial owners of stock held in the names of such nominees. The Company will reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the owners of the Company's common stock. In addition to use of the mail, proxies may be solicited by directors, officers and other employees of the Company, without additional compensation, in person or by telephone. The Company does not plan to employ a professional solicitation firm with respect to items to be presented at the Annual Meeting.

The executive offices of the Company are located at 218 Bridge Street, Mifflintown, Pennsylvania 17059, where the telephone number is (717) 436-8211. The Company's mailing address is P.O. Box 66, Mifflintown, PA 17059.

**Voting Procedures**

**Who can vote?**

Only holders of shares of common stock, par value \$1.00 per share, of the Company (the common stock ) as shown on the books of the Company at the close of business on February 24, 2012 (the Record Date ) will be entitled to vote at the Annual Meeting. A total of 4,228,218 shares of common stock were outstanding on the Record Date and entitled to vote at the Annual Meeting. As of the Record Date, the Trust Department of

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the Bank, as sole trustee, held 190,248 shares of the Company's common stock, which is 4.50% of the total number of shares outstanding as of that date. Pursuant to the Bank's policy, the Trust Department will vote these shares at the Annual Meeting in favor of the election of the nominated directors, in favor of the non-binding say on pay proposal to approve the compensation of the named executive officers ( Say on Pay ), in favor of one year as the frequency at which the Company will conduct a non-binding vote to approve the compensation of the named executive officers ( Say When on Pay ) and, as to other matters, in a manner consistent with management's recommendations, as long as voting authority is conferred on the Trust Department in the trust or account instrument. Each share of common stock entitles the holder to one vote on all matters to be voted upon. The enclosed proxy card shows the number of shares you may vote. The presence, in person or by proxy, of the holders of a majority of the shares of common stock outstanding and entitled to vote is required to constitute a quorum for the transaction of business at the Annual Meeting.

### **What vote is required?**

The directors will be elected by a plurality of the votes cast at a meeting at which a quorum is present. Because three directors are being elected at the 2012 Annual Meeting, the three nominees receiving the greatest number of votes will be elected. Approval of the Say on Pay proposal requires the number of votes cast in favor of the proposal exceed the number of votes cast against. With respect to the Say When on Pay proposal, the frequency of years (one, two or three) receiving the greatest number of votes, even if not a majority of the votes cast, will be considered the frequency recommended by Juniata's shareholders. All other matters to be voted on at the Annual Meeting must be approved by the holders of a majority of the votes cast at the Annual Meeting.



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### **How are votes counted?**

The judge of election will treat shares of Juniata Valley Financial Corp. common stock represented by a properly signed and returned proxy as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Likewise, the judge of election will treat shares of common stock represented by broker non-votes (i.e., shares of common stock held in record name by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power under applicable rules of the National Association of Securities Dealers, Inc. or the instrument under which it serves in such capacity, or (iii) the record holder has indicated on the proxy or otherwise notified Juniata Valley Financial Corp. that it does not have authority to vote such shares on that matter) as present for purposes of determining a quorum. Abstentions and broker non-votes are not votes cast and will have no effect on the election of directors, approval of the Say on Pay proposal or approval of the Say When on Pay proposal.

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

If you grant a proxy, you may revoke your proxy at any time until it is voted by:

delivering a notice of revocation or delivering a later-dated proxy to Charles L. Hershberger, Secretary, Juniata Valley Financial Corp., Bridge and Main Streets, P.O. Box 66, Mifflintown, Pennsylvania 17059;

submitting a proxy card with a later date at the Annual Meeting; or

appearing at the Annual Meeting and voting in person.

Your last vote is the vote that will be counted. Attendance at the Annual Meeting will not, in and of itself, revoke a proxy. Unless revoked, any proxy given pursuant to this solicitation will be voted at the meeting in accordance with the instructions thereon. In the absence of instructions, all proxies will be voted FOR the election of the three nominees for director identified in this Proxy Statement, FOR the approval of the Say on Pay proposal and FOR the approval of a one-year interval as the recommended frequency for the Say When on Pay proposal. Although the Board of Directors knows of no other business to be presented, in the event that any other matters are properly brought before the meeting, any proxy given pursuant to this solicitation will be voted in accordance with the recommendations of the Board of Directors of the Company.

### **Can I vote in person at the Annual Meeting?**

Yes. You may attend the Annual Meeting and vote in person whether or not you have previously returned a proxy card. If you have previously returned a proxy card, your vote at the Annual Meeting will revoke your proxy vote. However, we encourage you to complete and return the proxy card to ensure that your vote is counted.

## **Management**

### **Directors of the Company**

#### **General**

With respect to directors, the Company's bylaws provide as follows:

The Board of Directors consists of not less than five nor more than 25 directors;

There are three classes of directors (A, B and C), as nearly equal in number as possible;

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Each class is elected for a term of three years; and

Each class is elected in a separate election so that the term of office of one class of directors will expire each year.

### **Director Qualifications**

The process for identifying and evaluating any individual nominated for board membership, including those nominated by a shareholder, is described in the Nominating Committee section below. Specific information on the experience, qualifications, attributes or skills of the Company's continuing directors and nominees is described in the summary biographies below.

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The Company follows the NASDAQ listing standards for board of directors and committee independence. The Board of Directors determined that eight (8) of the current ten (10) directors are independent, as defined in the applicable NASDAQ listing standards. Specifically, the Board of Directors found that Directors Dreibelbis, Gingerich, Havice, Hershberger, Metz, Nace, Scanlon and Snedeker met the definition of independent director in the NASDAQ listing standards and that each of these directors is free of any relationships that would interfere with his individual exercise of independent judgment. In addition, members of the Audit Committee of the Board of Directors meet the more stringent requirements for independence under the NASDAQ listing standards, and the rules and regulations of the Securities and Exchange Commission ( SEC ) for service on the Audit Committee. The Board of Directors considered the relationships and other arrangements, if any, of each director when director independence was reviewed.

On December 31, 2011, Director A. Jerome Cook retired from the Board of Directors. Mr. Cook retired after 35 years of service within one year of the mandatory retirement age of 72. Mr. Cook also met the definition of independent director and qualified as the Company's financial expert during his service.

Nine of the Directors, including the nominees, have been members of the Company's Board for at least 12 years. One Director, Marcie A. Barber, was elected by the Board of Directors effective July 2, 2010 to serve as a Class B Director. The following biographical information, experience and qualifications represent each continuing director's or nominee's background, experience, qualifications, attributes or skills that led the Company to conclude that these persons should serve as Directors.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**Nominees for Election as Directors to Continue in Office until the 2015 Annual Meeting (Class A)**

The Nominating Committee has nominated the three persons named below as directors. Although we do not know of any reason why any of these nominees might not be able to serve, we will propose a substitute nominee if any nominee is not available for election. Unless you indicate otherwise, your proxy will be voted in favor of the election of those nominees. Each nominee for the position of Class A Director is currently a director of the Company and the Bank. Besides their service to the Company and the Bank, none of the nominees or continuing directors has had a business relationship with any affiliates or subsidiaries of the Company or the Bank.

*Martin L. Dreibelbis.* Mr. Dreibelbis, age 58, has been a member of the Board of the Company and the Bank since 1998 and served as Chairman of the Board from 2001 to 2004 and from 2007 to 2010. He has been a self-employed consultant to the petroleum industry since 1992 and, prior to that, he was President of Horning Oil Company. Mr. Dreibelbis also serves as a Supervisor for Walker Township, Juniata County, PA. Mr. Dreibelbis provides the Company's Board of Directors with the benefit of knowledge gained from his business experiences as well as his community involvement. His affiliation with local business leaders, community activities and charitable organizations give him a well-rounded view of our local market. During his long-term membership of the Company's Board of Directors, he has gained extensive knowledge of the financial services industry and its corporate governance requirements, which contributes to his qualification as an effective member of the Board, where he currently serves on the Personnel/Compensation and Nominating Committees. The Board has determined that Mr. Dreibelbis is independent under NASDAQ and SEC standards.

*Robert K. Metz.* Mr. Metz, age 70, was the President of Metz Poultry Farms, Inc., a poultry production and sales company based in Belleville, Pennsylvania, from 1985 until his retirement in 2001. Mr. Metz earned Bachelor of Science and MBA degrees from Cornell University. He has been a director of the Company and the Bank since 1998.

Mr. Metz's experience as owner and President of a successful business within our market area provides the Company's Board of Directors with a business person's perspective of what is required for a business to be successful. Knowledge acquired while earning his MBA has helped qualify him as a Director and as a valued member of the Company's Asset/Liability Management Committee. The Board has determined that Mr. Metz is independent under NASDAQ and SEC standards.

*Richard M. Scanlon, DMD.* Dr. Scanlon, age 63, has owned and operated his own dentistry practice, based in Lewistown, Pennsylvania, since 1979. He received a Bachelor of Science degree and his DMD Dental degree from the University of Pittsburgh. He holds a Drug Enforcement Narcotic License and is a Fellow of the American Academy of Forensic Sciences. He has served as President of the Lewistown Hospital Medical Staff for two years, been a member of the Board of Directors of Lewistown Hospital for twelve years and a board member of the non-profit Mifflin-Juniata County Dental Clinic. For six years, he served as member and Chairman of the Lewistown Hospital Credential Committee. He has been a director of the Company and the Bank since 1998 and serves on the Audit Committee.

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Dr. Scanlon's professional background and history of community service provide a level of diversity to the Board, as the focus of his business is as a service provider. His perspective in the areas of customer and shareholder satisfaction relative to how each relates to organizational growth qualifies him as a Director. The Board has determined that Dr. Scanlon is independent under NASDAQ and SEC standards.

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**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR ELECTION OF THE THREE NOMINEES IDENTIFIED ABOVE.**

**Directors to Continue in Office until the 2013 Annual Meeting (Class B)**

*Marcie A. Barber.* Ms. Barber, age 53, has been the Chief Executive Officer of the Bank and the Company since 2010. She had been Senior Vice President and Chief Operating Officer of the Bank since June 2007. She was Senior Vice President and Community Office Division Manager since November 2006. Prior to joining the Company, Ms. Barber was Senior Vice President of the First National Bank of Mifflintown, serving as Credit Services Division Manager for 8 years. Prior to her tenure with First National Bank of Mifflintown, Ms. Barber spent 16 years with Mellon Bank in Retail Bank Management and Commercial Lending.

Ms. Barber's various management roles within a number of banks during her 29 years of service, including the 3 years she has served in an executive capacity of the Company, give her a broad understanding of the financial services industry, the Company's operations, corporate governance matters and leadership experience, thereby qualifying her to serve on the Board of Directors.

*Timothy I. Havice.* Mr. Havice, age 64, has been the owner and principal of T. I. Havice Development, a development company based in Lewistown, Pennsylvania, since 1975. He has been a director of the Bank and the Company since 1998 and served as Chairman from 2004 to 2007 and is currently Vice Chairman. Mr. Havice also serves on the Board of Directors of Liverpool Community Bank, a bank in which Juniata owns 39.16% of the outstanding common stock, and is Chairman of the Board of Directors of Mutual Benefit Insurance Company where he serves on the Audit and Compensation Committees. Mr. Havice is a past member of an advisory board for Mellon Bank, director of Lewistown Trust Company (a predecessor to Juniata Valley Financial Corp.) and director of Select Risk Insurance Company. Mr. Havice serves on the Nominating and Audit Committees of the Company and is Chairman of the Personnel / Compensation Committee.

As a result of numerous years as a successful entrepreneur in an array of business ventures, Mr. Havice provides the Company's Board of Directors with a businessperson's perspective of what is required for a business to be successful. His experience as director of other companies gives him insight into the importance and structure of corporate governance and risk assessment. In his capacity as Director of Mutual Benefit Insurance Company, he has gained valuable experience in executive compensation issues. The Board has determined that Mr. Havice is independent under NASDAQ and SEC standards.

*The Rev. Charles L. Hershberger.* The Rev. Hershberger, age 66, has been the President of Stonewall Equity, Inc., an investment company, since 1995 and was President and Owner of Hoenstine Funeral Home, Inc., based in Lewistown, Pennsylvania, from 1987 to 2002. The Rev. Hershberger is a graduate of the Pittsburgh Institute of Mortuary Science and also holds a Bachelor of Science degree from Frostburg State University, Frostburg, Md. Following retirement from funeral service, The Rev. Hershberger entered the candidacy for Ordination process of the Evangelical Lutheran Church in America and was ordained to the ministry of Word and Sacrament in 2008. Thereafter, The Rev. Hershberger was called by the Port Royal Evangelical Lutheran Parish, Port Royal, Pennsylvania to serve as pastor. The Rev. Hershberger was a director of Lewistown Trust Co. (a predecessor to Juniata Valley Financial Corp.). He has been a director of the Bank and the Company since 1998. The Rev. Hershberger served as Chairman of the Audit Committee from 2006 through 2007 and is currently Chairman of the Trust Committee. The Rev. Hershberger serves as Secretary to the Board of Directors.

Both Rev. Hershberger's business background and his ordained ministry have allowed him to establish personal and professional relationships with a broad cross section of the communities in which we do business. He provides valuable insight into the expectations of our customer base. The Board has determined that the Rev. Hershberger is independent under NASDAQ and SEC standards.

**Directors to Continue in Office until the 2014 Annual Meeting (Class C)**

*Francis J. Evanitsky.* Mr. Evanitsky, age 69, had been the Chief Executive Officer of the Bank and the Company since 2000, prior to his retirement in July 2010. He had served as President and a director of the Bank and the Company since 1998. Prior to 1998, Mr. Evanitsky was the President and Chief Executive Officer of the Lewistown Trust Company, which merged into the Bank in 1998. Mr. Evanitsky is Chairman of the Board of the Lewistown Hospital and Lewistown Healthcare Foundation. Previously, he has served as Chairman of the Finance and Audit Committees of the Lewistown Hospital. He is a member of the Mifflin County Pennsylvania Industrial Development Corporation, where he serves on the Finance Committee.

Mr. Evanitsky's various management roles within a number of banks during his 43 years of service, including the eleven years he served as Chief Executive Officer of the Company, give him a broad understanding of the financial services industry, the Company's operations, corporate governance matters and leadership experience qualifying him to serve on the Board of Directors. He currently serves as Chairman of the Asset/Liability Management Committee.



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*Philip E. Gingerich, Jr.* Mr. Gingerich, age 53, has been the President of Central Insurers Group, Inc, an insurance agency based in State College, Pennsylvania, since 1982 and owner of East Side Storage, a mini-storage warehouse company based in Lewistown, Pennsylvania, since 2001. Mr. Gingerich holds a Bachelor of Science degree from the Pennsylvania State University and is a Certified Workers Compensation Advisor. Formerly, he has been Chairman of the Boards of Lewistown Trust Company and the NuVision Center. He has served on the Asset/Liability Management Committee. He currently serves on the Nominating and Personnel/Compensation Committees and is Chairman of the Audit Committee. He has been a director of the Company and the Bank since 1998, and is the current Chairman of the Board.

As the owner and president of successful businesses, Mr. Gingerich brings valuable knowledge and experience in risk assessment and financial operations. His long tenure as a board member, with experience serving on each of key committees that are essential to the oversight of the board, has qualified him to serve as the current Chairman of the Board. As an independent employer, his broad knowledge of employment issues and compensation matters qualify him to serve on the Company's Personnel and Compensation Committee. The Board has determined that Mr. Gingerich is independent under NASDAQ and SEC standards.

*Dale G. Nace, P.E.* Mr. Nace, age 67, was the Owner and Principal of Glenn Nace, Inc., a cooling and heating contracting company based in Millerstown, Pennsylvania, from 1975 until his retirement in 2003. He holds a Bachelor of Science in Civil Engineering from the Pennsylvania State University and became a Professional Civil Engineer in 1971. He has been a director of the Company and the Bank since 1992. Mr. Nace serves on the Trust Committee and has served on the Asset/Liability Management Committee.

Mr. Nace's 20 years of experience as a Director of the Company has afforded him the opportunity to serve on several different committees over his tenure, which has given him an overall knowledge of the financial services industry, which in turn contributes to his effectiveness as a member of the Board of Directors. The Board has determined that Mr. Nace is independent under NASDAQ and SEC standards.

*Jan G. Snedeker.* Mr. Snedeker, age 65, was the Chairman and Chief Executive Officer of Snedeker Oil Company, Inc., a heating oil, propane and service station business based in Lewistown, Pa., until his retirement in 2010. The oil and propane company employs 49 people and conducts retail and wholesale commerce in six central Pennsylvania counties. He was a director of the Pennsylvania Petroleum Marketers and Convenience Store Association. He is currently a director of the Mifflin County Industrial Development Corporation and has served as a director of the Lewistown Hospital. He has business experience in contract negotiation, environmental law, human resources and commodity trading/hedging. He possesses a Bachelor of Arts degree from the Pennsylvania State University and served actively in the United States Navy, attaining the rank of Lieutenant. He has been a director of the Company and the Bank since 1998. Mr. Snedeker currently serves on the Trust and Personnel / Compensation Committees. He is Chairman of the Nominating Committee and has previously served on the Asset/Liability Management and Audit Committees.

Mr. Snedeker's experience as owner and Chairman of a successful business provides the Company's Board of Directors with a businessperson's perspective of what is required for a business to be successful. The broad knowledge of employment issues and compensation matters he acquired as an independent employer qualify him to serve on the Company's Personnel and Compensation Committee. The Board has determined that Mr. Snedeker is independent under NASDAQ and SEC standards.

**Executive Officers of the Company**

In addition to Ms. Barber, the following individual serves as an executive officer of the Company. The executive officers will hold office until their successors are appointed.

*JoAnn N. McMinn.* Ms. McMinn, age 59, is the Executive Vice President of the Company, and has been Treasurer and Chief Financial Officer of the Company since 2005. Prior to joining the Company, Ms. McMinn had served as Corporate Controller and Director of Investor Relations for Omega Financial Corporation (diversified financial services) since 2003; she had served as Corporate Controller of that organization since 1988. Her responsibilities included preparation and coordination of annual reports to shareholders and Securities and Exchange Commission (SEC) filings, management of bank and holding company accounting division, regulatory reporting and serving as director of non-bank subsidiaries. She formerly held positions as Data Processing Manager, Productivity Manager and Controller at one of Omega's predecessor companies. Ms. McMinn serves on the Board of Directors of Liverpool Community Bank, a bank in which Juniata owns 39.16% of the outstanding common stock.

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### **Corporate Governance and Board Matters**

#### **Shareholder Communications with the Board**

The Board has established a procedure whereby shareholders are able to communicate directly with the Board by addressing communications either to the Audit Committee Chair or, in the case of recommendations for Board candidates, the Secretary, c/o Juniata Valley Financial Corporation, Bridge and Main Streets, Post Office Box 66, Mifflintown, Pennsylvania 17059. Every communication directed to the Audit Committee Chair will be delivered directly to the Audit Committee Chair, who will in turn forward the communication to the specific member of the Board to whom it has been addressed and to the Board as a whole. All communications regarding nominations that are sent to the Secretary will be forwarded to the Chair of the Nominating Committee.

#### **Risk Oversight**

Oversight of material risks facing the Company is a major area of emphasis for the Board of Directors. The Board, upon recommendations from appropriate committees, annually approves all operating policies. The Audit Committee reviews results of all regulatory examinations and audits, both internal and external, and monitors responses from management to recommendations for procedural changes. All members of the Audit, Nominating and Personnel / Compensation Committees are independent directors and meet regularly with management. Each committee requires proof of adherence to all applicable policies which they oversee. The Loan Committee is comprised entirely of directors who rotate attendance at weekly meetings with management. The Board is informed routinely of new regulations, current issues of importance, key examination points, industry news and peer and competition activity by management at monthly Board meetings and periodic committee meetings.

#### **Board Leadership Structure**

It is the policy of the Company to separate its Chairman and Chief Executive Officer positions. We believe that having an independent Chairman increases the effectiveness of risk oversight and management evaluation, and separate positions serve to eliminate the appearance of a conflict between personal and shareholders' interests. For example, if one individual serves as both Chairman and Chief Executive Officer, and that person is responsible for setting corporate goals, that situation could create the appearance of a conflict of interest. In his or her role as Chairman, the individual would have an interest in setting higher benchmarks in order to motivate corporate officers to improve the performance of the Company and thereby increase the shareholders' return on their investment. On the other hand, as his or her role as Chief Executive Officer, that individual could arguably have an interest in setting a lower benchmark since the attainment of corporate goals is a factor in evaluating the performance of the Chief Executive Officer. Separating the positions of Chairman and Chief Executive Officer eliminates issues such as these.

#### **Related Party Transactions**

During 2011, the Bank had, and expects to continue to have, banking transactions in the ordinary course of business with our directors and executive officers on the same terms, including interest rates and collateral on loans, as those prevailing at the time for comparable loans with persons not related to the Bank. Management believes that these loans present no more than the normal risk of collectability or other unfavorable features. The Company's Code of Business Conduct (the Code) requires all directors, officers and employees to avoid situations that may create a conflict of interest or the appearance of a conflict of interest. The Code contains specific prohibitions on financial or other interests in customers, borrowers, suppliers or other companies dealing with the Company and requires prior approval by the Vice President of Compliance in order to enter into any such arrangements. In addition, the purchase, lease or sale of assets to or from the Company by employees or directors also requires the prior approval of the Vice President of Compliance except in certain limited circumstances, such as a public sale.

#### **Board and Committee Meeting Attendance**

The Board of Directors of the Company met 12 times in 2011. No director attended fewer than 75% of the total number of meetings of the Board and the committee(s) on which he or she served. The Board has standing Audit, Nominating and Personnel and Compensation Committees, in addition to other committees that are more specifically related to the banking business. Following are descriptions of these Committees and reports from the Audit and Personnel and Compensation Committees. The Board has determined that, with the exception of Francis J. Evanitsky and Marcie A. Barber, all directors are independent under NASDAQ and SEC standards.

The Board has adopted a policy requiring the attendance of all directors at the Annual Meeting, absent extenuating circumstances. All members of the Board attended the 2011 Annual Meeting.



**Compensation Committee Interlocks and Insider Participation**

The Personnel / Compensation Committee makes recommendations to the Board regarding executive compensation. The committee, along with the Board of Directors, has formally adopted a Personnel and Compensation Committee charter setting forth its responsibilities. The charter is available on the Company's website, at [jvbonline.com](http://jvbonline.com), under the Investor Relations tab. Members are Timothy Havice (Chairman), Martin Dreibelbis, Philip Gingerich, Jr. and Jan Snedeker. Each member of the Personnel / Compensation Committee was independent, and continues to be independent, based on the qualifications for independence established by NASDAQ. There are no Compensation Committee interlocks that would require disclosure under the applicable proxy rules. The Committee met seven times in 2011. The report of the Personnel and Compensation Committee is contained in the section of this Proxy Statement entitled "Compensation Discussion and Analysis". None of the members of the Personnel and Compensation Committee have been an officer or employee of the Company or the Bank at any time. The responsibilities of the Personnel and Compensation Committee are detailed in the Compensation and Discussion Analysis below, in the section entitled "Role of the Personnel and Compensation Committee".

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### **Audit Committee**

#### **Members, Number of Meetings, Function, Charter and Audit Committee Financial Expert**

The members of the Audit Committee are Philip Gingerich, Jr. (Chairman), Timothy Havice and Richard Scanlon. A. Jerome Cook served on the Audit Committee, as Chairman, until his retirement from the Board on December 31, 2011. Each member is an independent director and qualified to serve on the Audit Committee based on the qualifications for enhanced independence and financial literacy established by NASDAQ and applicable SEC regulations. The Board of Directors has determined that Mr. Cook possessed the degree of financial sophistication required by the NASDAQ and filled the SEC requirements to qualify as the Audit Committee financial expert. Since Mr. Cook's retirement, the Board of Directors is actively seeking to recruit a prospective board member that will qualify as a financial expert. Until a suitable replacement is found, the Company believes that the expertise and understanding acquired by each of the current members of the Audit Committee, through tenure on the Committee, makes them qualified to analyze and comprehend the Company's financial statements. Further, each current Audit Committee member possesses a high degree of financial sophistication, has the ability to understand internal and external audit reports and is able to competently assess management's report on internal controls. The Audit Committee met four times in 2011. Its responsibilities include monitoring the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and regulatory compliance, monitoring the independence and performance of the Company's independent auditors and internal auditing department and providing an avenue of communication among the independent auditors, management, the internal auditing department and the Board of Directors. The Committee, along with the Board of Directors, has formally adopted an Audit Committee charter setting forth its responsibilities. The charter is available on the Company's website, at [jvbonline.com](http://jvbonline.com), under the Investor Relations tab.

#### **Report of the Audit Committee**

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report to Shareholders with management, including a discussion of not just the acceptability, but also the quality, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosure in the financial statements.

The Committee reviewed with the Company's independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, the Committee's judgments as to both the acceptability and the quality of the Company's accounting principles and such other matters as are required to be discussed with the independent auditors under generally accepted auditing standards. In addition, the Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committees". We have also received from ParenteBeard LLC, the Company's independent auditors, written disclosures and a letter concerning the firm's independence from the Company, as required by Independence Standards Board No. 1, "Independence Discussions with Audit Committees".

The Committee discussed with both the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission. The Committee and the Board of Directors have also approved the selection of ParenteBeard LLC as the Company's independent auditors for 2012.

By: Philip Gingerich, Jr., Chairman, Timothy Havice and Richard Scanlon

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**Nominating Committee**

**Members, Meetings, Function and Charter**

The members of the Nominating Committee for 2011 were Jan Snedeker (Chairman), Martin Dreibelbis, Philip Gingerich, Jr. and Timothy Havice. Each member is an independent director, meeting the qualifications for independence established by NASDAQ. The function of the Committee is to identify and recommend qualified candidates for election to the Board of Directors and to nominate candidates to fill vacancies that occur between shareholder meetings. A current copy of the charter is posted on the Company's website at [jvbonline.com](http://jvbonline.com), under the Investor Relations tab. The Nominating Committee met one time in 2011. Skill sets and background deemed desirable within the current mix of skill sets and background of current directors, diversity of the Board and the ability of the person to devote the necessary time to serve as a Director are considered when assessing a candidate's qualifications. Candidates for director are selected for their character, judgment, business experience, expertise and acumen. The Company's Bylaws state that no person shall be eligible to be elected as a Director if he or she shall have attained the age of seventy-two years on or prior to the date of his or her election.

**Process for Identifying and Evaluating Nominees for Director**

The Committee utilizes current Board members, management and other appropriate sources to identify potential nominees. The Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors, and recommends nominees for approval by the Board of Directors and shareholders. In nominating candidates, the Committee may take into consideration such factors as it deems appropriate, including personal qualities and characteristics, experience, accomplishments and reputation in the business community and current knowledge and contacts in the communities in which the Company does business. The Company does not have a separate written policy on how diversity is to be considered in the director nominating process, however diversities in viewpoints, backgrounds, and experience are informally considered, as well as ability and willingness to commit adequate time to Board and committee matters. The Committee assesses the fit of the individual's skills and personality with those of other directors and potential directors in creating a Board that is effective and responsive to its duties and responsibilities and has the right composition to perform its oversight functions effectively.

The Nominating Committee will receive and consider nominee recommendations that shareholders address to the Secretary of the Company at the address listed on the first page of this proxy statement. If a shareholder wishes to nominate candidates for election at the Annual Meeting, however, the shareholder must comply with the procedures contained in the Company's bylaws, which include a requirement that the shareholder deliver or mail a notice to the Secretary of the Company not less than 120 days prior to the anniversary date of the immediately preceding Annual Meeting stating his or her name, residence address and the number of shares of the Company owned. The notice must also contain the following information on each proposed nominee:

The name, address and age of the nominee;

The principal occupation of the nominee;

The number of shares of the Company common stock owned by the nominee; and

The total number of shares that, to your knowledge, will be voted for the nominee.

The Chairman of the meeting will disregard any nomination made at the Annual Meeting that does not comply with the required procedure, and the judges of election will disregard any votes cast for such nominees.

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis is designed to provide a description of executive compensation policies and procedures at Juniata Valley Financial Corp.

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The Personnel and Compensation Committee of the Company's Board of Directors makes recommendations to the Board of Directors regarding executive compensation. Personnel and Compensation Committee members are: Timothy Havice (Chairman), Martin Dreibelbis, Philip Gingerich, Jr. and Jan Snedeker. Philip Gingerich, Jr., Board Chair, serves on the committee ex-officio, with voting rights. Each of the foregoing persons is independent based on the qualifications for independence established by NASDAQ and the SEC.

The Personnel and Compensation Committee meets as often as is necessary, but must meet no less than once each year. Typically, the Committee meets at least four times annually. During 2011, the committee met seven times. The committee meets in executive session (without management present) as necessary, particularly when administering any aspect of the President/Chief Executive Officer's compensation program. Executive management, along with the Personnel and Compensation Committee chair, sets the agenda in advance of each meeting.

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It is the practice of the Personnel and Compensation Committee to meet, with the frequent attendance of the President/Chief Executive Officer, the Executive Vice President and the Director of Human Resources, as is appropriate. The President/Chief Executive Officer is involved in the compensation design and decision-making process for all executive positions except her own. Other officers attend meetings to provide reports or information regarding agenda items as requested by the Committee.

The President/Chief Executive Officer and other executives do not attend executive sessions of the Committee when topics relating to their performance and/or compensation may be reviewed, discussed and determined.

### **Role of the Personnel and Compensation Committee**

The Personnel and Compensation Committee is established to provide oversight of the Company's human resource function and to make recommendations to the Board of Directors as deemed appropriate. The Committee is responsible for development of all proposals regarding executive compensation and for review of all active plans involving short or long-term compensation. The Committee does not have final authority, but must approve provisions under all plans before being presented to the Board for final approval. Some of the specific responsibilities of the Committee include the following:

Determination of an executive compensation philosophy and strategy and compensation program design and implementation;

Updating provisions within the Executive Annual Incentive Plan for goal setting and determination as to whether targets have been met;

Option grants under a stock option plan;

Determination of executive benefit packages to ensure a competitive compensation and benefits package;

Involvement in the executive selection process;

Review and approval of investment strategy and options for pension and 401(k) plans;

Consideration of discretionary annual performance and bonus payouts;

Review and approval of the Director and Advisory Board fee schedules; and

Approval of a human resource policy which governs employment practices, general and executive compensation and benefits, performance management, policies and procedures, legal compliance and workforce planning.

### **Committee Advisors/Consultants**

The Committee has the authority to engage external advisors, as it deems necessary, to provide consultation, input and education to the Committee on topics selected by the Committee.

In 2011, the Committee continued to engage Mosteller & Associates, an independent human resource consulting firm, to provide analysis and advice on executive compensation-related matters (including assessment of peer groups, competitive market data, and pay mix and compensation design). During 2011, the Committee requested Mosteller & Associates to provide the following services:

Advice for establishment of performance criteria and factors for the Executive Annual Incentive Plan for 2011;

Detailed executive compensation review of positions of Chief Executive Officer and Chief Financial Officer. The scope of the review included a proxy analysis completed in February of 2011 (based upon proxies filed for 2009) and again in February of 2012 (based upon proxies filed for 2010). The analysis encompassed reported compensation of the similarly ranked executive positions in a defined peer group that included 17 companies as of the end of 2009 and 18 companies as of the end of 2010. This proxy peer group included banks of similar size and structure, with assets ranging from \$376 million to \$979 million as of the end of 2009 and between \$355 million and \$812 million as of the end of 2010. The executive compensation review also included a market analysis, by position, which provides a generally broader view of compensation practices than the more limited peer group represented by the proxy peer group. The market analysis is an equally important portion of an executive compensation study and provides key information to be considered in combination with the peer analysis findings. Market studies generally capture compensation trends and practices as they relate to base and bonus pay; and

A Human Resources Audit to review procedures and recommend improvements for the Human Resources function within the Company.

In 2011, Conrad Siegel Actuaries performed consultation, actuarial and administrative services in regard to the Company's defined benefit and defined contribution plans. Additionally in 2011, Conrad Siegel Investment Advisors, Inc. acted as a non-discretionary advisor in relation to the Company's defined contribution plan.

The Committee also uses legal counsel, as necessary, in matters of executive employment.

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### **Use of Peer Group Data**

In order to ensure competitive executive compensation practices, the Company annually benchmarks its executive compensation, including base and incentive compensation, as well as the overall compensation package, against a defined peer group of similar financial services organizations.

The 2011 defined peer group ( Peer Group ) was comprised of 17 similarly sized mid-Atlantic community banks that were not located in the vicinity of major cities. Peer Group institutions have assets between \$376 million and \$979 million. The number of banks in the peer group decreased from the 18 used in the previous year due to merger activity. Companies included in the Peer Group were: Franklin Financial Services Corp, First Keystone Corp., ENB Financial Corp., Penns Woods Bancorp, Inc., Codorus Valley Bancorp, Inc., Citizens Financial Services, Inc., Penseco Financial Services Corp., Comm Bancorp, Inc., Mid Penn Bancorp, Inc., Norwood Financial Corp., People s Financial Services Corp., Dimeco, Inc., Jeffersonville Bancorp, Calvin B. Taylor Bancshares, Inc., Commercial National Financial Corp., Lake Shore Bancorp, Inc. and Emclair Financial Corp.

In addition to the Peer Group, as part of the benchmarking process, a market analysis is performed, using data from four survey sources. Published survey sources used were from Economic Research Institute, CompAnalyst, Towers Watson 2010-2011 Financial Institution Survey and L.R. Webber Associates 2010 Survey.

### **Philosophy/Objectives of Executive Compensation Programs**

The success of our Company is dependent upon the attraction and retention of key employees. Although compensation tools and programs inevitably must be adjusted as conditions change, the Company s compensation philosophies are designed to align with business objectives. The Company provides its executives with a mix of compensation, including base pay and the opportunity for annual short-term incentive cash awards and long-term equity awards, which is designed to reward short and long-term positive financial performance by the Company. The intended and targeted levels for both base and incentive pay are in the middle range of the Peer Group, in order to remain competitive with local competition for quality employees.

We believe a competitive base salary is important to attract and retain qualified executives. We believe annual performance-based bonuses are valuable in recognizing and rewarding individual achievement. Finally, we believe equity-based compensation makes executives think like owners and, therefore, aligns their interests with those of our shareholders. Equity-based compensation is intended to provide a strong incentive for executives to remain with the Company and link their compensation to the value of our shares over time.

All components of executive compensation are designed to enable the Company to:

Attract, motivate and retain results-oriented executive and key management employees;

Tie executive compensation to shareholder return;

Link compensation directly to the organization s strategic objectives; and

Reward collective and individual (as appropriate) performance contributing to the overall success of the organization.

For both the short-term and long-term incentive plans, designated performance goals:

are designed to align with the Company s business objectives;

are chosen to reward results that increase shareholder value;

are targeted to achieve budgeted ratios;

focus on expanding the Company into new geographic markets; and

include a focus on organizational efficiency.

Additionally, the Company offers supplemental benefits to all employees, including a defined benefit pension plan, and a defined contribution 401(k) plan. In addition, executive officers participate in a salary continuation plan and a split-dollar life insurance benefit and are parties to a change of control severance agreement. These benefits were designed and selected to be appealing to potential and existing key employees, in comparison to those benefits offered by other banks in our general competitive geographic area.

In determining the amount of each element of executive compensation, the following key items are considered:

Market-competitiveness within the general geographic area;

Appropriate balance of risk/reward; and

Company/business unit/individual performance.

The Committee believes that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. Internal controls and risk oversight provided by the Audit and Asset/Liability Management Committees, as well as internal policies and compliance standards, are designed so that no one individual can implement new products or pricing strategies, enter into material contracts or commit to investment vehicles outside established guidelines. Additionally, the ratio of variable incentive-based compensation to base salary is relatively low.



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### **Elements of Executive Compensation**

Executive pay policies are generally in line with Company policies for all employees, including the existence of a salary range, an annual base salary review process, including consideration for merit pay adjustments and, as appropriate, inclusion of both short-term and long-term incentive compensation opportunities that focus executives on Company performance and success.

The Company's success is dependent upon its ability to attract and retain highly qualified and motivated executives. The Company endorses the philosophy that executive compensation should reflect Company performance and the contribution of such officers to that performance. Our executive compensation program is designed to support our Company's core values and strategic objectives. Moreover, our compensation philosophy is intended to align the interests of management with those of our shareholders.

The principal components of total compensation for our named executive officers are base salary, annual incentive bonus and equity-based incentives. Salary and bonus are inherently short-term compensation elements, while equity-based incentives are inherently long-term.

**Base Salary.** The Chief Executive Officer's base pay range is established, reviewed and updated periodically by the Board, as recommended by the Personnel and Compensation Committee. Guidance is received through compensation surveys of like-positions in similarly sized community financial services organizations within the established peer group provided by the Committee's human resources consultant. Pay adjustments for the Chief Executive Officer are determined annually by the Board using this data. While no mathematical weighting formula exists, the Committee considers all other factors which it deems relevant, including the Company's financial results, the Company's performance relative to its local competition, the duties and responsibilities of the Chief Executive Officer, the Chief Executive Officer's individual performance relative to written objectives established at the beginning of each year and current compensation levels, as well as the benchmark information. The Company targets salaries at the mid-range base pay of similar positions within the Peer Group and the market analysis. Base salary for the Chief Financial Officer is determined in the same way as the Chief Executive Officer position. The Committee generally establishes salary guidelines at levels that approximate the mid range of the Peer Group. Additionally, in determining the amount of base salaries, the Committee considers the executive's qualifications and experience, scope of responsibilities and future potential, the goals and objectives established for the executive, the executive's past performance, competitive salary practices at companies in the Peer Group and internal pay equity.

**Annual Incentive (Short-term).** The Executive Annual Incentive Plan is designed to motivate executives to achieve favorable operating results. Awards are primarily based on overall financial performance utilizing measures such as earnings per share, return on average assets, return on average equity, asset quality and revenue growth, either individually or combined, depending on annual business objectives. Each year, the Company performance measures are established for all participants in line with budgeted expectations. Threshold, target and optimum or maximum performance measures are determined at the beginning of each year and based upon acceptable performance (threshold), budgeted performance (target) and a stretch performance goal (optimum or maximum).

The Personnel and Compensation Committee established performance criteria and factors for the Chief Executive Officer and the Chief Financial Officer, as well as other participants in the Executive Annual Incentive Plan for 2011. The awards schedule was designed to include threshold, target and optimum performance criteria. Earnings per Share (EPS) and Return on Average Equity (ROAE) factors were designated as measures of performance for both categories for 2011. While the Chief Executive Officer's performance was measured solely by these two performance factors, the Chief Financial Officer's performance was also measured on business unit and individual goal accomplishments. The threshold, target, and optimum levels of performance measures for 2011 were consistent with competitive industry performance objectives, and the Company believed the performance levels were set at a level that created a likelihood of meeting, at minimum, the threshold levels during 2011. The target performance measures were each set at levels established in the Company's annual budget for 2011 (EPS of \$1.15 and ROAE of 9.63%), with threshold measures set slightly below budget (EPS of \$1.09 and ROAE of 9.15%) and optimum criteria (EPS of \$1.27 and ROAE of 10.59%) set to reward performance significantly favorable to budget. Individual goals for the Chief Financial Officer are established at the beginning of the year, and are aligned with specific Company strategic objectives, which included taking a lead role with the CEO in design and implementation of improved management tools for evaluating individual and Company performance relating to sales and growth, development and implementation of strategies and tools used to more effectively price loans and deposits, enhancement of management information reporting content and structure focused on collection and distribution of critical information for integrated use throughout the Company, and researching and implementing strategies to enhance corporate performance. For 2011, the Chief Executive Officer could receive an award of between 12% and 30% of base salary, subject to adjustment (+/- 10%) based on the executive's individual performance. For the Chief Financial Officer in 2011, incentive awards could range from 6.5% to 25% of base salary, depending upon actual Company performance results as compared to target results above the minimum threshold requirement (75% weighting), and the level of achievement of individual goals (25% weighting). Awards are determined and paid annually after the financial results for the year have been determined. The Company's threshold level for performance was met in 2011, and personal goals relating to strategic objectives were achieved. As a result, payouts were made to the CEO and the CFO according to the established formulas. Ms. Barber received \$25,000, or 13.9% of her base salary and Ms. McMinn received \$18,500, or 13.4% of her base salary.



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**Stock Option Program (Long-term).** The stock option program is designed to reward contribution to the long-term appreciation in the value of the Company. The Committee strongly supports share ownership by its executives. We believe that the ownership of shares of our stock by our management team properly aligns their financial interests with the interests of our shareholders. The potential for grants is reviewed annually, although grants will not necessarily be awarded each year, depending upon the Company's financial performance. In order for a participant to receive an option through the program, he or she must have at least a satisfactory job performance review for the year. Stock option awards are considered at the regularly scheduled board meeting in October of each year, and if awarded, the grant date is established as the date of board approval. The exercise price is set on the grant date at the fair market value of the Company's common stock on that date. The vesting schedule, term of grant and any other design parameters are also determined on or before the grant date. Options were granted to the executive officers in 2011 for performance in 2010. As a result, Ms. Barber and Ms. McMinn received options to purchase 5,000 and 4,000 shares, respectively on September 20, 2011, with an exercise price of \$17.75.

**Executive Benefits.** Supplemental executive benefits may include a salary continuation plan, a group-term life carve-out plan, personal use of a Bank vehicle and employment and/or change of control agreements, which are described below.

**Tax and Accounting Impact.** Although the Company takes into account deductibility of compensation, tax deductibility is not a primary objective of its compensation programs. Section 162(m) of the Internal Revenue Code disallows the deductibility by the Company of any compensation over \$1 million per year paid to certain members of senior management unless certain criteria are satisfied. None of the Company's officers is compensated in an amount that would limit the deductibility by the Company of their compensation under Section 162(m).

## **Post-Employment Benefits**

**Change of Control Severance Agreement.** We believe that companies should provide reasonable severance benefits to executives. These severance arrangements are intended to provide an executive with a sense of security in making the commitment to dedicate his or her professional career to the success of our Company. With respect to senior management, these severance benefits should reflect the fact that it may be difficult for them to find comparable employment within a short period of time. Such arrangements also should disentangle the Company from the former employee as soon as practicable. For instance, while it is possible to provide salary continuation to an employee during the job search process, which in some cases may be less expensive than a lump-sum severance payment, we prefer to pay a lump-sum severance payment in order to more cleanly sever the relationship as soon as practicable.

Our senior management and other employees have built the Company into the successful enterprise that it is today, and we believe that it is important to protect them in the event of a change in control. Further, it is our belief that the interests of shareholders will be best served if the interests of our senior management are aligned with them, and providing change in control benefits should eliminate, or at least reduce, the reluctance of senior management to pursue potential change in control transactions that may be in the best interests of shareholders. Relative to the overall value of the Company, these potential change in control benefits are relatively minor. The cash components of any change in control benefits within the Change of Control Severance agreements are based upon the multiple of 2.95 times base salary.

Change of control arrangements for Ms. Barber and Ms. McMinn are set forth in each of their respective agreements. Ms. McMinn's agreement was entered into on November 7, 2005, and continues as long as Ms. McMinn is the Chief Financial Officer or holds a higher position within the Company. Ms. Barber's agreement was entered into on May 22, 2008 and continues as long as Ms. Barber holds the position of Chief Operating Officer or a higher position within the Company. Specific conditions that would trigger payments pursuant to Ms. McMinn's and Ms. Barber's contracts are as follows:

- i) An acquisition of securities of Juniata Valley Financial Corp. ( JUVF ) representing 24.99% or more of the voting power of the Company's securities then outstanding;
- ii) A merger, consolidation or other reorganization of Juniata Valley Bank, except where the resulting entity is controlled, directly or indirectly, by JUVF;
- iii) A merger, consolidation or other reorganization of JUVF, except where shareholders of JUVF immediately prior to consummation of any such transaction continue to hold at least a majority of the voting power of the outstanding voting securities of the legal entity resulting from or existing after any transaction and a majority of the members of the Board of Directors of the legal entity resulting from or existing after any such transaction are former members of JUVF's Board of

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Directors;

- iv) A sale, exchange, transfer or other disposition of substantially all of the assets of JUVF to another entity, or a corporate division involving JUVF; or
- v) A contested proxy solicitation of the shareholders of JUVF that results in the contesting party obtaining the ability to cast 25% or more of the votes entitled to be cast in an election of directors of JUVF.

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Under Section 280G of the Internal Revenue Code, a parachute payment to a disqualified individual may result in adverse tax consequences. A parachute payment means any payment in the nature of compensation to (or for the benefit of) a disqualified individual if (i) the payment is contingent on a change in the ownership of the corporation, the effective control of the corporation or in the ownership of a substantial portion of the corporation's assets and (ii) the aggregate present value of the payments in the nature of compensation which are contingent on such change of control equals or exceeds three (3) times the base amount. An excess parachute payment means an amount equal to the excess of any parachute payment over the base amount allocated to such payment. In general, base amount equals the disqualified individual's average annualized compensation, which was includible as gross income (annual includible compensation), for the five years preceding the tax year at issue. The statute defines the term disqualified individual as an individual (1) who is an employee, independent contractor, or other person specified in regulations who performs personal services for any corporation, and (2) who is an officer, shareholder, or highly compensated individual of the corporation. If the provisions of Section 280G are triggered, the paying corporation is denied any deduction for employee compensation on any excess parachute payments and the recipient is subject to a nondeductible 20% excise tax on such excess parachute payment (in addition to income taxes). At this time, neither agreement addresses this issue.

**Salary Continuation Agreement, as amended.** The Bank executed Salary Continuation Agreements with Marcie Barber and JoAnn McMinn in order to encourage these individuals to remain employees of the Bank through normal retirement age which is defined, for the purposes of this plan, as age 65. The Bank will not make any payments under this plan that would be a prohibited golden parachute payment. This plan allows for payments under the circumstances described in the section below, entitled Potential Payments Upon Termination or Change in Control.

**Group Term Carve-out Plan Bank-owned Life Insurance.** The Bank has purchased life insurance policies which insure the lives of each of the Named Executive Officers. Under the Group Term Carve-Out Plan, each of the participating Named Executive Officers' beneficiaries will receive benefits in the event of his or her death as follows:

If death occurs prior to termination of employment, the beneficiary will receive:

Three times the participant's base annual salary up to a maximum of:

\$603,000 in the case of Ms. Barber; or

\$453,000 in the case of Ms. McMinn

If death occurs after termination of employment, if the participant has achieved a vested insurance benefit, as defined in the Group Term Carve-Out Plan, the beneficiary will receive two times the participant's base annual salary.

The Bank is the sole owner and the direct beneficiary of death proceeds in excess of those allocated to each executive's defined beneficiary. Any benefit qualifying as an excess parachute payment as defined in the Internal Revenue Code would be forfeited in the amount of the excess.

Single-premium payments for this program were paid in 2007 in the amounts of \$296,000 and \$294,000, for the policies on the lives of Ms. Barber and Ms. McMinn, respectively.

### **Executive Compensation Actions and Decisions**

The Personnel and Compensation Committee's actions and decisions relating to executive compensation since January 1, 2011 were as follows:

In January 2011, the committee reviewed performance levels related to the Executive Annual Incentive Plan awards, determining that, while individual participant goals were successfully completed, achievement of financial performance goals were not. Therefore, no awards were granted pursuant to the plan.

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The committee reviewed the amounts payable under each individual element of compensation, as well as in the aggregate, for each executive officer and concluded that the individual elements of compensation, and the total aggregate compensation, paid to each Named Executive Officer, meaning the Chief Executive Officer, Chief Financial Officer and the officers who earned more than \$100,000 in 2011, were appropriate, based upon the information available for similar positions within the Peer Group.

The committee reviewed 2010 performance assessments that had been completed by members of the Board of Directors for the Chief Executive Officer and the Chief Financial Officer. These assessments were used to evaluate the performance of the executive officer positions. These evaluations and a Peer Group report provided by Mosteller and Associates were used to establish base salaries for 2011.

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The committee established performance criteria and factors for Category I (Chief Executive Officer) and Category II (Chief Financial Officer) participants in the Executive Annual Incentive Plan for 2011 (as described above in section titled Elements of Executive Compensation / Annual Incentive ).

The committee reviewed and approved the Human Resource Policy, which governs employment practices, general and executive compensation and benefits, performance management, policies and procedures, legal compliance and workforce planning.

The committee recommended that the payment of a discretionary holiday bonus to be paid to employees for 2011. All qualifying full time employees, including the NEOs, received \$500 through this program.

In January 2012, the committee determined that the established threshold levels were met for the selected target ratios of EPS and ROAE in 2011, and payouts would be made from the Executive Annual Incentive Plan for 2011.

The committee established performance criteria and factors for Category I (Chief Executive Officer) and Category II (Chief Financial Officer) participants in the Executive Annual Incentive Plan for 2012. The awards schedule was designed to include threshold, target and optimum performance criteria. EPS and ROAE factors were designated as measures of performance for both categories. While the Chief Executive Officer s performance will be measured solely by these two performance factors, the Chief Financial Officer s performance will also be measured on business unit and individual goal accomplishments. The threshold, target, and optimum levels of performance measures are consistent with competitive industry performance objectives, and the Company has a likelihood of meeting, at minimum, the threshold levels during 2012. The target performance measures were each set at levels established in the Company s annual budget for 2012, with threshold measures set slightly below budget and maximum criteria set to reward performance significantly favorable to budget. Individual goals, for the Chief Financial Officer, are established at the beginning of the year, and are aligned with specific Company strategic objectives, which include shareholder communication enhancement, expansion of management and operational reporting, comprehensive employee benefits review, and development and implementation of pricing strategies to enhance corporate performance.

**Table of Contents****Executive Compensation Tables**

The following tables and narratives apply to the Company's named executive officers.

**2011 Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus <sup>(1)</sup> (\$)	Stock Awards (\$)	Option Awards <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(3)</sup> (\$)	Change in Pension value and Non-qualified Deferred Compensation <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total
Marcie A. Barber President and Chief Executive Officer <sup>(6)</sup> (Effective July 2010)	2011	\$ 177,193	\$ 25,500	\$	\$ 9,550	\$	\$ 31,846	\$ 5,331	\$ 249,420
	2010	150,150	500				20,222	4,520	175,392
	2009	131,317	500		8,507		16,417	4,645	161,386
JoAnn N. McMinn, Executive Vice President and Chief Financial Officer	2011	\$ 135,865	\$ 19,000	\$	\$ 7,640	\$	\$ 42,315	\$ 4,241	\$ 209,061
	2010	129,202	5,500				26,381	3,892	164,975
	2009	125,110	500		7,071		24,038	4,458	161,177

- (1) Amounts shown include a Holiday Bonus of \$500 in each year that is generally paid to all qualifying employees.
- (2) Amounts shown reflect the fair value of the options granted on the grant date. Assumptions made in the valuation of options granted are included in Note 1 to the Financial Statements in the Company's Annual Report.
- (3) Amounts shown represent awards paid to executives in the following year, for performance achievements in the stated year.
- (4) Changes in Pension value for Ms. Barber were \$22,164, \$11,103 and \$7,828 for the years 2011, 2010 and 2009, respectively. Changes in Pension value for Ms. McMinn were \$28,024, \$12,920 and \$11,360 for the years 2011, 2010 and 2009, respectively. Changes in the salary continuation plan for Ms. Barber were \$9,682, \$9,119 and \$8,589 for the years 2011, 2010 and 2009, respectively. Changes in the salary continuation plan for Ms. McMinn were \$14,291, \$13,461 and \$12,678 for the years 2011, 2010 and 2009, respectively.
- (5) Included in All Other Compensation for each of the named executive officers is a safe-harbor employer contribution to the Company's defined contribution plan.
- (6) Ms. Barber assumed the role of President and Chief Executive Officer on July 8, 2010. Amounts listed for Ms. Barber reflect her compensation as Chief Operating Officer during 2009 and for the partial year of 2010.

**2011 Grants of Plan-Based Awards**

Name	Grant Date and Date of Board Meeting at Which Grant was Approved	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Marcie A. Barber	9/20/2011	21,600	36,000	54,000				5,000	\$ 17.75	9,550	
JoAnn N. McMinn	9/20/2011	5,500	13,800	20,700				4,000	\$ 17.75	7,640	





**Table of Contents****2011 Outstanding Equity Awards at Year-End**

Name	Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Marcie A. Barber	9/20/2011		5,000		\$ 17.750	9/20/2021				
	10/20/2009	1,236	1,856		17.220	10/20/2019				
	10/21/2008	1,440	960		21.100	10/21/2018				
	10/16/2007	1,915	479		20.050	10/16/2017				
JoAnn N. McMinn	9/20/2011		4,000		\$ 17.750	9/20/2021				
	10/20/2009	1,713	857		17.220	10/20/2019				
	10/21/2008	2,017			21.100	10/21/2018				
	10/16/2007	1,624	407		20.050	10/16/2017				
	10/17/2006	1,838			21.000	10/17/2016				
	10/18/2005	1,531			24.000	10/18/2015				

Vesting information for unexercised, unexercisable options in table above:

**Ms. Barber**

For options granted in 2008, one half of the currently unexercisable options will vest and become exercisable on each of October 21, 2012 and 2013. For options granted in 2009, one third of the currently unexercisable options will vest and become exercisable on each of October 20, 2012, 2013 and 2014. For options granted in 2011, one fifth of the currently unexercisable options will vest and become exercisable on each of September 20, 2012, 2013, 2014, 2015 and 2016.

**Ms. Barber and Ms. McMinn**

For options granted in 2007, the currently unexercisable options will vest and become exercisable on October 16, 2012.

**Ms. McMinn**

For options granted in 2009, the currently unexercisable options will vest and become exercisable on October 20, 2012. For options granted in 2011, one third of the currently unexercisable options will vest and become exercisable on each of September 20, 2012, 2013 and 2014.

**2011 Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Marcie A. Barber				
JoAnn N. McMinn				

**2011 Pension Benefits Table**

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Marcie A. Barber	Defined Benefit Retirement	5	\$ 52,674	\$
	Salary Continuation Agreement	5	36,800	
JoAnn N. McMinn	Defined Benefit Retirement	6	\$ 80,683	\$
	Salary Continuation Agreement	5	54,318	

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The present value of accumulated benefits for the Company's Defined Benefit Retirement Plan have been calculated as of December 31, 2011, which is the measurement date used for financial statement reporting purposes and reported in the table above for the Named Executive Officers. The Defined Benefit Retirement Plan is a noncontributory plan covering substantially all full-time employees of the Company, but was closed to all new entrants as of January 1, 2008. Active participants in the plan as of December 31, 2007 became 100% vested in their accrued benefit. The following assumptions were used in the development of the present value of the accumulated benefits:

Discount rate 4.40%

Mortality IRS 2012 Static Mortality Table

Retirement Date Normal retirement date.

Terms of the Salary Continuation Agreements held by each of the Named Executive Officers are fully described in sections of this proxy statement titled "Post Employment Benefits" and "Potential Payments upon Termination or Change in Control".

**Nonqualified Deferred Compensation**

The Company has no deferred compensation plans for executive officers.

**Potential Payments upon Termination or Change in Control**

The following tables reflect the amount of compensation payable to each of the named executive officers in the event of voluntary or involuntary termination of employment with the Company due to the scenarios described below, as if such termination had occurred on December 31, 2011.

**Marcie A. Barber, President and Chief Executive Officer**

Assuming one of the following events occurred on December 31, 2011, Ms. Barber's payments and benefits would consist of the following:

<b>Marcie A. Barber</b>	<b>Retirement</b>	<b>Death</b>	<b>Disability</b>	<b>Voluntary Resignation</b>	<b>Termination by Company with Cause</b>	<b>Termination by Company without Cause</b>	<b>Change of Control</b>
Salary Continuation Agreement <sup>(1)</sup>	N/A	\$ 300,000	\$ 111,450	\$	\$	\$	\$ 56,850
Group Term Carve-out Plan <sup>(2)</sup>	N/A	540,000	360,000				360,000
Value of Options <sup>(3)</sup>	N/A	5,280	5,280	1,211	1,211	1,211	5,280
Change of Control Severance Agreement <sup>(4)</sup>	N/A						407,467
		\$ 845,280	\$ 476,730	\$ 1,211	\$ 1,211	\$ 1,211	\$ 829,597

**(1) Salary Continuation Agreement**

Ms. Barber's Salary Continuation Agreement was executed in 2007. Her agreement provides for a pre-retirement death benefit in the form of annual payments of \$20,000 for a period of 15 years. Pre-retirement benefits payable in the events of disability and change in control increase each year until Ms. Barber reaches age 65 up to a percentage of the accrued account value and would be paid in the form of equal annual payments over 15 years.

(2) Group Term Carve-out Plan

Ms. Barber's Group Term Carve-out Plan became effective in 2007. Ms. Barber's beneficiary would be entitled to a death benefit of three times base salary up to a maximum of \$603,000. In the hypothetical case of her death at December 31, 2011, while she was still employed, her beneficiary would have received \$540,000, which is three times base salary. In the case of disability or change of control, the death benefit would have been \$360,000, or two times her salary.

(3) Value of Options

If Ms. Barber's employment had been terminated on December 31, 2011 due to death, disability or change of control, she, or her beneficiary, would have the right to exercise 100% of her outstanding stock options, without regard to the remaining vesting schedule, for a total of 12,886 shares. Assuming the market value of the Company's stock was \$18.20, the closing price as of December 31, 2011, the value of those options would have been \$5,280. Under any other termination scenario, Ms. Barber would have the right to exercise vested options. As of December 31, 2011, the value of those options would have been \$1,211.

**Table of Contents****(4) Change of Control Severance Agreement**

A severance payment is triggered by Ms. Barber's Change of Control Severance Agreement only in the event of a change of control. If the Company had terminated Ms. Barber's employment as a result of a change of control, she would have been entitled to receive a severance amount calculated in accordance with the terms of the contract. The amount, when reduced to its present value (using a discount rate of 1.63%) is equal to 2.95 times her average compensation for the most recent 5 years. The payment would have been payable in a lump sum within 30 days of her termination date. Restrictive covenants within the Change of Control Severance Agreement include non-competition and non-solicitation provisions. Upon termination of employment that results in the payment of severance compensation, Ms. Barber is not permitted to become engaged in the banking business for a period of two years after termination within a 40 mile radius of Mifflintown, Pennsylvania; nor is she permitted to solicit employees or customers for a period of one year after termination.

**JoAnn N. McMinn, Senior Vice President and Chief Financial Officer**

Assuming one of the following events occurred on December 31, 2011, Ms. McMinn's payments and benefits would consist of the following:

<b>JoAnn N. McMinn</b>	<b>Retirement</b>	<b>Death</b>	<b>Disability</b>	<b>Voluntary Resignation</b>	<b>Termination by Company with Cause</b>	<b>Termination by Company without Cause</b>	<b>Change of Control</b>
Salary Continuation Agreement <sup>(1)</sup>	N/A	240,000	118,965				83,910
Group Term Carve-out Plan <sup>(2)</sup>	N/A	414,186	276,124				276,124
Value of Options <sup>(3)</sup>	N/A	4,318	4,318	1,679	1,679	1,679	4,318
Change of Control Severance Agreement <sup>(4)</sup>	N/A						373,178
		\$ 658,504	\$ 399,407	\$ 1,679	\$ 1,679	\$ 1,679	\$ 737,530

**(1) Salary Continuation Agreement**

Ms. McMinn's Salary Continuation Agreement was executed in 2007. Her agreement provides for a pre-retirement death benefit in the form of annual payments of \$16,000 for a period of 15 years. Pre-retirement benefits payable in the events of disability and change in control increase each year until Ms. McMinn reaches age 65 up to a percentage of the accrued account value and would be paid in the form of equal annual payments over 15 years.

**(2) Group Term Carve-out Plan**

Ms. McMinn's Group Term Carve-out Plan became effective in 2007. Ms. McMinn's beneficiary would be entitled to a death benefit of three times base salary up to a maximum of \$453,000. In the hypothetical case of her death at December 31, 2011, while she was still employed, her beneficiary would have received \$414,186, which is three times base salary. In the case of disability or change of control, the death benefit would have been \$276,124, or two times her salary.

**(3) Value of Options**

If Ms. McMinn's employment had been terminated on December 31, 2011 due to death, disability or change of control, she, or her beneficiary, would have the right to exercise 100% of her outstanding stock options, without regard to the remaining vesting schedule, for a total of 13,987 shares. Assuming the market value of the Company's stock was \$18.20, the closing price as of December 31, 2011, the value of those options would have been \$4,318. Under any other termination scenario, Ms. McMinn would have the right to exercise vested options. As of December 31, 2011, the value of those options would have been \$1,679.

(4) Change of Control Severance Agreement

A severance payment is triggered by Ms. McMinn's Change of Control Severance Agreement only in the event of a change of control. If the Company had terminated Ms. McMinn's employment as a result of a change of control, she would have been entitled to receive a severance amount calculated in accordance with the terms of the contract. The amount, when reduced to its present value (using a discount rate of 1.63%) is equal to 2.95 times her average compensation for the most recent 5 years. The payment would have been payable in a lump sum within 30 days of her termination date. Restrictive covenants within the Change of Control Severance Agreement include non-competition and non-solicitation provisions. Upon termination of employment that results in the payment of severance compensation, Ms. McMinn is not permitted to become engaged in the banking business for a period of two years after termination within a 40 mile radius of Mifflintown, Pennsylvania; nor is she permitted to solicit employees or customers for a period of one year after termination.

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**Personnel and Compensation Committee Report on Executive Compensation**

The Personnel and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of the SEC's Regulation S-K with management and, based upon such review and discussion, the Personnel and Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

By: Timothy Havice, Chairman, Philip Gingerich, Jr., Martin Dreibelbis and Jan Snedeker

**PROPOSAL 2**

**NON-BINDING SAY ON PAY PROPOSAL TO APPROVE THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, Juniata is providing its shareholders with the opportunity to vote on an advisory (non-binding) resolution at this year's Annual Meeting to approve Juniata's executive compensation as described in the Compensation Discussion and Analysis, the tabular disclosures of the Named Executive Officers' compensation ( Compensation Tables ), and other related information in this proxy statement. This proposal, commonly known as a Say on Pay proposal, gives shareholders the opportunity to approve or not approve Juniata's Executive pay program. Because the shareholder vote is not binding, the outcome of the vote may not be construed as overruling any decision by Juniata's Board of Directors or Personnel and Compensation Committee regarding executive compensation.

Juniata's executive compensation philosophy and program are intended to achieve three objectives: align interests of the Executives with shareholder interests; link the Executives' pay to performance; and attract, motivate and retain executive talent. Juniata's executive compensation program currently includes a mix of base salary, incentive bonus, equity based compensation, retirement plan, health plans and other benefits. Juniata believes that its compensation program, policies and procedures are reasonable and appropriate and compare favorably with the compensation programs, policies and procedures of its peers.

The Board recommends that shareholders, in a non-binding proposal, vote FOR the following resolution:

**Resolved, that the compensation paid to Juniata's Named Executive Officers, as disclosed in this proxy statement pursuant to Item 402 of SEC Regulation S-K, including the Compensation Discussion and Analysis, the Compensation Tables and any related material contained in the Proxy Statement, is hereby APPROVED.**

Approval of the non-binding resolution regarding the compensation of the named Executive Officers would require that the number of votes cast in favor of the proposal exceed the number of votes cast against it. Abstentions and broker non-votes will not be counted as votes cast and therefore will not affect the determination as to whether the proposal is approved.

Because your vote is advisory, it will not be binding upon Juniata. However, Juniata's Personnel and Compensation Committee and Board will take into account the outcome of the vote when considering future Executive compensation arrangements, but no determination has been made as to what action the Personnel and Compensation Committee or Board might take if shareholders do not approve this advisory proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 2.**

**PROPOSAL 3**

**NON-BINDING SAY WHEN ON PAY PROPOSAL FOR SHAREHOLDERS TO RECOMMEND THE FREQUENCY OF FUTURE SAY ON PAY VOTES**

The Dodd-Frank Act also enables our shareholders to recommend, in a non-binding vote, how frequently Juniata should seek a non-binding vote of shareholders to approve the compensation of our Named Executive Officers, as disclosed pursuant to the SEC's compensation disclosure rules, such as Proposal Two included in this proxy statement. By voting on this Proposal 3, commonly known as a Say When On Pay proposal, shareholders may indicate whether they would prefer an advisory vote to consider Named Executive Officer compensation to be provided to shareholders every one, two or three years, or to abstain from voting on this matter.





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Juniata believes that an annual vote complements our goal to create a compensation program that enhances shareholder value. Our executive compensation program is designed to recruit, motivate and retain qualified officers and employees, and to be consistent with our philosophy that executive compensation should reflect Juniata's overall performance and the contribution of its Executives to that performance.

An annual vote will provide shareholders with the ability to evaluate our compensation program each year, allowing them to compare Juniata's compensation program to the performance of Juniata since the last vote. In formulating its recommendation, our Board of Directors considered that an annual, non-binding vote on executive compensation will allow our shareholders to provide Juniata with regular and timely input on our compensation principles, policies and practices.

Accordingly, the following resolution is submitted for shareholder vote at the 2012 Annual Meeting:

**Resolved, that the shareholders, in a non-binding vote, are to choose whether Juniata should offer shareholders the opportunity to have a non-binding vote to approve the compensation of the Named Executive Officers every one year, two years or three years.**

Approval of the non-binding say when on pay resolution would require that the option receiving the greatest number of votes, even if not a majority of the votes cast, will be considered the frequency recommended by Juniata's shareholders. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not affect the determination as to whether the proposal is approved.

Because your vote is non-binding and advisory, it will not be binding upon Juniata. However, Juniata's Personnel and Compensation Committee and Board will take into account the outcome of the vote when considering the frequency at which Juniata determines to hold an advisory vote of shareholders to approve the compensation of its Named Executive Officers.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF A ONE YEAR FREQUENCY AT WHICH JUNIATA SHOULD CONDUCT A NON-BINDING VOTE FOR SHAREHOLDERS TO APPROVE EXECUTIVE COMPENSATION PROPOSAL 3.**

**Director's Compensation**

Presented below is data concerning the compensation of members of the Company's Board of Directors for the year 2011.

**2011 Director Compensation Table**

Name	Fees Earned or Paid in Cash	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation	Change in Pension value and Non- qualified Deferred Compensation earnings (\$)	All Other Compensation <sup>(1)</sup> (\$)	Total
A. Jerome Cook (2)	\$ 14,150	\$	\$	\$	\$ 30,711	\$	\$ 44,861
Martin Dreibelbis	15,300				3,720		19,020
Francis Evanitsky <sup>(3)</sup>	14,000				3,581		17,581
Philip Gingerich	16,650				2,289	5,250	24,189
Timothy Havice	15,250				7,545	4,839	27,634
Charles Hershberger	13,850				4,951	4,765	23,566
Robert Metz	11,550				4,556	1,419	17,525
Dale Nace	13,650				10,675	2,776	27,101
Richard Scanlon	11,700				6,312	894	18,906
Jan Snedeker	13,550				7,711	3,567	24,828

(1) Other compensation includes interest earned on deferred compensation balances.

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- (2) In addition to the above, as a retired employee of the Company, Mr. Cook also received \$33,698 pursuant to the Company's Defined Benefit Plan.
- (3) In addition to the above, as a retired employee of the Company, Mr. Evanitsky also received \$37,124 pursuant to the Company's Defined Benefit Plan.

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Each director was paid an annual fee of \$10,800. Attendance at a minimum of 10 regularly scheduled meetings is required to receive full payment. Additionally, all non-employee directors also received \$150 per meeting (\$200 if chairman) to attend committee and special meetings of the Board. These fees, whether paid in cash or deferred as part of the Director's Deferred Compensation Plan, are included in the column titled Fees Earned or Paid in Cash in the above table. In addition to the fees, the Company provides benefits to the directors under several other non-qualified plans described below. The amount listed in the above table in the column titled Change in Pension Value and Nonqualified Deferred Compensation Earnings includes the aggregate increase in carrying value during 2011 for the plans in which each director participates.

**Director's Deferred Compensation Plans**

**The 1991 Plan.** In 1991, a director's deferred compensation plan was established. This plan permitted participating directors to defer \$6,000 in director's fees each year for a five year period beginning with the election to participate in the plan. In return, the Company agreed to pay each participating director a specified amount in 120 equal payments beginning at the age of 65 or five years after the date the director elects to participate in the plan, whichever is later. If the director were to die before that time, payments would begin upon the death of the director. Deferred compensation was used to purchase life insurance policies which will fund the Company's obligations under the plan. The Company is the owner and the beneficiary of these life insurance policies. The only current director participating in the 1991 Plan is Mr. Nace.

**The 1999 Plan.** Effective January 1, 1999, the Board of Directors adopted a director's deferred compensation plan which is in addition to the plan described above. The 1999 plan is an unfunded plan. The Company makes no contributions to the plan. This plan simply allows our directors to defer receipt of their compensation to future dates.

Prior to each calendar year, a director may elect to defer receipt of all or a part of his or her compensation for that calendar year. The Company will credit the deferred amounts to an account maintained at the Bank. Each participating director has a separate account. The deferred compensation earns interest, compounded quarterly, at the interest rate defined within the 1999 Plan.

A participating director who resigns as director before reaching age 55 will receive his or her account balance in one lump sum distribution. A participating director who resigns as director after reaching age 55 will receive his or her account balance in equal semi-annual payments over the ten years beginning on the earlier of January 1 or July 1 after the director resigns.

If a participating director dies prior to receiving all of his or her account balance, the director's remaining account balance will be paid in one lump sum to the director's designated beneficiary. In the event of a director's permanent disability the Board of Directors shall pay the balance of any deferred amount in one lump sum.

Participants in the 1999 Plan during 2011 were Messrs. Gingerich, Havice, Hershberger, Metz, Nace, Snedeker and Dr. Scanlon.

**Director's Retirement Plan.** In January 2001, the Company established a retirement program for directors. The plan provides for a target retirement benefit of \$8,500 per year for 10 years beginning at age 65, or, if later, when the director has completed 10 years of credited service (as defined in the plan) with the Board. The retirement benefit for each director accrues over his or her remaining projected period of service until he or she reaches age 65 or completes 10 years of credited service. Lesser benefits are payable in the event of the director's death, disability, or other termination (except terminations caused by the director's fraud or dishonesty). Of the directors that served during 2011, participants in the plan were Messrs. Benner, Dreibelbis, Evanitsky, Gingerich, Havice, Hershberger, Metz, Nace, Snedeker and Dr. Scanlon.

**Split Dollar Life Insurance.** In 2001, the Bank purchased split-dollar life insurance policies on each of the current directors. Directors who remain on the Board until age 65 or later will be eligible to retain \$25,000 of life insurance coverage for the rest of their lives. The eligible directors are not required to pay premiums on the life insurance policy, but will have the imputed value of the insurance coverage included in their taxable income.

**Table of Contents****Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and change in ownership with the SEC. Directors, executive officers, and other 10 percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms or written representations from certain reporting persons that no Form 5's were required for those persons, the Company believes that during 2011 all filing requirements under Section 16(a) applicable to its directors and executive officers were met in a timely manner.

**Stock Ownership by Management and Beneficial Owners**

No individual, group or business owns of record more than five percent of the Company's stock. The following table shows the number of shares of common stock beneficially owned by each of the Company's Directors and Named Executive Officers and of all the Directors and Officers as a group as of February 24, 2012. Common stock is the only class of equity securities of the Company that is outstanding.

Owner	Amount and Nature of Beneficial Ownership	Percentage of Outstanding common stock
Marcie A. Barber	7,632 <sup>(2)</sup>	*
Martin L. Dreibelbis	12,532 <sup>(1)(3)</sup>	*
Francis J. Evanitsky	50,210 <sup>(1)(2)</sup>	1.18%
Philip E. Gingerich, Jr.	16,306 <sup>(1)</sup>	*
Timothy I. Havice	28,345 <sup>(3)</sup>	*
Charles L. Hershberger	18,320 <sup>(4)</sup>	*
JoAnn N. McMinn	10,408 <sup>(1) (2)</sup>	*
Robert K. Metz	32,826	*
Dale G. Nace	13,320 <sup>(1)</sup>	*
Richard M. Scanlon, DMD	6,069 <sup>(1)</sup>	*
Jan Snedeker	11,018 <sup>(1)</sup>	*
Directors & Executive Officers as a group	206,986	4.84% <sup>(5)</sup>

\*Indicates ownership of less than 1% of the outstanding common stock.

- (1) Includes shares held jointly with spouse as follows: Mr. Dreibelbis, 11,212 shares; Mr. Evanitsky, 11,000 shares; Mr. Gingerich, 15,465 shares; Ms. McMinn, 1,685 shares; Mr. Nace, 13,320 shares; Dr. Scanlon, 6,069 shares; and Mr. Snedeker, 8,273 shares.
- (2) Includes shares that may be acquired within 60 days of the Record Date through the exercise of stock options as follows: Ms. Barber, 4,591; Mr. Evanitsky, 37,210; Ms. McMinn, 8,723.
- (3) Includes shares held jointly with children or grandchildren as follows: Mr. Dreibelbis as custodian for minor children, 1,320 shares; Mr. Havice with his son, 399 shares.
- (4) Includes 17,959 shares held by Stonewall Equity, a limited liability partnership owned by Mr. Hershberger and his spouse.
- (5) Based on the total shares outstanding plus the number of shares underlying exercisable stock options of all directors and officers as a group.

**Other Matters****Shareholder Proposals for the 2013 Annual Meeting of Shareholders**

Under the Company's Bylaws, no business may be brought before the Annual Meeting unless it is specified in the notice of the meeting or is otherwise brought before the meeting by the Board of Directors or by a shareholder entitled to vote who has delivered notice to the Company (containing information specified in the Bylaws) by February 25, 2012. These requirements are separate from and in addition to the SEC's requirements that a shareholder must meet in order to have a shareholder proposal included in the Company's proxy statement. A shareholder wishing to submit a proposal for consideration at the 2013 Annual Meeting of the Shareholders for inclusion in the proxy statement under SEC Rule 14a-8 should do so not later than December 13, 2012. A shareholder wishing to submit a proposal for consideration at the 2013 Annual Meeting of Shareholders, outside of SEC Rule 14a-8, should do so no later than February 25, 2012. A proposal submitted after that date will be

considered untimely.

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If the corporate secretary of the Company receives notice of a shareholder proposal that complies with the governing Bylaw provision on or prior to the required date, and if such proposal is properly presented at the 2013 Annual Meeting of shareholders, the proxy-holders appointed by the Company may exercise discretionary authority in voting on such proposal if, in the Company's proxy statement for such meeting, the Company advises shareholders of the nature of such proposal and how the proxies appointed by the Company intend to vote on such proposal, unless the shareholder submitting the proposal satisfies certain SEC requirements, including the mailing of a separate statement to the Company's shareholders.

The presiding officer of the Annual Meeting may refuse to permit any proposal to be made at an Annual Meeting by a shareholder who has not complied with all of the governing Bylaw procedures, including receipt of the required notice by the corporate secretary for the Company by the date specified. If a shareholder proposal is received by the Company after the required notice date but the presiding officer of the meeting nevertheless permits such proposal to be made at the 2013 Annual Meeting of shareholders, the proxies appointed by the Company may exercise discretionary authority when voting on such proposal.

If the date of our next Annual Meeting is advanced or delayed more than 30 days from the anniversary of the 2012 Annual Meeting, we will promptly inform you of the change of the Annual Meeting and the date by which shareholder proposals must be received.

**Other Business**

At the date of this proxy statement, we are not aware of any business to be presented at the Annual Meeting other than the election of directors, Say on Pay and Say When on Pay proposals discussed in this proxy statement. If other proposals are properly brought before the Annual Meeting, the proxy holders named in the enclosed proxy card will vote your shares in accordance with their best judgment.

**Independent Registered Public Accounting Firm**

The Audit Committee selected ParenteBeard LLC ( ParenteBeard ), Harrisburg, Pennsylvania, as the Company's independent registered public accounting firm for 2012. ParenteBeard has served as the Company's independent auditor since October 2009. This firm has no material relationship with the Company or the Bank and is considered to be well qualified. A representative of the firm is expected to be at the Annual Meeting. That representative will have the opportunity to make a statement if he or she so desires, and will be available to respond to appropriate questions.

Before ParenteBeard performs any non-audit services for the Company, the Audit Committee is informed at a meeting that such services are necessary and is advised of the estimated costs of such services. The Audit Committee then decides whether to approve ParenteBeard's performance of the non-audit services. In 2011 and 2010, all non-audit services performed by ParenteBeard were approved in advance pursuant to these procedures. The Audit Committee has determined that the performance by ParenteBeard of benefit plan audits, the preparation of tax returns and advice on SEC accounting issues is compatible with maintaining that firm's independence. The Company has paid the following fees to ParenteBeard in the last two years:

Year	Audit Fees (1)	Audit-Related Fees (2)	Tax Fees (3)	All Other Fees (4)
2011	\$ 115,714	\$ 17,000	\$ 12,415	\$ 0
2010	\$ 115,072	\$ 18,284	\$ 11,503	\$ 16,000

- (1) Includes professional services rendered for the audit of the Company's annual consolidated financial statements and review of financial statements included in Quarterly Reports on Form 10-Q, and the audit of internal control in accordance with Section 404 of the Sarbanes-Oxley Act, including out-of-pocket expenses.
- (2) Assurance and related services related to the performance of employee benefit plan audits.
- (3) Tax fees include the following: preparation of state and federal tax returns, tax consulting, tax advice and tax planning.
- (4) All other fees include assistance with XBRL reporting requirements in 2010.

**Annual Report on Form 10-K**

Shareholders can obtain a copy of our annual report on Form 10-K free of charge by sending a written request to Ms. JoAnn N. McMinn, Executive Vice President/Chief Financial Officer, Juniata Valley Financial Corp., PO Box 66, Mifflintown, PA 17059.

**Electronic Availability of Proxy Materials**

The proxy statement, proxy card and annual report are available for viewing and printing at [www.jvbonline.com](http://www.jvbonline.com), following the Investor Relations path under Documents .



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