

JUNIATA VALLEY FINANCIAL CORP

Form DEF 14A

April 13, 2009

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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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Bridge and Main Streets  
Post Office Box 66  
Mifflintown, PA 17059  
Telephone (717) 436-8211

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Date: May 19, 2009  
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 five Class A Directors to serve until the 2012 Annual Meeting.
2. 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 27, 2009. 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

RONALD H. WITHERITE  
Secretary

Mifflintown, Pennsylvania  
April 13, 2009

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**JUNIATA VALLEY FINANCIAL CORP.  
PROXY STATEMENT**

**General Information**

This proxy statement contains information about the 2009 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 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 13, 2009.

**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 19, 2009, 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 five Class A directors to serve until the 2012 Annual Meeting; 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 the proxy vote.

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 27, 2009 (the Record Date ) will be entitled to vote at the Annual Meeting. A total of 4,401,145 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 the Bank, as sole trustee, held 191,606 shares of the Company's common stock, which is 4.41% 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 and, as to other matters, in a manner consistent with

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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 five directors are being elected at the 2009 Annual Meeting, the five nominees receiving the greatest number of votes will be elected. 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.

**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, and (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. Because directors are elected by a plurality, abstentions and broker non-votes will have no effect on the election of directors.

**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 Ronald H. Witherite, 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 five nominees for director identified in this Proxy Statement. 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.



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**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;

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.

**Nominees for Election as Directors to Continue in Office until the 2012 Annual Meeting**

The Nominating Committee has nominated the five 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.

*A. Jerome Cook.* Mr. Cook, age 68, was the President and CEO of the Bank and the Company until 1998 when he then became CEO and Chairman of the Board, serving in these positions until his retirement as CEO in 2000. He has been a director of the Bank since 1976 and of the Company since its formation in 1983. Mr. Cook currently serves as Chairman of the Audit Committee.

*Martin L. Dreibelbis.* Mr. Dreibelbis, age 55, 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. He has been a self-employed consultant to the petroleum industry since 1992. Mr. Dreibelbis also serves as a Supervisor for Walker Township, Juniata County, PA. Mr. Dreibelbis currently serves as Chairman of the Board and has done so since 2007.

*Marshall L. Hartman.* Mr. Hartman, age 70, has been the owner and principal of Traditions, Ltd., an antique gallery based in Lewistown, PA, since 1992. Mr. Hartman was the President and CEO of Lewistown Trust Company, based in Lewistown, Pennsylvania, from 1977 to 1997. Throughout his twenty years as CEO of Lewistown Trust Company, Mr. Hartman also acted in the role of Chief Financial Officer of that organization and was responsible for the preparation of the financial statements. He has been a director of the Company and the Bank since 1998. Mr. Hartman serves on the Audit Committee and also serves as Chairman of the Asset Liability Management Committee.

*Robert K. Metz.* Mr. Metz, age 67, 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. He has been a director of the Company and the Bank since 1998.

*Richard M. Scanlon, DMD.* Dr. Scanlon, age 60, has owned and operated his own dentistry practice, based in Lewistown, Pennsylvania, since 1979. He has been a director of the Company and the Bank since 1998.

**Directors to Continue in Office Until the 2010 Annual Meeting (Class B)**

*Timothy I. Havice.* Mr. Havice, age 61, 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. Mr. Havice also serves on the Board of Directors

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of First National Bank of Liverpool, 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, Personnel and Investment Committees.

*Rev. Charles L. Hershberger.* Rev. Hershberger, age 63, has been the president of Stonewall Equity, Inc., an investment company, since 1995 and was president of Hoenstine Funeral Homes, Inc., based in Lewistown, Pennsylvania, from 1987 to 2002. Rev. Hershberger is presently employed as Pastor of the Port Royal Lutheran Parish in Port Royal, Pennsylvania. He has been a director of the Bank and the Company since 1998. Rev. Hershberger served as Chairman of the Audit Committee from 2006 through 2007.

*Ronald H. Witherite.* Mr. Witherite, age 71, has been the president and owner of Ron's Fruit Market, Inc., a retail grocery store and lawn and garden equipment center based in Reedsville, Pennsylvania, since 1969. He has been a director of the Bank and the Company since 1992. Mr. Witherite serves as Secretary to the Board of Directors.

**Directors to Continue in Office until the 2011 Annual Meeting (Class C)**

*Joe E. Benner.* Mr. Benner, age 70, has been the owner and principal of Benner Automotive, a retail vehicle sales company based in Mifflintown, Pennsylvania, since 1985. He has been a director of the Bank and the Company since 1996 and served as the Chair of the Board's Audit Committee from 2001 until 2006 and currently serves as Chairman of the Nominating Committee.

*Francis J. Evanitsky.* Mr. Evanitsky, age 66, has been the Chief Executive Officer of the Bank and the Company since 2000. 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.

*Philip E. Gingerich, Jr.* Mr. Gingerich, age 50, has been the president of Central Insurance Group, Inc, an insurance agency based in Lewistown, Pennsylvania, since 1982 and owner of East Side Storage, a mini-storage warehouse company based in Lewistown, Pennsylvania, since 2001. He has been a director of the Company and the Bank since 1998, and currently serves as Vice Chairman of the Board and Chairman of the Personnel Committee.

*Dale G. Nace, P.E.* Mr. Nace, age 64, 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 has been a director of the Company and the Bank since 1992.

*Jan G. Snedeker.* Mr. Snedeker, age 62, has been the president of Snedeker Oil, Inc., a heating oil, gas station and propane business based in Lewistown, Pennsylvania, since 1995. He has been a director of the Company and the Bank since 1998.

**EXECUTIVE OFFICERS OF THE COMPANY**

In addition to Mr. Evanitsky, the following individuals serve as executive officers of the Company. The officers will hold office until their successors are appointed.

*Marcie A. Barber.* Ms. Barber, age 50, has 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.

*JoAnn N. McMinn.* Ms. McMinn, age 56, has been the Senior Vice President, 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

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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 First National Bank of Liverpool, a bank in which Juniata owns 39.16% of the outstanding common stock.

**CORPORATE GOVERNANCE**

**Meetings and Committees of the Board of Directors**

The Board of Directors of the Company met 12 times in 2008. No director attended fewer than 75% of the total number of meetings of the Board and the committee(s) on which he served. The Board has standing Audit, Nominating and Personnel 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 Committees. The Board has determined that, with the exception of Francis J. Evanitsky, all directors are independent under NASDAQ and SEC standards.

**AUDIT COMMITTEE**

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

The members of the Audit Committee are A. Jerome Cook (Chairman), Marshall Hartman, Timothy Havice and Richard Scanlon. Each member is an independent director and qualified to serve on the Audit Committee based on the qualifications for independence and financial literacy established by NASDAQ and applicable SEC regulations. The Board of Directors has determined that Mr. Hartman meets the NASDAQ and SEC requirements to qualify as the Audit Committee financial expert. The Audit Committee met four times in 2008. 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 control. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report 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 the quality, not just the acceptability, 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 Beard Miller Company LLP, the Company s independent auditors, written disclosures and a letter concerning the firm s independence from the Company, as required by PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.

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

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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, 2008 for filing with the Securities and Exchange Commission. The Committee and the Board of Directors have also approved the selection of Beard Miller Company LLP as the Company's independent auditors for 2009.

By: A. Jerome Cook, Chairman, Timothy Havice, Marshall Hartman and Richard Scanlon

**NOMINATING COMMITTEE**

**Members, Meetings, Function and Charter**

The members of the Nominating Committee for 2008 were Joe Benner (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 2008. 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 stockholders. The Committee's process for the consideration of potential nominees is the same for nominees identified by shareholders, as well as the other sources identified above.

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.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The Personnel Committee acts as the Compensation Committee and makes recommendations to the Board regarding executive compensation. There is no charter for this committee. Members are Philip Gingerich, Jr. (Chairman), Timothy Havice, Jan Snedeker and Joe Benner. Each member of the Personnel 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 2008. The report of the Personnel Committee is contained in the section of this Proxy Statement entitled "Compensation Discussion and Analysis". None of the members of the Personnel Committee have been an officer or employee of the Company or the Bank at any time. The responsibilities of the Personnel Committee are detailed in the Compensation and Discussion Analysis below, in the section entitled "Role of the Personnel Committee".

**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 sent 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.

**RELATED PARTY TRANSACTIONS**

During 2008, the Bank had and expects to continue having 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 transactions with others. 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 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.

**ATTENDANCE OF DIRECTORS AT ANNUAL MEETINGS**

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 2008 Annual Meeting.

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**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis is designed to provide a clear and complete understanding of executive compensation at Juniata Valley Financial Corp.

The Personnel Committee of the Company's Board of Directors, consisting of four independent directors, makes recommendations to the Board of Directors regarding executive compensation. Personnel Committee members are: Philip Gingerich, Jr. (Chairman), Timothy Havice, Jan Snedeker and Joe Benner. Martin Dreibelbis, 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 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 2008, 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 Committee chair, sets the agenda in advance of each meeting.

It is the practice of the Personnel Committee to meet, primarily in general session, with the frequent attendance of the President/Chief Executive Officer and other executives, as is appropriate. The President/Chief Executive Officer is involved in the compensation design and decision-making process for all executive positions except his own. Other executives may attend meetings to provide reports or information regarding agenda items.

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 Committee**

The Personnel 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 the Incentive 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 holiday bonus payouts for employees, the Board of Directors and Advisory Board members;

- 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.



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**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 the area of executive compensation, the Committee retained Mosteller & Associates, a human resource consulting firm in 2008. Mosteller & Associates has expertise in executive compensation in the financial services industry. During 2008, 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 2008;

Detailed executive compensation review of positions of Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The scope of the review included a proxy analysis that encompassed reported compensation of same executive positions in a defined peer group that included 19 companies. This proxy peer group included banks of similar size and structure, with assets ranging from \$300 million to \$820 million as of the end of 2007.

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 critical 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.

The Committee also used the services of L.R. Webber Associates, Inc., a human resource and employee consulting firm, in 2008 with respect to the Company's salary and performance appraisal programs related to the establishment and maintenance of a pay structure for executive management positions and an annual base salary review process.

In the area of defined benefit plan administration, the Committee received external consultation, from Markley Actuarial Services, Inc., an actuarial and retirement plan consulting organization.

In 2008, Markley Actuarial Services provided the following services:

A review and update on changes to pension funding and accounting standards for defined benefit plans and post-retirement benefits;

Presentations regarding pension plan liability and risk management; and

Implementation of the revisions to the Company's retirement program, which included plan amendments.

In September 2008, the Committee engaged Conrad Siegel Actuaries to perform actuarial and administrative services in regard to the Company's defined benefit and defined contribution plans.

In September 2008, the Committee engaged Conrad Siegel Investment Advisors, Inc. to act 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.

**Peer Group**

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 2009 defined peer group ( Peer Group ) was comprised of 19 similarly sized mid-Atlantic community banks that were not located in the vicinity of major cities. Peer Group institutions have assets between \$300 million and \$820 million. The number of banks in the peer group increased from the 14 used in the previous year in order to



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get a broader representation of the Bank's peer market group pay practices. Companies included in the Peer Group are: Franklin Financial Services Corp., IBT Bancorp, Inc., First Keystone Corp., ENB Financial Corp., Penns Woods Bancorp, Inc., Codorus Valley Bancorp, Inc., Citizens Financial Services, Inc., Penseco Financial Services Corp., Tower Bancorp, Inc. 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, Watson Wyatt 2008-2009 Financial Institution Survey and L.R. Webber Associates 2008 Survey.

**Philosophy/Objectives of Executive Compensation Programs**

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 good 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.

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 targeted to achieve budgeted ratios;

focus on organization growth;

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 may be parties to an employment agreement and/or 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 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.

**Table of Contents****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.

**Base Pay.** The Chief Executive Officer's base pay range is established, reviewed and updated periodically by the Board, as recommended by the Personnel Committee. Guidance is received through compensation surveys of like-positions in similarly sized community financial services organizations provided by a 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. This structure is designed and implemented to be in line with mid-range base pay of similar positions within the Peer Group and the market analysis. Base compensation for other executive positions, Chief Operating Officer and Chief Financial Officer, are 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 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. For 2008 and 2009, the Company performance measures established for all participants are earnings per share and return on average equity. Threshold, target and optimum performance measures are determined at the beginning of each year and are based upon acceptable performance (threshold), budgeted performance (target) and a stretch performance goal (optimum). For 2008 and 2009, the Chief Executive Officer (Category I participant) 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 other senior executives that were Named Executive Officers (Category II participants) in 2008 and 2009, incentive awards could range from 4% 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. No payout is made if Company performance is below the defined threshold level.

**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. It is the Board's intent, and has been its practice, to grant options each year to qualifying executive participants. 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.



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**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.

**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**

**Employment Agreement/Change of Control Severance Agreement.** We believe that companies should provide reasonable severance benefits to employees. 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 most 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% of base salary.

Severance and change of control arrangements for Mr. Evanitsky, Ms. Barber and Ms. McMinn are set forth in each of their respective agreements: Employment Agreement for Francis J. Evanitsky, President/Chief Executive Officer and Change of Control Severance Agreements for Marcie A. Barber, Chief Operating Officer and JoAnn N. McMinn, Chief Financial Officer. Mr. Evanitsky's agreement was entered into on December 30, 1997 and continues until his retirement. 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 is the Chief Operating Officer or holds 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. 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 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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Mr. Evanitsky's contract does not specifically define "Change in Control", but states that if Mr. Evanitsky's employment was to be terminated by the Company within a period commencing six months before and ending nine months after a change in control of the Company, it would be deemed termination without cause. Mr. Evanitsky's employment agreement defines cause for termination of employment by Company as:

- i) negligent or willful failure or the continuing inability to perform duties reasonably assigned, which neglect or failure is not corrected within thirty days following receipt of written notice of default;
- ii) the commission of a criminal act by him against the Company; or
- iii) default by the employee in the performance of his obligations under the agreement, which default is not corrected within thirty days following receipt of written notice of default.

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, none of the agreements address this issue.

**Director Retirement Agreement, as amended.** Mr. Evanitsky, in his capacity as a director of the Company, is included in the Director's Retirement Plan as described in the section below entitled "Director's Retirement Plan". This plan is intended to help promote orderly succession of the Board and allow the Company to continue to draw on retiring directors' long-term association with the Company, knowledge of the business, familiarity with the Company's customers and recognition as a leader in the community.

**Split Dollar Agreement - Bank-owned Life Insurance (Director).** Mr. Evanitsky, in his capacity as a director of the Company, is also included in the Director's Split Dollar Life Insurance program, as described in the following section entitled "Director's Compensation". In order to encourage Mr. Evanitsky to continue his service on the Bank's Board of Directors, the Bank will divide the death proceeds of a life insurance policy on Mr. Evanitsky's life with his designated beneficiary. The Bank is the sole owner and the direct beneficiary of death proceeds in excess of \$25,000 in relation to this policy. Mr. Evanitsky's designated beneficiary will be the recipient of the \$25,000 death proceeds.

**Salary Continuation Agreement, as amended.** The Bank executed Salary Continuation Agreements with Francis Evanitsky, 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 an excess parachute payment or 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:

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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:

\$400,000 in the case of Mr. Evanitsky

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

\$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.

Premiums for this program were paid in 2001, in a lump-sum payment of \$604,000 for the policy on the life of Mr. Evanitsky. In 2007, Ms. Barber and Ms. McMinn were added to the program, and single-premium payments of \$296,000 and \$294,000, respectively, were made.

**Executive Compensation Actions and Decisions**

The Personnel Committee's actions and decisions since January 1, 2008 were as follows:

In January 2008, the Committee reviewed and approved payouts for the 2007 bonus award programs including the Executive Annual Incentive Plan awards, based upon achievement of financial performance goals and individual participant goals.

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 2008, were appropriate, based upon the information available for similar positions within the Peer Group.

The Committee reviewed the methodology in place to evaluate the performance of executive officers and decided in favor of developing a new methodology and evaluation format for the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer positions. The process was defined, a new Peer Group was established and a performance assessment tool was developed to perform a comprehensive executive compensation review. A performance assessment survey was completed, compiled and reviewed and became a basis for determination of base salaries for executive officers for 2009.

The Committee established performance criteria and factors for Category I (Chief Executive Officer) and Category II (other Named Executive Officers) participants in the Executive Annual Incentive Plan for 2008. 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 2008. While Category I performance was measured solely by these two performance factors, Category II participants were also measured on business unit and individual goal accomplishments. The threshold, target, and optimum levels of performance measures were consistent with competitive industry performance objectives, and the Company had a likelihood of meeting at minimum the threshold levels during 2008. The target performance measures were each set at levels established in the Company's annual budget for 2008, with threshold measures set slightly below budget and optimum criteria set to reward performance significantly favorable to budget. Individual goals, for Category II participants, are established at the beginning of the year, and are aligned with specific Company strategic objectives.

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 provided a basic Change of Control Agreement to Ms. Barber, Chief Operating Officer.

The Committee reviewed and approved employee incentive stock option grants. A total of 13,317 shares were granted to seven members of senior management on October 21, 2008, the grant date. The grant price was set at \$21.10, which was the fair market value of the Company's stock on the grant date. The term of



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the grant was ten years, and the options will vest according to the plan's vesting schedule, as follows: if the optionee's age is under 55, the options will vest evenly over five years, and, if the optionee is 55 or older, the options will vest evenly over three years.

The Committee recommended an increase in Board fees to \$900 per month, effective January 1, 2009. The Chairman of the Board will receive an additional \$200 per Board Meeting. Additional Committee and meeting fees were increased to \$150 per meeting, with Committee Chairmen receiving an additional \$50 per meeting. Advisory Board fees will remain unchanged through 2009. Additionally, the Committee recommended that the payment of a discretionary holiday bonus to be paid to employees for 2008 include Directors and Advisory Board members as recipients.

The Committee approved an amendment to Mr. Evanitsky's Employment Agreement, that was necessary for compliance with Internal Revenue Code Section 409A. The amendment removes a provision to pay out severance payments in installments and an option to purchase health insurance with a portion of severance benefits.

In January 2009, the Committee reviewed and approved payouts for the 2008 bonus award programs, including the Executive Annual Incentive Plan awards, based upon achievement of financial performance goals and individual participant goals.

**Executive Compensation Tables**

The following tables and narratives apply to the Company's Named Executive Officers.

**Summary Compensation Table**

| Name and<br>Principal Position  | Year | Salary (\$) | Bonus <sup>(1)</sup><br>(\$) | Stock Awards <sup>(2)</sup><br>(\$) | Option Awards <sup>(2)</sup><br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation <sup>(3)</sup><br>(\$) | Change in  | All Other<br>Comp-<br>ensation <sup>(4)</sup><br>(\$) | Total |
|---|------|-------------|------------------------------|-------------------------------------|--------------------------------------|--|--|---|-------|
|   |      |             |                              |                                     |                                      |  | Pension<br>value<br>and Non-<br>qualified<br>Deferred<br>Compensation <sup>(3)</sup><br>earnings<br>(\$) |   |       |
| Francis J.<br>Evanitsky,<br>President<br>and Chief<br>Executive Officer           | 2008 | \$ 197,341  | \$ 500                       | \$ 17,838                           | \$ 48,000                            | \$ 60,186  | \$ 21,452  | \$ 345,317  |       |
|   | 2007 | 185,892     | 485                          | 15,724                              | 44,000                               | 90,687   | 13,660   | 350,448   |       |
|   | 2006 | 172,480     | 485                          | 14,458                              | 22,646                               | 90,351   | 13,019   | 313,439   |       |
| JoAnn N.<br>McMinn, Senior<br>Vice<br>President and<br>Chief Financial<br>Officer | 2008 | \$ 120,145  | \$ 500                       | \$ 5,135                            | \$ 23,000                            | \$ 22,393  | \$ 4,249   | \$ 175,422  |       |
|   | 2007 | 114,699     | 485                          | 3,361                               | 21,000                               | 11,301   |  | 150,846   |       |
|   | 2006 | 108,844     | 485                          | 1,759                               | 7,514                                | 9,021  |  | 127,623   |       |
| Marcie A. Barber<br>Senior Vice<br>President,                                     | 2008 | \$ 124,804  | \$ 500                       | \$ 2,185                            | \$ 23,000                            | \$ 13,665  | \$ 4,269   | \$ 168,423  |       |
|   | 2007 | 105,316     | 485                          | 388                                 | 17,000                               | 7,324  |  | 130,513   |       |

|                             |      |       |        |        |
|-----------------------------|------|-------|--------|--------|
| Chief Operations<br>Officer | 2006 | 5,865 | 15,000 | 20,865 |
|-----------------------------|------|-------|--------|--------|

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- (1) Amounts shown include a Holiday Bonus that is generally paid to all qualifying employees, as well as a signing bonus for Ms. Barber in her first year of employment.
- (2) Amounts shown reflect expense recognized for outstanding stock awards calculated in accordance with SFAS 123R.
- (3) Amounts shown represent awards paid to executives in the following year, for performance achievements in the stated year.
- (4) 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. Also included in this column are the

fees  
 Mr. Evanitsky  
 received as  
 compensation  
 for serving as a  
 director of the  
 Company and  
 the Bank:  
 \$10,500 in  
 2008, \$10,200  
 in 2007 and  
 \$9,600 in 2006,  
 as well as the  
 compensation  
 element of  
 Mr. Evanitsky's  
 use of an  
 automobile.

**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: | All Other Option Awards: | Exercise Price or Base Price of Securities Underlying Option Awards | Grant Date | Fair Value of Stock and Option Awards |           |         |          |
|----------------------|--|---|---|-------------------------|--------------------------|---|------------|---------------------------------------|-----------|---------|----------|
|                      |  |   |   |                         |                          |   |            |                                       | Threshold | Target  | Maximum  |
|                      |  | (\$)  | (\$)  | (\$)                    | (#)                      | (#)   | (#)        | (#)                                   | (2)       | (\$/Sh) | (\$)     |
| Francis J. Evanitsky | 10/21/2008   | \$24,960  | \$41,600  | \$62,400                |                          |   |            | \$                                    | 4,742     | \$21.10 | \$15,981 |
| JoAnn N. McMinn      | 10/21/2008   | 7,588   | 20,234  | 31,616                  |                          |   |            |                                       | 2,017     | \$21.10 | 6,797    |
| Marcie A. Barber     | 10/21/2008   | 7,987   | 21,299  | 33,280                  |                          |   |            |                                       | 2,400     | \$21.10 | 8,088    |

(1) The amounts presented are estimates of potential

payments pursuant to the Executive Annual Incentive Plan for 2009. Actual payments are shown in the Summary Compensation Table under the heading of Non-Equity Incentive Plan Compensation .

- (2) The option awards were granted under the Company's 2000 Incentive Stock Option Plan. Each of the executive officers met the performance criteria established by the board of directors to qualify for grants. A formula, based upon salary, was used to determine the number of shares granted to each executive. The grant price was set at \$21.10, which was the fair market value of the Company's stock on the grant date. The grant expires on October 21, 2018, ten years

after the grant date, and the options vest according to the plan's vesting schedule, as follows: if the optionee's age is under 55, the options will vest evenly over five years. If the optionee is 55 or older, the options vest evenly over three years. In the case of Mr. Evanitsky and Ms. McMinn, the options granted vest over three years. The options granted to Ms. Barber vest over five years.

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

| Name                 | Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised | Other Exercise Price (\$) | Other Expiration Date |
|----------------------|------------|---|---|---|---------------------------|-----------------------|
|                      |            |   |   | Unearned Options (#)  |                           |                       |
| Francis J. Evanitsky | 10/21/2008 |   | 4,742   |   | \$ 21.100                 | 10/21/2018            |
|                      | 10/16/2007 | 1,580   | 3,158   |   | 20.050                    | 10/16/2017            |
|                      | 10/17/2006 | 2,773   | 1,387   |   | 21.000                    | 10/17/2016            |
|                      | 10/18/2005 | 3,467   |   |   | 24.000                    | 10/18/2015            |
|                      | 11/15/2004 | 3,952   |   |   | 20.250                    | 11/15/2014            |
|                      | 11/18/2003 | 5,080   |   |   | 15.125                    | 11/18/2013            |
|                      | 11/19/2002 | 5,088   |   |   | 14.250                    | 11/19/2012            |
|                      | 11/20/2001 | 4,858   |   |   | 14.100                    | 11/20/2011            |
| JoAnn N. McMinn      | 10/21/2008 |   | 2,017   |   | \$ 21.100                 | 10/21/2018            |
|                      | 10/16/2007 | 406   | 1,625   |   | 20.050                    | 10/16/2017            |
|                      | 10/17/2006 | 735   | 1,103   |   | 21.000                    | 10/17/2016            |
|                      | 10/18/2005 | 918   | 613   |   | 24.000                    | 10/18/2015            |
| Marcie A. Barber     | 10/21/2008 |   | 2,400   |   | \$ 21.100                 | 10/21/2018            |
|                      | 10/16/2007 | 478   | 1,916   |   | \$ 20.050                 | 10/16/2017            |

Vesting information for unexercised, unexercisable options in table above:

**Mr. Evanitsky**

For options granted in 2006, the currently unexercisable options will vest and become exercisable on October 17, 2009.

For options granted in 2007, one half of the currently unexercisable options will vest and become exercisable on each of October 16, 2009 and 2010.

**Mr. Evanitsky and Ms. McMinn**

For options granted in 2008, one third of the currently unexercisable options will vest and become exercisable on each of October 21, 2009, 2010 and 2011.

**Ms. McMinn and Ms. Barber**

For options granted in 2005, one half of the currently unexercisable options will vest and become exercisable on each of October 18, 2009 and 2010.

For options granted in 2006, one third of the currently unexercisable options will vest and become exercisable on each of October 17, 2009, 2010 and 2011.

For options granted in 2007, one fourth of the currently unexercisable options will vest and become exercisable on each of October 16, 2009, 2010, 2011 and 2012.

Ms. Barber

For options granted in 2008, one fifth of the currently unexercisable options will vest and become exercisable on each of October 21, 2009, 2010, 2011, 2012 and 2013.



**Table of Contents****Option Exercises and Stock Vested**

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

The value realized on exercise represents the difference between the exercise price and the market price on the date of exercise. There were no options exercised during 2008.

**Pension Benefits Table**

| Name                 | Plan Name                     | Number of Years Credited | Present Value of Accumulated Benefit (\$) | Payments During Last Fiscal Year (\$) |
|----------------------|-------------------------------|--------------------------|---|---------------------------------------|
| Francis J. Evanitsky | Defined Benefit Retirement    | 12                       | \$372,281                                 | \$                                    |
|                      | Salary Continuation Agreement | 8                        | 263,345                                   |                                       |
|                      | Director Retirement Agreement | 8                        | 52,274                                    |                                       |
| JoAnn N. McMinn      | Defined Benefit Retirement    | 3                        | \$ 28,379                                 | \$                                    |
|                      | Salary Continuation Agreement | 2                        | 11,963                                    |                                       |
| Marcie A. Barber     | Defined Benefit Retirement    | 2                        | \$ 11,579                                 | \$                                    |
|                      | Salary Continuation Agreement | 2                        | 8,106                                     |                                       |

The present value of accumulated benefits have been calculated as of December 31, 2008, which is the measurement date used for financial statement reporting purposes. The following assumptions were used in the development of the present value of the accumulated benefits:

Discount rate 6.00%

Mortality IRS 2009 Static Mortality Table. No pre-retirement mortality was assumed.

Retirement Date Normal retirement date unless participant was eligible for unreduced benefits due to age 62 and at least 20 years of service.

**Nonqualified Deferred Compensation**

The Company has no deferred compensation plans for executive officers.

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**Table of Contents****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, 2008.

**Francis J. Evanitsky, President and Chief Executive Officer**

Assuming the following events occurred on December 31, 2008, Mr. Evanitsky's payments and benefits would consist of the following:

| Francis J. Evanitsky  | Retirement         | Death              | Disability         | Voluntary Resignation | Termination by Termination Company |                    | Change of Control  |
|---|--------------------|--------------------|--------------------|-----------------------|------------------------------------|--------------------|--------------------|
|   |                    |                    |                    |                       | with Cause                         | without Cause      |                    |
| Employment Agreement <sup>(1)</sup>                           | \$                 | \$                 | \$                 | \$                    | \$                                 | \$ 519,914         | \$ 519,914         |
| Salary Continuation Agreement <sup>(2)</sup>                  | 450,000            | 450,000            | 450,000            | 450,000               | 450,000                            | 450,000            | 450,000            |
| Group Term Carve-out Plan <sup>(3)</sup>                      | 400,000            | 400,000            | 400,000            |                       | 400,000                            | 400,000            | 400,000            |
| Value of Options <sup>(4)</sup>                               | 67,657             | 67,657             | 67,657             | 67,657                | 67,657                             | 67,657             | 67,657             |
| Director Split-Dollar Life Insurance Agreement <sup>(5)</sup> | 25,000             | 25,000             | 25,000             | 25,000                |                                    | 25,000             | 25,000             |
| Director Retirement Agreement <sup>(6)</sup>                  | 72,250             | 72,250             | 72,250             | 72,250                | 72,250                             | 72,250             | 72,250             |
| <b>Total</b>  | <b>\$1,014,907</b> | <b>\$1,014,907</b> | <b>\$1,014,907</b> | <b>\$614,907</b>      | <b>\$989,907</b>                   | <b>\$1,534,821</b> | <b>\$1,534,821</b> |

**(1) Employment Agreement**

Mr. Evanitsky's Employment Agreement will expire upon his retirement, death, disability or voluntary resignation (without cause) with no payment due. If the Company had terminated Mr. Evanitsky's employment without cause or Mr. Evanitsky had terminated his employment with cause, he 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 his average compensation for the most recent 5 years. The payment would have been payable in a lump sum payment within 30 days of his termination date.

**(2) Salary Continuation Agreement**

Mr. Evanitsky has reached normal retirement age and has fully vested in the benefits in his Salary Continuation Agreement. As such, in each circumstance listed in the table above, he would receive annual payments of \$30,000 for a period of 15 years.

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

Because Mr. Evanitsky is fully vested in the Group Term Carve-out Plan, his beneficiary would be entitled to a death benefit under all circumstances listed, with the exception of termination by the Company with cause. In the hypothetical case of his death at December 31, 2008, while he was still employed, his beneficiary would have received the maximum amount allowed under the provisions of the agreement. All other cases assume his death occurred post-employment, which would result in a death benefit to his beneficiary of two times his ending salary.



**Table of Contents****(4) Value of Options**

Because Mr. Evanitsky has reached the age of 62, he (or his beneficiary) would have a right to exercise 100% of his outstanding stock options, without regard to the remaining vesting schedule, for a total of 36,085 shares, under any circumstances of his termination. Assuming the market value of the Company's stock is \$19.00, the closing price as of December 31, 2008, the value of those options would be \$67,657.

**(5) Director Split-Dollar Life Insurance Agreement**

Because Mr. Evanitsky is elected by the shareholders, it is assumed that his termination as an employee would not result in his termination as a member of the Board of Directors.

**(6) Director Retirement Agreement**

As Mr. Evanitsky has reached his 65<sup>th</sup> birthday and has begun receiving his benefit under this agreement. He will continue to receive \$8,500 per year over a ten-year period that will end in May of 2017. As of December 31, 2008, the remaining amount to be received is \$72,250.

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

Assuming one of the following events occurred on December 31, 2008, Ms. McMinn's payments and benefits would consist of the following:

| JoAnn N. McMinn                                      | Retirement | Death     | Disability | Termination<br>by<br>Termination Company<br>by<br>Voluntary Company<br>with<br>Cause |                  |    | Change of<br>Control |
|--|------------|-----------|------------|--|------------------|----|----------------------|
|  |            |           |            | Resignation  | without<br>Cause |    |                      |
| Salary Continuation Agreement <sup>(1)</sup>         | N/A        | 240,000   | 38,175     |  |                  |    | 22,500               |
| Group Term Carve-out Plan <sup>(2)</sup>             | N/A        | 364,728   | 243,152    |  |                  |    | 243,152              |
| Value of Options <sup>(3)</sup>                      | N/A        |           |            |  |                  |    |                      |
| Change of Control Severance Agreement <sup>(4)</sup> | N/A        |           |            |  |                  |    | 339,405              |
|  |            | \$604,728 | \$281,327  | \$   | \$               | \$ | \$605,057            |

**(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, 2008, while she was still employed, her beneficiary would have received \$364,728, which is three times base salary. In the case of disability or change of control, the death benefit would have been \$243,152, two times her salary.

**(3) Value of Options**

If Ms. McMinn's employment had been terminated on December 31, 2008 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 7,417 shares. Assuming the market value of the Company's stock was \$19.00 the closing price as of December 31, 2008, there would have been no value upon the

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exercise of those options. Under any other termination scenario, Ms. McMinn would have the right to exercise any vested options. As of December 31, 2008, there would have been no value upon exercise.

**(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.

**Marcie A. Barber, Senior Vice President and Chief Operating Officer**

Assuming one of the following events occurred on December 31, 2008, Ms. Barber's payments and benefits would consist of the following:

| Marcie A. Barber                                     | Retirement | Death     | Disability | Termination<br>by<br>Termination Company<br>by<br>Voluntary Company<br>with<br>Cause |                  |    | Change of<br>Control |
|--|------------|-----------|------------|--|------------------|----|----------------------|
|  |            |           |            | Resignation  | without<br>Cause |    |                      |
| Salary Continuation Agreement <sup>(1)</sup>         | N/A        | \$300,000 | \$ 35,775  | \$   | \$               | \$ | \$ 15,240            |
| Group Term Carve-out Plan <sup>(2)</sup>             | N/A        | 379,830   | 253,220    |  |                  |    | 253,220              |
| Value of Options <sup>(3)</sup>                      | N/A        |           |            |  |                  |    |                      |
| Change of Control Severance Agreement <sup>(4)</sup> | N/A        |           |            |  |                  |    | 340,880              |
|  |            | \$679,830 | \$288,995  | \$   | \$               | \$ | \$609,340            |

**(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, 2008, while she was still employed, her beneficiary would have received \$379,830, which is three times base salary. In the case of disability or change of control, the death benefit would have been \$253,220, two times her salary.

**(3) Value of Options**

If Ms. Barber's employment had been terminated on December 31, 2008 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 4,794 shares. Assuming the market value of the Company's stock was \$19.00, the closing price as of December 31, 2008, there would have been no value upon the exercise of those options. Under any other termination scenario, Ms. Barber would have the right to exercise any vested options.

Under any other termination scenario, Ms. Barber would have the right to exercise any vested options. As of December 31, 2008, there would have been no value upon exercise.



**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.

**Personnel Committee Report on Executive Compensation**

The Personnel 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 Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

By: Philip Gingerich, Jr., Chairman, Timothy Havice, Jan Snedeker and Joe Benner

**DIRECTOR S COMPENSATION**

Presented below is data concerning the compensation of members of the Company's Board of Directors for the year 2008.

**Director Compensation Table**

| Name                | Fees<br>Earned or<br>Paid in<br>Cash | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Plan<br>Compensation | Change in<br>Pension<br>value<br>and Non-<br>qualified<br>Deferred | All Other<br>Compensation <sup>1</sup><br>(\$) | Total    |
|---------------------|--------------------------------------|-------------------------|--------------------------|------------------------------------|--|--|----------|
|                     |                                      |                         |                          |                                    | Compensation<br>earnings (\$)                                      |  |          |
| Joe Benner          | \$13,500                             | \$                      | \$                       | \$                                 | \$ 3,070   | \$ 500   | \$17,070 |
| A. Jerome Cook (2)  | 13,375                               |                         |                          |                                    | 43,355   | 500  | 57,230   |
| Martin Dreibelbis   | 15,375                               |                         |                          |                                    | 2,771  | 500  | 18,646   |
| Philip Gingerich    | 13,875                               |                         |                          |                                    | 1,705  | 5,716  | 21,296   |
| Marshall Hartman    | 13,625                               |                         |                          |                                    | 2,997  | 3,856  | 20,478   |
| Timothy Havice      | 15,125                               |                         |                          |                                    | 5,729  | 5,155  | 26,009   |
| Charles Hershberger | 13,750                               |                         |                          |                                    | 7,244  | 5,429  | 26,423   |
| Robert Metz         | 11,625                               |                         |                          |                                    | 4,109  | 2,283  | 18,017   |
| Dale Nace           | 14,125                               |                         |                          |                                    | 12,692   | 3,992  | 30,809   |
| Richard Scanlon     | 12,125                               |                         |                          |                                    | 4,770  | 1,611  | 18,506   |
| Jan Snedeker        | 11,500                               |                         |                          |                                    | 6,062  | 4,487  | 22,049   |
| Ronald Witherite    | 13,500                               |                         |                          |                                    | 8,411  | 500  | 22,411   |

(1) Other compensation includes a \$500 discretionary holiday bonus and 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 \$34,000 in 2008 pursuant to his Key Employee Supplement Retirement Plan and \$33,696 pursuant to the Company's Defined Benefit Plan.

Each director was paid an annual fee of \$10,500. Attendance at a minimum of 10 regularly scheduled meetings is required to receive full payment. Additionally, all non-employee directors also received \$125 per meeting 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 2008 for the plans in which each director participates.

#### **Director's Deferred Compensation Plans**

**The 1982 Plan.** In 1982, a director's deferred compensation plan was established. This plan permitted participating directors to defer \$3,900 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 1982 Plan is Mr. Cook.

**The 1987 Plan.** In 1987, when the first director's deferred compensation plan was fully funded, directors were offered a second deferred compensation plan. Each director could elect to defer \$4,700 in director's fees each year for five years in exchange for an additional benefit similar to that offered under the 1982 plan. The only current director participating in the 1987 Plan is Mr. Cook.

**The 1991 Plan.** In 1991, when the second plan was funded, a third deferred compensation plan was offered to directors. Each director could elect to defer \$6,000 in director's fees each year for five years in order to receive an additional benefit similar to that offered under the 1982 and 1987 plans. Current directors participating in the 1991 Plan are Messrs. Cook, Nace and Witherite.

All three plans described above operate in substantially the same manner and all are funded by insurance policies as described above. The 1982, 1987 and 1991 plans continue to be in effect.

**The 1999 Plan.** Effective January 1, 1999, the Board of Directors adopted a director's deferred compensation plan which is in addition to the other plans 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 will earn interest, compounded quarterly, at the current interest rate of the Bank's floating IRA savings program.

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

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permanent disability or unforeseeable emergency, the Board of Directors has the discretion to accelerate payment of that director's account balance.

Participants in the 1999 Plan are Messrs. Gingerich, Hartman, Havice, Hershberger, Metz, Nace, Snedeker and Dr. Scanlon.

**Director's Retirement Plan.** In December 1988, the Bank established a retirement program for directors. The plan provides for a target retirement benefit of \$7,800 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 2008, only Mr. Cook was a participant in this plan. He has vested in his benefit under this plan and has begun receiving payments.

In January 2001, a new Director's Retirement Plan was established, applicable to all active directors who would commence benefit payments in 2001 or later. The provisions in the new plan are the same as the 1988 plan, except that the target retirement benefit is \$8,500 per year. Current directors included in the plan are Messrs. Benner, Dreibelbis, Gingerich, Hartman, Havice, Hershberger, Metz, Nace, Snedeker, Witherite and Dr. Scanlon. Mr. Evanitsky, an employee director, is also included in the plan.

**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.

**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 27, 2009. Common stock is the only class of equity securities of the Company that is outstanding.

| Owner                                     | Amount and<br>Nature<br>of Beneficial<br>Ownership | Percentage of<br>Outstanding<br>Common<br>Stock |
|---|--|---|
| Marcie A. Barber                          | 2,738 <sup>(3)</sup>                               | *   |
| Joe E. Benner                             | 11,447 <sup>(1)(2)</sup>                           | *   |
| A. Jerome Cook                            | 10,638 <sup>(1)(2)(4)</sup>                        | *   |
| Martin L. Dreibelbis                      | 9,287 <sup>(2)(4)</sup>                            | *   |
| Francis J. Evanitsky                      | 33,884 <sup>(2)(3)</sup>                           | *   |
| Philip E. Gingerich, Jr.                  | 14,213 <sup>(2)</sup>                              | *   |
| Marshall L. Hartman                       | 35,092   | *   |
| Timothy I. Havice                         | 50,466 <sup>(1)(2)</sup>                           | 1.16%   |
| Charles L. Hershberger                    | 17,075 <sup>(5)</sup>                              | *   |
| JoAnn N. McMinn                           | 3,059 <sup>(2)(3)</sup>                            | *   |
| Robert K. Metz                            | 32,826   | *   |
| Dale G. Nace                              | 10,158 <sup>(2)</sup>                              | *   |
| Richard M. Scanlon, DMD                   | 5,289 <sup>(2)</sup>                               | *   |
| Jan Snedeker                              | 9,468 <sup>(2)(6)</sup>                            | *   |
| Ronald H. Witherite                       | 4,038 <sup>(2)</sup>                               | *   |
| Directors & Executive Officers as a group | 249,678  | 5.71% <sup>(7)</sup>                            |

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

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- (1) Includes shares held solely by the individual s spouse: as to Mr. Benner, 1,438 shares; as to Mr. Cook, 676 shares; as to Mr. Havice, 22,042 shares.
  
- (2) Includes shares held jointly with spouse as follows:  
Mr. Benner, 10,009 shares;  
Mr. Cook, 730 shares;  
Mr. Dreibelbis, 8,212 shares;  
Mr. Evanitsky, 6,086 shares;  
Mr. Gingerich, 13,480 shares;  
Mr. Havice, 1,080 shares;  
Ms. McMinn, 1,000 shares;  
Mr. Nace, 10,158 shares;  
Dr. Scanlon, 5,289 shares;  
Mr. Snedeker, 5,496 shares;  
and  
Mr. Witherite, 4,038 shares.
  
- (3) Includes shares that may be acquired within 60 days of the Record Date through the exercise of stock options as follows:  
Ms. Barber,

478;  
Mr. Evanitsky,  
26,798;  
Ms. McMinn,  
2,059.

- (4) Includes shares held jointly with children or grandchildren:  
as to Mr. Cook,  
1,852 shares;  
and as to  
Mr. Dreibelbis  
as custodian for  
minor children,  
1,075 shares.
- (5) Includes 16,761  
shares held by  
Stonewall  
Equity, a limited  
liability  
partnership  
owned by Mr.  
Hershberger and  
his spouse.
- (6) Includes 1,200  
shares held by  
Snedeker Oil  
Co., Inc.
- (7) Based on the  
total shares  
outstanding plus  
the number of  
shares  
underlying  
exercisable  
stock options of  
all directors and  
officers as a  
group.

**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 2008 all filing requirements under



Section 16(a) applicable to its directors and executive officers were met in a timely manner.

**OTHER MATTERS**

**Shareholder Proposals for the 2010 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 December 14, 2009. 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 2010 Annual Meeting of Shareholders, either under SEC Rule 14a-8, or otherwise, should do so no later than December 14, 2009. A proposal submitted after that date will be considered untimely.

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 2010 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 2010 Annual Meeting of shareholders, the proxies appointed by the Company may exercise discretionary authority when voting on such proposal.

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If the date of our next Annual Meeting is advanced or delayed more than 30 days from the anniversary of the 2009 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 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 has engaged Beard Miller Company LLP, Lancaster, Pennsylvania, as principal accountant to audit the financial statements of the Company and the Bank for the year 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 Beard Miller Company LLP 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 Beard Miller's performance of the non-audit services. In 2008, all non-audit services performed by Beard Miller Company were approved in advance pursuant to these procedures. The Audit Committee has determined that the performance by Beard Miller Company LLP 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 Beard Miller Company LLP in the last two years:

| Year | Audit-Related             |                     |                         | All Other Fees |
|------|---------------------------|---------------------|-------------------------|----------------|
|      | Audit Fees <sup>(1)</sup> | Fees <sup>(2)</sup> | Tax Fees <sup>(3)</sup> |                |
| 2008 | \$105,725                 | \$15,000            | \$15,725                | -0-            |
| 2007 | \$102,873                 | \$14,500            | \$13,735                | -0-            |

(1) Includes professional services rendered for the audit of the Company's annual financial statements and review of financial statements included in 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 audits.
- (3) Tax fees include the following: preparation of state and federal tax returns and tax consultation.

#### **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, Senior Vice President/Chief Financial Officer, Juniata Valley Financial Corp., PO Box 66, Mifflintown, PA 17059.

#### **Electronic Availability of Proxy Materials**

The proxy statement and proxy card 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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**PLEASE MARK VOTES AS IN THIS EXAMPLE**                      **REVOCABLE PROXY**  
**JUNIATA VALLEY FINANCIAL CORP.**  
**THIS PROXY IS SOLICITED ON BEHALF OF THE**  
**BOARD OF DIRECTORS OF**  
**JUNIATA VALLEY FINANCIAL CORP.**

The undersigned hereby appoints **Willa M. Allison, John E. Robertson and Harold B. Shearer** or any of them, as Proxies, each with the power to appoint his or her substitute, and authorizes them to represent and vote, as designated below, all the shares of common stock of Juniata Valley Financial Corp. held of record by the undersigned on February 27, 2009, at the annual meeting of shareholders to be held on May 19, 2009.

**For**                      **With-  
hold**                      **For All  
Except**

**ELECTION OF DIRECTORS (check**

1. **one):**

**CLASS A**

A. Jerome Cook                      Robert K. Metz  
Martin L. Dreibelbis                Richard M. Scanlon  
Marshall L. Hartman

**INSTRUCTION: To withhold authority to vote for any individual nom-inee(s), mark for all except , and write the nominee s name(s) in the space immediately below.**

**THE BOARD AND ANY ADJOURNMENTS THEREOF RECOMMENDS A VOTE FOR THE FOREGOING NOMINEES.**

**THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO DIRECTIONS ARE GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED. ALTHOUGH THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED, THIS PROXY ALSO CONFERS AUTHORITY TO VOTE ON ANY OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING, OR ANY ADJOURNMENT THEREOF, IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS. THIS PROXY MAY BE REVOKED PRIOR TO ITS EXERCISE.**

Please be sure to date and sign  
this proxy card in the box below.

Date

Sign above

**THE PROXY STATEMENT AND PROXY CARD ARE AVAILABLE AT:  
www.JVBonline.com.**

**Detach above card, sign, date and mail in postage paid envelope provided.  
JUNIATA VALLEY FINANCIAL CORP.**

**P.O. Box 66  
Mifflintown, PA 17059  
Telephone: (717) 436-8211**

Please sign exactly as your name appears hereon. When signing as an Attorney, Executor, Administrator, Trustee or Guardian, please give full title. If more than one Trustee, **all must sign. All joint owners must sign.**

**PLEASE ACT PROMPTLY**

**SIGN, DATE & MAIL YOUR PROXY CARD TODAY**

**IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED  
BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.**

**5881**