

JUNIATA VALLEY FINANCIAL CORP

Form DEF 14A

April 04, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Juniata Valley Financial Corp.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**Juniata Valley Financial Corp.**

Bridge and Main Streets

Post Office Box 66

Mifflintown, PA 17059

Telephone (717) 436-8211

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Date: May 17, 2011

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 four Class C Directors to serve until the 2014 Annual Meeting.
2. Stock Option Plan: Approval of the Juniata Valley Financial Corp. 2011 Stock Option Plan
3. 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 25, 2011. Your vote at the Annual Meeting is very important to us. Please vote your shares of common stock by completing the enclosed proxy and returning it to us in the enclosed prepaid envelope. This proxy will not be used if you are present at the meeting and desire to vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

Charles L. Hershberger  
Secretary

Mifflintown, Pennsylvania  
April 11, 2011

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**Juniata Valley Financial Corp.**  
**Proxy Statement**

**General Information**

This proxy statement contains information about the 2011 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. Company is the holding company for The Juniata Valley Bank, which we refer to as the Bank. We first mailed this proxy statement and the enclosed proxy card to shareholders on or about April 11, 2011.

**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 17, 2011, 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 four Class C directors to serve until the 2014 Annual Meeting;
- the approval of the Juniata Valley Financial Corp 2011 Stock Option Plan (the Option Plan ); 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 25, 2011 (the Record Date ) will be entitled to vote at the Annual Meeting. A total of 4,254,765 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 173,914 shares of the Company s common stock, which is 4.09% of the total number of shares outstanding as of that date. Pursuant to the Bank s policy, the Trust Department will vote these shares at the Annual Meeting in favor of the election of the nominated directors, in favor of the approval of the Option Plan and, as to other matters, in a manner consistent with management s recommendations, as long as voting authority is conferred on the Trust Department in the trust or account instrument. Each share of common stock entitles the holder to one vote on all matters to be voted upon. The enclosed proxy card shows the number of shares you may vote. The presence, in person or by proxy, of the holders of a majority of the shares of common stock outstanding and entitled to vote is required to constitute a quorum for the transaction of business at the Annual Meeting.

**What vote is required?**

The directors will be elected by a plurality of the votes cast at a meeting at which a quorum is present. Because four directors are being elected at the 2011 Annual Meeting, the four nominees receiving the greatest number of votes will be elected. Approval of the Option Plan requires the affirmative vote by the holders of a majority of the votes cast at the Annual Meeting. All other matters to be voted on at the Annual Meeting must be approved by the holders of a majority of the votes cast at the Annual Meeting.





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

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

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

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

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

submitting a proxy card with a later date at the Annual Meeting; or  
appearing at the Annual Meeting and voting in person.

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

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

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

## **Management**

### **Directors of the Company**

#### **General**

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

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

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

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

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

#### **Director Qualifications**

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

The Company follows the NASDAQ listing standards for board of directors and committee independence. The Board of Directors determined that nine (9) of the current eleven (11) directors are independent, as defined in the applicable NASDAQ listing standards. Specifically, the Board of Directors found that Directors Cook, Dreibelbis, Gingerich, Havice, Hershberger, Metz, Nace, Scanlon and Snedeker met the definition of independent director in the NASDAQ listing standards and that each of these directors is free of any relationships that would interfere with his individual exercise of independent judgment. In addition, members of the Audit Committee of the Board of Directors meet the

more stringent requirements for independence under the NASDAQ listing standards, and the rules and regulations of the SEC for service on the Audit Committee. The Board of Directors considered the relationships and other arrangements, if any, of each director when director independence was reviewed.

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On December 31, 2010, Director Marshall L. Hartman retired from the Board of Directors and on February 28, 2011, Joe E. Benner retired from the Board of Directors. Both retired due to reaching the mandatory retirement age of 72. Messrs. Hartman and Benner also met the definition of independent director during their service.

Ten of the Directors, including the nominees, have been members of the Company's Board for at least 11 years. One Director, Marcie A. Barber was elected by the Board of Directors effective July 2, 2010 to serve as a Class B Director. The following biographical information, experience and qualifications represent each continuing director's or nominee's background, experience, qualifications, attributes or skills that led the Company to conclude that these persons should serve as Directors.

**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

**Nominees for Election as Directors to Continue in Office until the 2014 Annual Meeting (Class C)**

The Nominating Committee has nominated the four 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 C 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.

*Francis J. Evanitsky.* Mr. Evanitsky, age 68, had been the Chief Executive Officer of the Bank and the Company since 2000, prior to his retirement in July 2010. He had served as President and a director of the Bank and the Company since 1998. Prior to 1998, Mr. Evanitsky was the President and Chief Executive Officer of the Lewistown Trust Company, which merged into the Bank in 1998. Mr. Evanitsky is Chairman of the Board of the Lewistown Hospital and Lewistown Healthcare Foundation, where he serves as Chairman of the Finance and Audit Committees. He is a member of the Mifflin County Pennsylvania Industrial Development Corporation, where he serves on the Finance Committee.

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

*Philip E. Gingerich, Jr.* Mr. Gingerich, age 52, has been the President of Central Insurers Group, Inc, an insurance agency based in Lewistown, Pennsylvania, since 1982 and owner of East Side Storage, a mini-storage warehouse company based in State College, Pennsylvania, since 2001. Mr. Gingrich holds a Bachelor of Science degree from the Pennsylvania State University and is a Certified Workers Compensation Advisor. Formerly, he has been Chairman of the Boards of Lewistown Trust Company and the NuVision Center. He has served on the Asset/Liability Management and the Audit Committees of the Bank and currently serves on the Nominating Committee. He has been a director of the Company and the Bank since 1998, and is the current Chairman of the Board.

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

*Dale G. Nace, P.E.* Mr. Nace, age 66, was the Owner and Principal of Glenn Nace, Inc., a cooling and heating contracting company based in Millerstown, Pennsylvania, from 1975 until his retirement in 2003. He holds a Bachelor of Science in Civil Engineering from the Pennsylvania State University and became a Professional Civil Engineer in 1971. He has been a director of the Company and the Bank since 1992. Mr. Nace serves on the Trust Committee and has served on the Asset/Liability Management Committee.

Mr. Nace's 19 years of experience as a Director of the Company has afforded him the opportunity to serve on several different committees over his tenure, which has given him an overall knowledge of the financial services industry, which in turn contributes to his effectiveness as a member of the Board of Directors.



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*Jan G. Snedeker.* Mr. Snedeker, age 64, was the Chairman and Chief Executive Officer of Snedeker Oil Company, Inc., a heating oil, propane and service station business based in Lewistown, Pa., until his retirement in 2010. The oil and propane company employs 49 people and conducts retail and wholesale commerce in six central Pennsylvania counties. He was a director of the Pennsylvania Petroleum Marketers and Convenience Store Association. He is currently a director of the Mifflin County Industrial Development Corporation and has served as a director of the Lewistown Hospital. He has business experience in contract negotiation, environmental law, human resources and commodity trading/hedging. He possesses a Bachelor of Arts degree from the Pennsylvania State University and served actively in the United States Navy, attaining the rank of Lieutenant. He has been a director of the Company and the Bank since 1998. Mr. Snedeker currently serves on the Personnel and Compensation Committee. He is Chairman of the Nominating Committee and serves on the Trust Committee. He has previously served on the Asset/Liability Management and Audit Committees.

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

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

**Directors to Continue in Office until the 2012 Annual Meeting (Class A)**

*A. Jerome Cook.* Mr. Cook, age 70, was the President and Chief Executive Officer of the Bank and the Company until 1998 when he then became Chief Executive Officer until his retirement in 2000. Mr. Cook served as Chairman of the Board from 1998 until May 2001. He has been a director of the Bank since 1976 and of the Company since its formation in 1983. Mr. Cook currently serves on the Asset Liability Management Committee and is Chairman of the Audit Committee. He holds a Bachelor of Arts degree from West Virginia University and attended law school for two years.

Mr. Cook's various management roles within the Company during his 45 years of service, including the 28 years he served as Chief Executive Officer of the Company, and the 35 years he has served as a Director of the Company, give him a broad understanding of the financial services industry, the Company's operations, corporate governance matters and the leadership experience qualifying him to serve on the Board of Directors.

*Martin L. Dreibelbis.* Mr. Dreibelbis, age 57, has been a member of the Board of the Company and the Bank since 1998 and served as Chairman of the Board from 2001 to 2004 and from 2007 to 2010. He has been a self-employed consultant to the petroleum industry since 1992, and prior to that he was President of Horning Oil Company. Mr. Dreibelbis also serves as a Supervisor for Walker Township, Juniata County, PA. Mr. Dreibelbis provides the Company's Board of Directors with the benefit of knowledge gained from his business experiences as well as his community involvement. His affiliation with local business leaders, community activities and charitable organizations give him a well-rounded view of our local market. During his long-term membership of the Company's Board of Directors, he has gained extensive knowledge of the financial services industry and its corporate governance requirements, which contributes to his qualification as an effective member of the Board, where he currently serves on the Personnel/Compensation and Nominating committees.

*Robert K. Metz.* Mr. Metz, age 69, was the President of Metz Poultry Farms, Inc., a poultry production and sales company based in Belleville, Pennsylvania, from 1985 until his retirement in 2001. Mr. Metz earned Bachelor of Science and MBA degrees from Cornell University. He has been a director of the Company and the Bank since 1998. Mr. Metz's experience as owner and President of a successful business within our market area provides the Company's Board of Directors with a business person's perspective of what is required for a business to be successful. Knowledge acquired while earning his MBA has helped qualify him as a Director and as a valued member of the Company's Asset/Liability Management Committee.

*Richard M. Scanlon, DMD.* Dr. Scanlon, age 62, has owned and operated his own dentistry practice, based in Lewistown, Pennsylvania, since 1979. He received a Bachelor of Science degree and his DMD Dental degree from the University of Pittsburgh. He holds a Drug Enforcement Narcotic License and is a Fellow of the American Academy of

Forensic Sciences. He has served as President of the Lewistown Hospital Medical Staff for two years, been a member of the Board of Directors of Lewistown Hospital for twelve years and a board member of the non-profit Mifflin-Juniata County Dental Clinic. For six years, he served as member and Chairman of the Lewistown Hospital Credential Committee. He has been a director of the Company and the Bank since 1998 and serves on the Audit Committee.

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

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

*Marcie A. Barber.* Ms. Barber, age 52, has been the Chief Executive Officer of the Bank and the Company since 2010. She had been Senior Vice President and Chief Operating Officer of the Bank since June 2007. She was Senior Vice President and Community Office Division Manager since November 2006. Prior to joining the Company, Ms. Barber was Senior Vice President of the First National Bank of Mifflintown, serving as Credit Services Division Manager for 8 years. Prior to her tenure with First National Bank of Mifflintown, Ms. Barber spent 16 years with Mellon Bank in Retail Bank Management and Commercial Lending.

Ms. Barber's various management roles within a number of banks during her 28 years of service, including the 3 years she has served as Chief Operating Officer of the Company, give her a broad understanding of the financial services industry, the Company's operations, corporate governance matters and the leadership experience, thereby qualifying her to serve on the Board of Directors.

*Timothy I. Havice.* Mr. Havice, age 63, has been the owner and principal of T. I. Havice Development, a development company based in Lewistown, Pennsylvania, since 1975. He has been a director of the Bank and the Company since 1998 and served as Chairman from 2004 to 2007 and is currently Vice Chairman. Mr. Havice also serves on the Board of Directors of 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 and Compensation Committees. Mr. Havice is a past member of an advisory board for Mellon Bank, director of Lewistown Trust Company (a predecessor to Juniata Valley Financial Corp.) and director of Select Risk Insurance Company. Mr. Havice serves on the Nominating and Audit Committees of the Company and is Chairman of the Personnel and Compensation Committee.

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

*The Rev. Charles L. Hershberger.* The Rev. Hershberger, age 65, has been the President of Stonewall Equity, Inc., an investment company, since 1995 and was President and Owner of Hoenstine Funeral Home, Inc., based in Lewistown, Pennsylvania, from 1987 to 2002. The Rev. Hershberger is a graduate of the Pittsburgh Institute of Mortuary Science and also holds a Bachelor of Science degree from Frostburg State University, Frostburg, Md. Following retirement from funeral service, The Rev. Hershberger entered the candidacy for Ordination process of the Evangelical Lutheran Church in America and was ordained to the ministry of Word and Sacrament in 2008. Thereafter, The Rev. Hershberger was called by the Port Royal Evangelical Lutheran Parish, Port Royal, Pennsylvania to serve as pastor. The Rev. Hershberger was a director of Lewistown Trust Co. (a predecessor to Juniata Valley Financial Corp.). He has been a director of the Bank and the Company since 1998. The Rev. Hershberger served as Chairman of the Audit Committee from 2006 through 2007 and is currently Chairman of the Trust Committee. The Rev. Hershberger serves as Secretary to the Board of Directors.

Both Rev. Hershberger's business background and his ordained ministry have allowed him to establish personal and professional relationships with a broad cross section of the communities in which we do business. He provides valuable insight into the expectations of our customer base.

**Executive Officers of the Company**

In addition to Ms. Barber and Mr. Evanitsky (prior to his retirement in July, 2010), the following individual serves as an executive officer of the Company. The executive officers will hold office until their successors are appointed.

*JoAnn N. McMinn.* Ms. McMinn, age 58, 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 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.

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**Corporate Governance and Board Matters**

**Shareholder Communications with the Board**

The Board has established a procedure whereby shareholders are able to communicate directly with the Board by addressing communications either to the Audit Committee Chair, or in the case of recommendations for Board candidates, the Secretary, c/o Juniata Valley Financial Corporation, Bridge and Main Streets, Post Office Box 66, Mifflintown, Pennsylvania 17059. Every communication 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.

**Risk Oversight**

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

**Board Leadership Structure**

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

**Related Party Transactions**

During 2010, the Bank had, and expects to continue to have, banking transactions in the ordinary course of business with our directors and executive officers on the same terms, including interest rates and collateral on loans, as those prevailing at the time for comparable loans with persons not related to the lender. Management believes that these loans present no more than the normal risk of collectability or other unfavorable features. The Company's Code of Business Conduct (the Code) requires all directors, officers and employees to avoid situations that may create a conflict of interest or the appearance of a conflict of interest. The Code contains specific prohibitions on financial or other interests in customers, borrowers, suppliers or other companies dealing with the Company and requires prior approval by the Vice President of Compliance in order to enter into any such arrangements. In addition, the purchase, lease or sale of assets to or from the Company by employees or directors also requires the prior approval of the Vice President of Compliance except in certain limited circumstances, such as a public sale.

**Board and Committee Meeting Attendance**

The Board of Directors of the Company met 12 times in 2010. 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 and Compensation Committees, in addition to other committees that are more specifically related to the banking business. Following are descriptions of these Committees and reports from the Audit and Personnel and Compensation Committees. The Board has determined that, with the exception of Francis J. Evanitsky and Marcie A. Barber, all directors are independent under NASDAQ and SEC standards.

The Board has adopted a policy requiring the attendance of all directors at the Annual Meeting, absent extenuating circumstances. All members of the Board attended the 2010 Annual Meeting.

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**Compensation Committee Interlocks and Insider Participation**

The Personnel and Compensation Committee makes recommendations to the Board regarding executive compensation. The committee, along with the Board of Directors, has formally adopted a Personnel and Compensation Committee charter setting forth its responsibilities. The charter is available on the Company's website, at [jvbonline.com](http://jvbonline.com), under the Investor Relations tab. Members are Timothy Havice (Chairman), Martin Dreibelbis, Philip Gingerich, Jr., Jan Snedeker and Joe Benner (until his retirement on February 28, 2011). Each member of the Personnel and Compensation Committee was independent, and continues to be independent, based on the qualifications for independence established by NASDAQ. There are no Compensation Committee interlocks that would require disclosure under the applicable proxy rules. The Committee met five times in 2010. The report of the Personnel and Compensation Committee is contained in the section of this Proxy Statement entitled "Compensation Discussion and Analysis". None of the members of the Personnel and Compensation Committee have been an officer or employee of the Company or the Bank at any time. The responsibilities of the Personnel and Compensation Committee are detailed in the Compensation and Discussion Analysis below, in the section entitled "Role of the Personnel and Compensation Committee".

**Audit Committee**

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

The members of the Audit Committee are A. Jerome Cook (Chairman), Timothy Havice and Richard Scanlon. Marshall Hartman served on the Audit Committee until his retirement from the Board on December 31, 2010. Each member is an independent director and qualified to serve on the Audit Committee based on the qualifications for enhanced independence and financial literacy established by NASDAQ and applicable SEC regulations. The Board of Directors has determined that both Mr. Cook and Mr. Hartman met the NASDAQ and SEC requirements to qualify as the Audit Committee financial expert. The Audit Committee met four times in 2010. Its responsibilities include monitoring the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and regulatory compliance, monitoring the independence and performance of the Company's independent auditors and internal auditing department and providing an avenue of communication among the independent auditors, management, the internal auditing department and the Board of Directors. The Committee, along with the Board of Directors, has formally adopted an Audit Committee charter setting forth its responsibilities. The charter is available on the Company's website, at [jvbonline.com](http://jvbonline.com), under the Investor Relations tab.

**Report of the Audit Committee**

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

The Committee reviewed with the Company's independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, the Committee's judgments as to both the acceptability and the quality of the Company's accounting principles and such other matters as are required to be discussed with the independent auditors under generally accepted auditing standards. In addition, the Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committees". We have also received from ParenteBeard LLC, the Company's independent auditors, written disclosures and a letter concerning the firm's independence from the Company, as required by Independence Standards Board No. 1, "Independence Discussions with Audit Committees". The Committee discussed with both the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the Securities and Exchange Commission. The Committee and the

Board of Directors have also approved the selection of ParenteBeard LLC as the Company's independent auditors for 2011.

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

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**Nominating Committee**

**Members, Meetings, Function and Charter**

The members of the Nominating Committee for 2010 were Jan Snedeker (Chairman), Martin Dreibelbis, Philip Gingerich, Jr. and Timothy Havice. Each member is an independent director, meeting the qualifications for independence established by NASDAQ. The function of the Committee is to identify and recommend qualified candidates for election to the Board of Directors and to nominate candidates to fill vacancies that occur between shareholder meetings. A current copy of the charter is posted on the Company's website at [jvbonline.com](http://jvbonline.com), under the Investor Relations tab. The Nominating Committee met one time in 2010. Skill sets and background deemed desirable within the current mix of skill sets and background of current directors, diversity of the Board and the ability of the person to devote the necessary time to serve as a Director are considered when assessing a candidate's qualifications. Candidates for director are selected for their character, judgment, business experience, expertise and acumen. The Company's Bylaws state that no person shall be eligible to be elected as a Director if he or she shall have attained the age of seventy-two years on or prior to the date of his or her election.

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

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

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

The name, address and age of the nominee;

The principal occupation of the nominee;

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

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

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

**Compensation Discussion and Analysis**

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

During 2010, a planned management succession occurred with the retirement of Francis Evanitsky, who had held the position of Chief Executive Officer since 2000. According to the succession plan established earlier, Marcie A. Barber was promoted to the position of President and Chief Executive Officer in July 2010. Accordingly, all references to named executive officers (NEO) in the following discussion relate to currently held positions. Any reference to Chief

Operating Officer relates to the position held by Ms. Barber prior to her appointment as Chief Executive Officer. The Personnel and Compensation Committee of the Company's Board of Directors, makes recommendations to the Board of Directors regarding executive compensation. Personnel and Compensation Committee members are: Timothy Havice (Chairman), Martin Dreibelbis, Philip Gingerich, Jr., Jan Snedeker and Joe Benner (until February 28, 2011). Philip Gingerich, Jr., Board Chair, serves on the committee ex-officio, with voting rights. Each of the foregoing persons is independent based on the qualifications for independence established by NASDAQ and the SEC.

The Personnel and Compensation Committee meets as often as is necessary, but must meet no less than once each year. Typically, the Committee meets at least four times annually. During 2010, the committee met five times. The committee meets in executive session (without management present) as necessary, particularly when administering any aspect of the President/Chief Executive Officer's compensation program. Executive management, along with the Personnel and Compensation Committee chair, sets the agenda in advance of each meeting.

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It is the practice of the Personnel and Compensation Committee to meet, with the frequent attendance of the President/Chief Executive Officer 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 her 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 and Compensation Committee**

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

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

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

- Option grants under a stock option plan;

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

- Involvement in the executive selection process;

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

- Consideration of discretionary annual performance and 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.

### **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 2010, the Committee continued to engage Mosteller & Associates, an independent human resource consulting firm, to provide analysis and advice on executive compensation-related matters (including assessment of peer groups, competitive market data, and pay mix and compensation design). During 2010, 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 2010;

- 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 completed in February of 2010 (based upon proxies filed in 2008) and again in February of 2011 (based upon proxies filed in 2009).

- The analysis encompassed reported compensation of the similarly ranked executive positions in a defined peer group that included 18 companies as of the end of 2008 and 17 companies as of the end of 2009. This proxy peer group included banks of similar size and structure, with assets ranging from \$360 million to \$902 million as of the end of 2008 and between \$376 million and \$979 million as of the end of 2009.

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 2010 with respect to the Company's salary and performance appraisal programs. In 2010, Conrad Siegel Actuaries performed consultation, actuarial and administrative services in regard to the Company's defined benefit and defined contribution plans. Additionally in 2010, Conrad Siegel Investment Advisors, Inc. acted as a non-discretionary advisor in relation to the Company's defined contribution plan. The Committee also uses legal counsel, as necessary, in matters of executive employment.

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

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

The 2010 defined peer group ( Peer Group ) was comprised of 18 similarly sized mid-Atlantic community banks that were not located in the vicinity of major cities. Peer Group institutions have assets between \$360 million and \$902 million. The number of banks in the peer group decreased from the 19 used in the previous year due to merger activity. Companies included in the Peer Group were: Franklin Financial Services Corp, First Keystone Corp., ENB Financial Corp., Penns Woods Bancorp, Inc., Codorus Valley Bancorp, Inc., Citizens Financial Services, Inc., Pensco 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 2009-2010 Financial Institution Survey and L.R. Webber Associates 2009 Survey.

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

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

We believe a competitive base salary is important to attract and retain 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. Equity-based compensation is intended to provide a strong incentive for executives to remain with the Company and link their compensation to the value of our shares over time.

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

- Attract, motivate and retain results-oriented executive and key management employees;
- Tie executive compensation to shareholder return;
- Link compensation directly to the organization s strategic objectives; and
- Reward collective and individual (as appropriate) performance contributing to the overall success of the organization.

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

- are designed to align with the Company s business objectives;
- are chosen to reward results that increase shareholder value;
- are targeted to achieve budgeted ratios;
- focus on expanding the Company into new geographic markets; and
- include a focus on organizational efficiency.

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

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

- Market-competitiveness within the general geographic area;
- Appropriate balance of risk/reward; and
- Company/business unit/individual performance.

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

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**Elements of Executive Compensation**

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

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

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

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