

CAMDEN NATIONAL CORP  
Form S-4  
September 21, 2007  
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As filed with the Securities and Exchange Commission on September 21, 2007

Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM S-4**

REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

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**CAMDEN NATIONAL CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

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<b>Maine</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>6022</b> (Primary Standard Industrial Classification Code Number) Two Elm Street Camden, Maine 04843  (207) 236-8821	<b>01-0413282</b> (I.R.S. Employer Identification Number)
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(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Robert W. Daigle**

**President and Chief Executive Officer**

**Camden National Corporation**

**Two Elm Street**

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Camden, Maine 04843

(207) 236-8821

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: As soon as possible after the effective date of this registration statement and the consummation of the merger described in this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

**CALCULATION OF REGISTRATION FEE**

<b>Title of Securities To be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Share</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee(3)</b>
Common Stock, no par value	1,222,905	N/A	\$ 42,457,525	\$ 1,303.45

(1) Represents the estimated maximum number of shares of common stock of the registrant, Camden National Corporation ( Camden ) to be issued upon consummation of the merger of Union Bankshares Company ( Union Bankshares ) with and into Camden as described herein, based on an exchange ratio of 1.9106 shares of Camden common stock for 60% of the outstanding shares of Union Bankshares common stock.

(2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f) and 457(c) under the Securities Act. The proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the market value of shares of Union Bankshares common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act by multiplying (i) 1,066,772, the estimated maximum number of shares of Union Bankshares common stock to be acquired in the merger, by (ii) \$67.00, the average of the bid and ask prices per share of Union Bankshares common stock on September 20, 2007, as quoted on the OTC Bulletin Board, then subtracting \$29,016,199, the estimated maximum amount of cash to be paid by Camden in exchange for shares of Union Bankshares common stock in the merger.

(3) Calculated by multiplying the proposed maximum aggregate offering price by (2) 0.00003070.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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**The information in this document is not complete and may be changed. Camden may not sell the securities offered by this document until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and Camden is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.**

**Subject to Completion, dated September 21, 2007**

**UNION BANKSHARES COMPANY**

**66 Main Street**

**Ellsworth, Maine 04605**

[ ], 2007

Dear Shareholder:

On behalf of the board of directors and management of Union Bankshares Company, you are cordially invited to attend a special meeting of shareholders, which will be held at [ ], on [ ], [ ], 2007 at [ ]:00 [ ].m., local time. At the special meeting, you will be asked to consider and vote upon a proposal to approve a merger agreement pursuant to which Union Bankshares will merge with and into Camden National Corporation.

If the merger agreement is approved and the merger is subsequently completed, each outstanding share of Union Bankshares common stock that you hold will be converted into the right to elect to receive either \$68.00 in cash or 1.9106 shares of Camden common stock, plus cash in lieu of any fractional share. You may elect to have a portion of your Union Bankshares common stock converted into cash, with the remainder converted into Camden common stock. All elections are subject to adjustment to ensure that 40% of the outstanding shares of Union Bankshares common stock will be converted into the right to receive cash, and 60% of the outstanding shares of Union Bankshares common stock will be converted into the right to receive Camden common stock. Camden common stock is traded on the American Stock Exchange under the trading symbol CAC, and on [ ], 2007, the closing price of Camden common stock was \$[ ] per share.

The merger cannot be completed unless the shareholders of Union Bankshares approve the merger agreement. The Union Bankshares board of directors unanimously adopted the merger agreement and determined that the merger is advisable and in the best interests of Union Bankshares and its shareholders, and unanimously recommends that shareholders vote **FOR** approval of the merger agreement.

The accompanying document serves as the proxy statement for the special meeting of shareholders of Union Bankshares and the prospectus for the shares of Camden common stock to be issued in the merger. The accompanying document describes the special meeting, the merger, the documents related to the merger, and other related matters. We urge you to read this entire document carefully. **In particular, you should carefully consider the discussion in the section titled Risk Factors beginning on page 21. You can also obtain information about Union Bankshares and Camden from documents that have been filed with the Securities and Exchange Commission.**

**Your vote is very important.** Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** approval of the merger agreement. If you do not return the proxy card, it will have the same effect as a vote against approval of the merger agreement.

Very truly yours,

Peter A. Blyberg

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*President and Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of Camden common stock to be issued in the merger or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense. The shares of Camden common stock to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.**

This document is dated [                    ], 2007 and is first being mailed to shareholders on or about [                    ], 2007.

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**REFERENCE TO ADDITIONAL INFORMATION**

**This document incorporates important business and financial information about Camden from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain copies of those documents incorporated by reference by requesting them in writing or by telephone from Camden at the following address and telephone number:**

**Camden National Corporation**

**Two Elm Street**

**Camden, Maine 04843**

**(207) 236-8821**

**Attn: Suzanne Brightbill**

**If you would like to request documents, please do so by [                      ], 2007 in order to receive them before the special meeting of Union Bankshares shareholders.**

See also the section in this document titled "Where You Can Find More Information" beginning on page 127.

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UNION BANKSHARES COMPANY

66 Main Street

Ellsworth, Maine 04605

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD [                      ], 2007

A special meeting of shareholders of Union Bankshares Company will be held at [                      ], on [                      ], [                      ], 2007 at [                      ]:00 [                      ].m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger by and between Camden National Corporation and Union Bankshares, dated as of August 13, 2007, as amended, pursuant to which Union Bankshares will merge with and into Camden, with Camden being the surviving corporation;
2. To consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement; and
3. To consider and act upon such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

As of the date of this document, management of Union Bankshares is not aware of any other business to be considered at the special meeting.

The proposed merger of Union Bankshares with and into Camden is more fully described in the attached document, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as *Annex A* to the attached document.

Union Bankshares has established [                      ], 2007 as the record date for determining the shareholders entitled to notice of and to vote at the special meeting. Only record holders of Union Bankshares common stock as of the close of business on that date will be entitled to vote at the special meeting or any adjournment or postponement of that meeting. The affirmative vote of holders of at least sixty percent (60%) of the shares of Union Bankshares common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement.

**Our board of directors unanimously recommends that you vote FOR approval of the merger agreement.**

**Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope.** Your vote is important, regardless of the number of shares that you own. Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend.

CERTAIN SHAREHOLDERS DISSENTING TO THE AGREEMENT AND PLAN OF MERGER ARE ENTITLED, UPON COMPLIANCE WITH CHAPTER 13 OF THE MAINE BUSINESS CORPORATION ACT, ATTACHED AS ANNEX D TO THIS DOCUMENT, TO BE PAID THE FAIR VALUE OF THEIR SHARES. SEE THE MERGER DISSENTERS APPRAISAL RIGHTS IN THE ACCOMPANYING DOCUMENT.

By Order of the Board of Directors,

Sally J. Hutchins  
Clerk

Ellsworth, Maine

[            ], 2007

**Please do not send your stock certificates with your proxy card. You will receive separate instructions regarding the surrender of your stock certificates.**



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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING**

**Q: Why am I receiving this document?**

A: Camden and Union Bankshares have agreed to the acquisition of Union Bankshares by Camden under the terms of a merger agreement that is described in this document. A copy of the merger agreement is attached to this document as *Annex A*. In order to complete the merger, Union Bankshares shareholders must vote to approve the merger agreement. Union Bankshares will hold a special meeting of its shareholders to obtain this approval. This document contains important information about the merger, the merger agreement, the special meeting of Union Bankshares shareholders, and other related matters, and you should read it carefully. The enclosed voting materials for the special meeting allow you to vote your shares of Union Bankshares common stock without attending the special meeting.

**Q: What will happen in the merger?**

A: In the proposed merger, Union Bankshares will merge with and into Camden, with Camden being the surviving corporation. Promptly thereafter, Union Bankshares subsidiary, Union Trust Company will merge with and into Camden National Bank with Camden National Bank being the surviving institution.

**Q: What will I receive in the merger?**

A: You may elect to receive either \$68.00 in cash or 1.9106 shares of Camden common stock in exchange for each share of Union Bankshares common stock that you own immediately prior to the effective time of the merger. **However, the form of merger consideration you actually receive may differ from the form of consideration that you elect to receive.** This is because the consideration to be received by each Union Bankshares shareholder is subject to allocation procedures, which are intended to ensure that 40% of the shares of Union Bankshares common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive cash, and 60% of these shares of Union Bankshares common stock will be converted into the right to receive Camden common stock.

**Q: Will I receive any fractional share of Camden common stock as part of the merger consideration?**

A: No. Camden will not issue any fractional shares of its common stock in the merger. Instead, Camden will pay you the cash value of a fractional share measured by the average of the last sale prices of Camden common stock on the American Stock Exchange for the five trading days preceding the closing date of the merger.

**Q: How do I make an election as to the form of merger consideration I wish to receive?**

A: No more than 40 and no less than 20 business days prior to the anticipated election deadline (which will be a date mutually agreed upon by Union Bankshares and Camden), we will mail to you separately an election form and letter of transmittal for the surrender of your Union Bankshares stock certificates in exchange for the merger consideration. Along with those documents, you will receive detailed instructions describing the procedures you must follow to make your election. We will also publicly announce the election deadline, which will be before the closing date for the merger.

We are not making any recommendation to you as to whether you should elect to receive cash, shares of Camden common stock or a combination of each in the merger. You should evaluate your own specific circumstances and investment preferences in making your election.

**Q: Can I elect to receive my merger consideration in the form of cash with respect to a portion of my Union Bankshares shares and Camden common stock with respect to the rest of my Union Bankshares shares?**

A: Yes. The election form and letter of transmittal will permit you, subject to the allocation procedures described in this document, to receive at your election:

all of your merger consideration in the form of shares of Camden common stock;

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all of your merger consideration in the form of cash; or

a portion of your merger consideration in cash and the remaining portion in shares of Camden common stock.

Please see the examples set forth in the section of this document titled "The Merger Agreement Allocation Procedures" beginning on page 51.

**Q: Do I have to return the election form and letter of transmittal?**

A: No, but if you do not make an election, you will be allocated cash and/or shares of Camden common stock depending upon the elections made by other Union Bankshares shareholders.

**Q: Will I be able to trade the shares of Camden common stock that I receive in the merger?**

A: You may freely trade the shares of Camden common stock issued in the merger, unless you are an affiliate of Union Bankshares. The shares will be quoted on the American Stock Exchange under the symbol "CAC". Persons who are considered "affiliates" (generally directors, officers and 10% or greater shareholders) of Union Bankshares must comply with Rule 145 under the Securities Act of 1933 if they wish to sell or otherwise transfer any of the shares of Camden common stock that they receive in the merger. We will notify you if we believe you are an affiliate of Union Bankshares.

**Q: What will happen to shares of Camden common stock in the merger?**

A: Nothing. Each share of Camden common stock outstanding will remain outstanding as a share of Camden common stock.

**Q: What are the material federal income tax consequences of the merger to me?**

A: In general, if you exchange all of your shares of Union Bankshares common stock for shares of Camden common stock, you will not recognize either gain or loss for federal income tax purposes. If you exchange some or all of your shares of Union Bankshares common stock for cash, you generally will recognize gain, but not loss, for federal income tax purposes in an amount equal to the lesser of (1) the amount of cash you receive in the merger, or (2) the amount, if any, by which the sum of the fair market value, as of the effective time of the merger, of any shares of Camden common stock that you receive, and the amount of cash you receive in the merger, exceeds your adjusted tax basis in your shares of Union Bankshares common stock.

**This tax treatment may not apply to all Union Bankshares shareholders. We strongly urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you.**

**Q: What are the conditions to completion of the merger?**

A: The obligations of Camden and Union Bankshares to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory approvals, tax opinions and approval of the merger agreement by Union Bankshares shareholders.

**Q: When do you expect the merger to be completed?**

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining the approval of the merger agreement by Union Bankshares shareholders at the special meeting. Fulfilling some of these conditions, such as receiving required regulatory approvals, is not entirely within our control. We currently expect to complete the merger during January 2008; however, because the merger is subject to these conditions, we cannot reliably predict the actual timing.



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**Q: What shareholder approvals are required to complete the merger?**

A: For Union Bankshares, the affirmative vote of holders of at least 60% of the shares of Union Bankshares common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement. For Camden, no approval of shareholders is needed and no vote will be taken.

**Q: Are there any shareholders already committed to voting in favor of the merger agreement?**

A: Yes. Union Bankshares shareholders who collectively held approximately 4.0% of the outstanding shares of Union Bankshares common stock on the record date have entered into voting agreements requiring them to vote all of their shares in favor of approval of the merger agreement.

**Q: When and where is the special meeting?**

A: The special meeting of shareholders of Union Bankshares will be held at [ ], on [ ], [ ], 2007 at [ ]:00 [ ].m., local time.

**Q: What will happen at the special meeting?**

A: At the special meeting, Union Bankshares shareholders will consider and vote upon a proposal to approve the merger agreement. If, at the time of the special meeting, there are not sufficient votes to approve the merger agreement, we may ask you to consider and vote upon a proposal to adjourn the special meeting, so that we can solicit additional proxies.

**Q: Does the Union Bankshares board of directors recommend voting in favor of the merger agreement?**

A: Yes. After careful consideration, the Union Bankshares board of directors unanimously recommends that Union Bankshares shareholders vote **FOR** approval of the merger agreement.

**Q: Are there any risks that I should consider in deciding whether to vote for approval of the merger agreement?**

A: Yes. You should read and carefully consider the risk factors set forth in the section in this document titled **Risk Factors** beginning on page 22.

**Q: What do I need to do now?**

A: You should carefully read and consider the information contained or incorporated by reference into this document, including its annexes. It contains important information about the merger, the merger agreement, Camden and Union Bankshares. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid return envelope as soon as possible so that your shares of Union Bankshares common stock will be represented and voted at the special meeting.

**Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?**

A: No. Your broker, bank or other nominee will not vote your shares unless you provide instructions to your broker, bank or other nominee on how to vote. You should fill out the voter instruction form sent to you by your broker, bank or other nominee with this document.

**Q: What if I fail to return my proxy card or to instruct my broker, bank or other nominee?**

A: If you fail to return your proxy card or to instruct your broker, bank or other nominee to vote your shares, your shares will not be voted and this will have the same effect as a vote against approval of the merger agreement.

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**Q: Can I attend the special meeting and vote my shares in person?**

A: Yes. Although the Union Bankshares board of directors requests that you return the proxy card accompanying this document, all Union Bankshares shareholders are invited to attend the special meeting. Voting by proxy will not prevent you from voting in person at the special meeting, but will ensure that your vote is counted if you are unable to attend. Shareholders of record on [ ], 2007 can vote in person at the special meeting. If your shares are held by a broker, bank or other nominee, then you are not the shareholder of record and you must bring to the special meeting appropriate documentation from your broker, bank or other nominee to enable you to vote at the special meeting.

**Q: Can I change my vote after I have mailed my signed proxy card?**

A: Yes. If you have not voted through your broker, bank or other nominee, there are three ways you can change your vote at any time after you have sent in your proxy card and before your proxy is voted at the special meeting.

You may deliver a written notice bearing a date later than the date of your proxy card to the clerk of Union Bankshares, stating that you revoke your proxy.

You may complete and deliver to the clerk of Union Bankshares a new proxy card relating to the same shares and bearing a later date.

You may attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy. You should send any notice of revocation or your completed new proxy card, as the case may be, to Union Bankshares at the following address:

Union Bankshares Company

66 Main Street

Ellsworth, Maine 04605

Attn: Clerk

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your vote.

**Q: Am I entitled to dissenters' rights in connection with the merger?**

A: Yes. Under applicable Maine law, you have the right to dissent from the merger and receive payment in cash for the appraised fair value of your shares of Union Bankshares common stock. To exercise these rights you must:

deliver to Union Bankshares before the special meeting written notice of your intent to exercise these rights with respect to your shares if the merger is completed;

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not vote your shares in favor of approval of the merger agreement; and

follow the applicable statutory procedures for perfecting dissenters' rights under Maine law. A copy of the relevant statutory provisions is attached to this document as *Annex D*.

**Q: Should I send in my stock certificates now?**

A: No. You will receive separate written instructions for making your election of all cash, all Camden common stock or a combination of cash and Camden common stock for your shares of Union Bankshares common stock, and for surrendering your shares of Union Bankshares common stock in exchange for the merger consideration. In the meantime, you should retain your stock certificate(s) because they are still valid. **Please do not send in your stock certificate(s) with your proxy card.**

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**Q: Where can I find more information about the companies?**

A: You can find more information about Camden and Union Bankshares from the various sources described under the section of this document titled *Where You Can Find More Information* beginning on page 127.

**Q: Whom should I call with questions?**

A: You may contact our information agent, Georgeson Inc., as follows:  
Georgeson Inc.

17 State Street

New York, NY 10004

1-866-651-3212

You may also contact Camden at the telephone number listed under *Reference to Additional Information* on the inside cover of this document, or you may contact Union Bankshares at (207) 667-2504 and ask to speak with the clerk.

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**SUMMARY**

*This summary highlights selected information from this document and may not contain all of the information that is important to you. To more fully understand the merger and for a more complete description of the legal terms of the merger, you should read this entire document, including the materials attached as annexes, as well as the other documents to which we have referred you. See *Where You Can Find More Information* beginning on page 127. The page references in parentheses included in this summary will direct you to a more detailed description of each topic presented.*

*Unless the context otherwise requires, throughout this document, *Union Bankshares* refers collectively to Union Bankshares Company and its subsidiary; *Camden* refers collectively to Camden National Corporation and its subsidiaries; *Union Trust* refers to Union Trust Company, the wholly-owned bank subsidiary of Union Bankshares; *Camden Bank* refers to Camden National Bank, the wholly-owned bank subsidiary of Camden; and *we, us and our* refer collectively to Union Bankshares and Camden. Also, we refer to the merger between Union Bankshares and Camden as the *merger* and the Agreement and Plan of Merger, dated as of August 13, 2007, as amended, between Camden and Union Bankshares as the *merger agreement*.*

**The Companies**

***Camden National Corporation (page 30)***

Camden is a publicly held bank holding company registered under the Bank Holding Company Act of 1956, as amended. Camden was founded in January 1984 following a corporate reorganization in which the shareholders of Camden Bank exchanged their shares of stock for shares of stock in Camden. Camden, as a diversified financial services provider, pursues the objective of achieving long-term sustainable growth by balancing growth opportunities against profit, while mitigating risks inherent in the financial services industry. The primary business of Camden and its subsidiaries is to attract deposits from consumer, institutional, non-profit and commercial customers and to extend loans to consumer, institutional, non-profit and commercial customers. Camden makes available its commercial and consumer banking products and services through its subsidiary, Camden Bank, and its brokerage and insurance services through Acadia Financial Consultants, which operates as a division of Camden Bank. Camden also provides wealth management, trust and employee benefit products and services through its other subsidiary, Acadia Trust, N.A., a federally regulated, non-depository trust company headquartered in Portland, Maine. In addition to serving as a bank holding company, Camden provides managerial, financial management, risk management, operational, human resource, marketing and technology services to its subsidiaries. Camden's principal executive offices are located at Two Elm Street, Camden, Maine 04843, and its telephone number is (207) 236-8821.

***Union Bankshares Company (page 30)***

Union Bankshares is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, which has elected financial holding company status. Union Bankshares was incorporated in 1984 and is headquartered in Ellsworth, Maine.

Union Bankshares is the sole shareholder of Union Trust, a community-oriented Maine commercial bank with thirteen offices located along Maine's coast. Union Trust conducts its operations out of its main office in Ellsworth, Maine. It also operates through branch offices located in Ellsworth, Blue Hill, Stonington, Milbridge, Jonesport, Town Hill, Castine, Bar Harbor, Waldoboro, Rockland, Belfast and Camden, Maine. Its deposits are gathered from the general public in these towns and surrounding communities, and its lending activities are concentrated primarily in Hancock, Washington, Knox, Lincoln and Waldo counties of the State of Maine.

Union Bankshares serves the financial needs of individuals, businesses, municipalities and organizations with a full range of community banking services. The community banking business derives its revenues from

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interest and fees earned in connection with its lending activities, interest and dividends on investment securities, service charges and fees on deposit accounts, and fees and commissions from trust accounts and investment advisory services. Union Bankshares' principal executive offices are located at 66 Main Street, Ellsworth, Maine 04605, and its telephone number is (207) 667-2504.

### **The Special Meeting of Union Bankshares Shareholders**

#### ***Date, Time, Place and Purpose of the Special Meeting (page 32)***

The special meeting of shareholders of Union Bankshares will be held at [ ], on [ ], [ ], 2007 at [ ]:00 [ ]m., local time. At the special meeting, Union Bankshares shareholders as of [ ], 2007, the record date, will be asked to vote upon a proposal to approve the merger agreement with Camden.

#### ***Recommendation of Union Bankshares Board of Directors (page 32)***

After an evaluation of a variety of business, financial and market factors and after consultation with its advisors, at a meeting on August 13, 2007, the Union Bankshares Board of Directors determined that the merger is advisable and in the best interests of Union Bankshares and its shareholders, and unanimously adopted the merger agreement. The Union Bankshares board unanimously recommends that you vote **FOR** approval of the merger agreement.

#### ***Record Date; Outstanding Shares; Shares Entitled to Vote (page 32)***

Only holders of record of Union Bankshares common stock at the close of business on the record date of [ ], 2007 are entitled to notice of and to vote at the special meeting. As of the record date, there were [ ] shares of Union Bankshares common stock outstanding, held of record by approximately [ ] shareholders.

#### ***Quorum; Vote Required (page 32)***

A quorum of Union Bankshares shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of Union Bankshares common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Union Bankshares will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the special meeting.

The affirmative vote of the holders of at least 60% of the outstanding shares of Union Bankshares common stock is required to approve the merger agreement.

#### ***Share Ownership of Management (page 32)***

As of the record date, the directors and certain executive officers of Union Bankshares and their affiliates collectively owned [ ] shares of Union Bankshares common stock, or approximately 4.0% of Union Bankshares outstanding shares. These directors and executive officers have executed voting agreements with Camden under which they have agreed to vote their shares in favor of the merger agreement, and have granted Camden an irrevocable proxy to so vote their shares.

#### ***Proxies, Voting and Revocation (page 33)***

The Union Bankshares board of directors requests that you return the proxy card accompanying this document for use at the special meeting. Please complete, date and sign the proxy card and promptly return it in

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the enclosed pre-paid envelope. All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, if no instructions are given, to approve the merger agreement and the adjournment proposal.

You may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to the clerk of Union Bankshares, stating that you revoke your proxy;

signing and delivering to the clerk of Union Bankshares a new proxy card relating to the same shares and bearing a later date; or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy.

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your vote.

### ***Dissenters Appraisal Rights (page 45)***

Union Bankshares is organized as a corporation under Maine law. Under Maine corporate law, Union Bankshares shareholders who object to the merger have dissenters appraisal rights. For more information regarding dissenters rights, please see the section in this document titled The Merger Dissenters Appraisal Rights beginning on page 45.

## **The Merger**

### ***Structure of the Merger (page 51)***

Camden and Union Bankshares entered into an Agreement and Plan of Merger on August 13, 2007, as amended. The merger agreement provides for the merger of Union Bankshares with and into Camden, with Camden being the surviving corporation. Promptly thereafter, Union Bankshares subsidiary, Union Trust will merge with and into Camden Bank with Camden Bank being the surviving institution.

The proposed merger will occur following approval of the proposal described in this document by the shareholders of Union Bankshares and satisfaction or waiver of all other conditions to the merger. The merger agreement is attached to this document as *Annex A*. We encourage you to read the merger agreement because it is the legal document that governs the merger.

### ***Merger Consideration (page 51)***

If the merger is completed, each share of Union Bankshares common stock will be converted into the right to receive either:

\$68.00 in cash (which is referred to as the cash consideration); or

1.9106 shares of Camden common stock (which is referred to as the stock consideration), plus cash in lieu of any fractional share. You will have the opportunity to elect the form of consideration that you receive in the merger in exchange for your shares of Union Bankshares common stock. You may elect to receive a portion of your merger consideration in cash and the remaining portion in shares of Camden common stock. However, your right to receive the form of consideration that you elect for your shares will be subject to allocation procedures set forth





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in the merger agreement. These allocation procedures are intended to ensure that 40% of the outstanding shares of Union Bankshares common stock immediately prior to the effective time of the merger will be converted into the right to receive cash, and 60% of these shares of Union Bankshares common stock will be converted into the right to receive Camden common stock.

As illustrated in the table below, the value of 1.9106 shares of Camden common stock at the closing of the merger may be less than or greater than \$68.00. In particular, if the value of a share of Camden common stock at the closing of the merger is less than \$35.59, then the \$68.00 in cash would be greater than the value of 1.9106 shares of Camden common stock.

<b>Hypothetical Trading</b>	<b>Corresponding Value of</b>
<b>Price of Camden</b>	<b>1.9106 shares of</b>
<b>Common Stock</b>	<b>Camden Common Stock</b>
\$40.00	\$76.42
\$39.00	\$74.51
\$38.00	\$72.60
\$37.00	\$70.69
\$36.00	\$68.78
\$35.59	\$68.00
\$35.00	\$66.87
\$34.00	\$64.96
\$33.00	\$63.05
\$32.00	\$61.14
\$31.00	\$59.23
\$30.00	\$57.32

You are urged to check the trading price of Camden common stock prior to completing your election form. The trading price of Camden common stock will fluctuate between the date of this document, the date of your election and the closing of the merger. As a result, as the table above illustrates, fluctuations in the trading price of Camden common stock will alter the value of the new shares that you may acquire in exchange for your existing shares.

Camden will not issue fractional shares. Instead, Union Bankshares shareholders who receive Camden common stock will receive the value of any fractional share in cash based on the average of the last sale prices of a share of Camden common stock, as reported on the American Stock Exchange, for the five trading days preceding the closing date of the merger, rounded to the nearest whole cent. No interest will be paid with respect to any portion of the cash consideration payable in connection with the merger.

***Election Procedures (page 52)***

The shares of Union Bankshares common stock that you hold will be exchanged for cash, Camden common stock or a combination of cash and Camden common stock as chosen by you, subject to the allocation procedures described in the merger agreement. Prior to the closing date of the merger, you will be sent an election form and detailed instructions to permit you to choose your preferred consideration. You have the following choices:

you may elect to receive \$68.00 per share in cash in exchange for all shares of Union Bankshares common stock that you hold;

you may elect to receive 1.9106 shares of Camden common stock in exchange for all shares of Union Bankshares common stock that you hold, plus cash in lieu of any fractional share;

you may elect to receive the cash consideration with respect to a portion of the shares of Union Bankshares common stock that you hold, and the stock consideration with respect to your remaining shares; or



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you may make no election with respect to the consideration to be received by you in exchange for your shares of Union Bankshares common stock.

You will have a limited period of time in which to complete the election form and return it as instructed. The election form will be mailed to you no more than 40 and no less than 20 business days prior to the anticipated election deadline (which will be a date mutually agreed upon by Union Bankshares and Camden). You will need to surrender your Union Bankshares stock certificates to receive the appropriate consideration, but you should not send us any certificates now. You will receive detailed instructions on how to exchange your stock certificates along with your election form. If you do not submit an election form, you will receive instructions on where to surrender your Union Bankshares stock certificates after the merger is completed.

If your shares or a portion of your shares of Union Bankshares common stock are held in street name by a broker, bank or other nominee, an election form will be mailed to the broker, bank or other nominee with respect to those shares.

If you hold a portion of your shares in an individual retirement account and the remaining portion of your shares directly in your name, you will receive two election forms: one for your shares held in the individual retirement account and one for the shares held directly in your name.

***Allocation Procedures (page 53)***

The merger agreement provides for overall limitations on the amount of cash and shares of Camden common stock available in the merger as follows:

40% of the total number of outstanding shares of Union Bankshares common stock immediately prior to the effective time of the merger will be converted into the right to receive the cash consideration; and

60% of these shares of Union Bankshares common stock will be converted into the right to receive the stock consideration.

As a result, whether you receive the amount of cash and/or stock that you request in your election form will depend in part on the elections of other Union Bankshares shareholders. You may not receive exactly the form of consideration that you elect in the merger, and you may instead receive a pro rata amount of cash and Camden common stock.

If you have a preference for receiving either cash or Camden common stock for your shares of Union Bankshares common stock, you should return the election form indicating your preference. Union Bankshares shareholders who make an election will be accorded priority over those shareholders who make no election in instances where the cash consideration or stock consideration must be re-allocated in order to achieve the required ratio of Union Bankshares shares being converted into the right to receive cash and Camden common stock. If you do not make an election, you will be allocated cash and/or Camden common stock depending on the elections made by other Union Bankshares shareholders. Please see the examples set forth in the section of this document titled *The Merger Agreement Allocation Procedures* beginning on page 53. **However, even if you do make an election, the form of merger consideration you actually receive may differ from the form of merger consideration you elect to receive.**

***Opinion of Union Bankshares Financial Advisor (page 40)***

In deciding to adopt the merger agreement and recommend its approval to Union Bankshares shareholders, the Union Bankshares board of directors consulted with senior management, its financial advisor and its legal counsel, and considered, among other things, an opinion from its financial advisor, Stifel, Nicolaus & Company, Incorporated ( Stifel ). On August 13, 2007, Stifel delivered an opinion to the Union Bankshares board of

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directors that, as of that date and based upon and subject to the considerations described in the opinion, the merger consideration was fair, from a financial point of view, to the Union Bankshares shareholders. The full text of the written opinion is attached to this document as *Annex C*. We encourage you to read the opinion carefully and in its entirety. The opinion of Stifel is directed to the Union Bankshares board of directors and does not constitute a recommendation to any shareholder on how to vote on approval of the merger agreement.

***Interests of Certain Persons in the Merger (page 49)***

Union Bankshares directors and executive officers have financial interests in the merger that are in addition to their interests as shareholders. The Union Bankshares board of directors considered these interests in deciding to approve the merger agreement.

Union Bankshares currently has amended salary continuation agreements with six of its executive officers including two of its named executive officers, John P. Lynch and Rebecca J. Sargent. The amended salary continuation agreements provide for a lump sum payment upon the closing of the merger to these executive officers. If the merger closes in January 2008, the salary continuation payments are estimated to be as follows: Mr. Lynch \$324,503; Ms. Sargent \$302,117; and the other four officers are estimated to be paid \$942,959 in aggregate.

Following the merger of Union Bankshares and Camden, Camden will select a board member of Union Bankshares to join the Board of Camden. Following the merger of Union Trust into Camden Bank, two members will be selected by Camden Bank to join the board of Camden Bank. One of the members will be Peter Blyberg, President and Chief Executive Officer of Union Bankshares, who will be appointed Vice Chairman of the board of directors of Camden Bank. The other additional member of the Union Trust board to serve on the Camden Bank board of directors has not been selected as of the date of this document. Camden will also establish an advisory board of Camden Bank, which will operate pursuant to a written charter. The remaining board members of Union Trust will be invited to serve as members of the advisory board. Each member of the advisory board will receive a fee of \$250 per meeting attended and will serve until at least the second anniversary of the effective date of the merger and the election and qualification of their successors.

Camden has agreed to indemnify the directors and officers of Union Bankshares against certain liabilities for a period of six years following the merger. Camden has also agreed to the purchase by Union Bankshares of extended directors and officers liability insurance for a period of six years following the merger.

On the record date, directors and executive officers of Union Bankshares and their affiliates beneficially owned [ ] shares or 4.0% of Union Bankshares common stock.

***Limitations on Considering Other Acquisition Proposals (page 62)***

The merger agreement restricts Union Bankshares ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in Union Bankshares. However, if Union Bankshares receives a bona fide unsolicited written acquisition proposal from a third party that is, or is reasonably likely to be, more favorable to Union Bankshares shareholders than the terms of the merger agreement, Union Bankshares may furnish nonpublic information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions in the merger agreement. In addition, the Union Bankshares board of directors may not modify, qualify, withhold or withdraw its approval or recommendation of the merger agreement, approve or recommend another acquisition proposal to its shareholders, or cause Union Bankshares to enter into a letter of intent or definitive agreement with respect to an acquisition transaction or that requires Union Bankshares to abandon, terminate or fail to consummate the merger, unless the Union Bankshares board of directors determines in good faith, after consultation with counsel and its financial advisor, that an acquisition proposal is a superior proposal and that it is required to take such

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action to comply with its fiduciary duties to shareholders under applicable law, and Union Bankshares provides Camden with notice of such determination and cooperates and negotiates in good faith with Camden to adjust or modify the terms and conditions of the merger agreement.

***Conditions to the Merger (page 59)***

Camden and Union Bankshares will not complete the merger unless a number of conditions are satisfied or waived, including:

the shareholders of Union Bankshares must approve the merger agreement;

Camden and Union Bankshares must receive all required regulatory approvals, any waiting periods required by law must have passed, and none of the regulatory approvals must impose any burdensome condition upon Camden;

there must be no order, decree or injunction in effect, nor any law, statute or regulation enacted or adopted, preventing completion of the merger;

the American Stock Exchange must authorize the listing of the shares of Camden common stock to be issued to Union Bankshares shareholders in the merger;

Camden must receive all material third-party consents to the merger;

Camden and Union Bankshares must each receive a legal opinion regarding treatment of the merger as a reorganization for federal income tax purposes;

the representations and warranties of each of Camden and Union Bankshares in the merger agreement must be accurate, subject to exceptions that would not have a material adverse effect;

Camden and Union Bankshares must each have performed in all material respects all obligations required to be performed by it;

no event or development must have occurred with respect to Union Bankshares or Camden that has had, or would reasonably be expected to have, a material adverse effect; and

not more than 10% of the issued and outstanding shares of Union Bankshares common stock shall have exercised dissenters appraisal rights.

***Termination of the Merger Agreement (page 61)***

Camden and Union Bankshares can mutually agree to terminate the merger agreement before the merger has been completed, and either company can terminate the merger agreement if:

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the other party materially breaches any of its representations, warranties or covenants contained in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement) and the breach cannot be or has not been cured within 30 days of written notice of the breach;

the merger is not completed by June 30, 2008, unless the failure to complete the merger is due to the failure by the terminating party to perform its obligations under the merger agreement;

a regulatory approval that is required in order to complete the merger is denied; or

the shareholders of Union Bankshares do not approve the merger agreement.

In addition, Camden may terminate the merger agreement if:

the Union Bankshares board of directors:

modifies, qualifies, withholds or withdraws its recommendation to Union Bankshares shareholders to vote in favor of the merger agreement, or makes any statement, filing or release that is inconsistent with the recommendation;

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breaches its obligations to call, give notice of and commence the special meeting; or

approves or recommends an alternative acquisition proposal; or

Union Bankshares breaches in any material respect the provisions in the merger agreement prohibiting the solicitation of other acquisition proposals.

Union Bankshares has the right to terminate the merger agreement in connection with entering into a definitive agreement to effect a superior proposal, subject to specified conditions in the merger agreement.

***Termination Fee (page 61)***

Under the terms of the merger agreement, Union Bankshares must pay Camden a termination fee of \$2.9 million if:

Camden terminates the merger agreement as a result of the Union Bankshares board of directors modifying or withdrawing its recommendation to the Union Bankshares shareholders to vote in favor of the merger agreement, or approving or recommending another acquisition proposal;

Camden terminates the merger agreement as a result of a material breach by Union Bankshares of the provisions in the merger agreement prohibiting the solicitation of other offers;

Camden or Union Bankshares terminates the merger agreement as a result of:

(1) the failure of the Union Bankshares shareholders to approve the merger agreement; (2) the merger not having been consummated by June 30, 2008 due to the failure of the Union Bankshares shareholders to approve the merger agreement; or (3) a material breach by Union Bankshares of any of its representations, warranties, covenants or agreements contained in the merger agreement; and both:

an acquisition proposal with respect to Union Bankshares has been publicly announced, disclosed or otherwise communicated to the Union Bankshares board of directors prior to that time; and

within 12 months of termination of the merger agreement, Union Bankshares enters into a definitive agreement with respect to, or has consummated, another acquisition proposal; or

Union Bankshares terminates the merger agreement in connection with Union Bankshares entering into a definitive agreement with respect to a superior proposal.

***Effective Time of the Merger (page 51)***

We expect that the merger will be completed following the approval of the merger agreement by the shareholders of Union Bankshares at the special meeting, if all other conditions have been satisfied or waived. The parties cannot be certain whether or when any of the conditions to the merger will be satisfied, or waived where permissible. We currently expect to complete the merger during January 2008; however, because the merger is subject to these conditions, we cannot reliably predict the actual timing.

***Material Federal Income Tax Consequences (page 79)***



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Each of Camden and Union Bankshares expects to receive an opinion of counsel at closing to the effect that, based on certain facts, representations and assumptions, the merger will be treated as a reorganization for federal income tax purposes. Accordingly, you generally will not recognize any gain or loss on the conversion of shares of Union Bankshares common stock solely into shares of Camden common stock. However, you generally will be taxed if you receive cash in exchange for your shares of Union Bankshares common stock or instead of

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any fractional share of Camden common stock that you would otherwise be entitled to receive. Camden's and Union Bankshares' obligation to complete the merger is conditioned on its receipt of these opinions, dated as of the effective date of the merger, regarding the federal income tax treatment of the merger to them and shareholders of Union Bankshares.

Tax matters are complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation and on whether you elect to receive stock, cash or a mix of stock and cash. In addition, you may be subject to state, local or foreign tax laws that are not discussed in this document. **Accordingly, we strongly urge you to consult your own tax advisor for a full understanding of the tax consequences to you of the merger.**

### ***Required Regulatory Approvals (page 82)***

To complete the merger, Camden and Union Bankshares need the prior approval or waiver of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Superintendent of the Maine Bureau of Financial Institutions. The United States Department of Justice has the authority to challenge the approval on antitrust grounds. Camden and Union Bankshares will file all necessary applications and notices with the applicable regulatory authorities. Camden and Union Bankshares cannot reliably predict, however, whether or when the required regulatory approvals will be obtained or whether any such approvals will impose any burdensome condition upon Camden.

### ***Accounting Treatment (page 45)***

The merger will be accounted for under the purchase method. The total purchase price will be allocated to the assets acquired and liabilities assumed, based on their fair values. To the extent that the purchase price exceeds the fair value of the net tangible assets acquired at the effective time of the merger, Camden will allocate the excess purchase price to intangible assets, including goodwill.

### ***Camden Shares to be Listed on the American Stock Exchange (page 65)***

Camden will list the shares of Camden common stock to be issued in connection with the merger to holders of shares of Union Bankshares common stock on the American Stock Exchange. After the completion of the merger, there will be no further trading in shares of Union Bankshares common stock, and Union Bankshares will delist its common stock from the OTC Bulletin Board and deregister it for purposes of the Securities Exchange Act of 1934.

### ***Comparisons of Rights of Shareholders (page 120)***

The rights of Union Bankshares shareholders currently are governed by Union Bankshares' articles of incorporation and bylaws, and by Maine law. After the merger is completed, Union Bankshares shareholders who receive Camden common stock in the merger will become shareholders of Camden, and, therefore, their rights as shareholders of Camden will be governed by Camden's articles of incorporation and bylaws, and will continue to be governed by Maine law. This means that, as a result of the merger, Union Bankshares shareholders will have different rights when they become holders of Camden common stock than they currently have as holders of Union Bankshares common stock.

**Table of Contents****Selected Historical Consolidated Financial Data****Camden**

The following table provides summary historical consolidated financial data as of the end of and for each of the fiscal years in the five-year period ended December 31, 2006, and as of the end of and for each of the six months ended June 30, 2007 and 2006. The historical consolidated financial data as of the end of and for each of the fiscal years in the five-year period ended December 31, 2006 have been derived from Camden's audited financial statements and related notes incorporated by reference into this document. The historical consolidated financial data as of the end of and for each of the six months ended June 30, 2007 and 2006 have been derived from Camden's unaudited financial statements and related notes incorporated by reference into this document. The following information is only a summary and you should read it in conjunction with Camden's Annual Report on Form 10-K for the year ended December 31, 2006, which includes Camden's audited consolidated financial statements and related notes, and is incorporated by reference into this document. For a discussion of certain factors that may materially affect the comparability of the consolidated historical financial data or cause the data reflected below not to be indicative of Camden's future financial condition or results of operations, see the section in this document titled "Risk Factors" beginning on page 22.

	For the Six Months		For the Years Ended December 31,					2002
	Ended June 30, 2007	2006	2006	2005	2004	2003		
(In thousands, except share and per share amounts)								
<b>Statements of Income</b>								
Interest Income	\$ 54,170	\$ 52,095	\$ 107,238	\$ 89,721	\$ 73,377	\$ 72,146	\$ 74,572	
Interest Expense	29,396	24,376	53,048	34,697	24,365	24,487	27,715	
Net Interest Income	24,774	27,719	54,190	55,024	49,012	47,659	46,857	
Provision for Loan Losses	100	1,104	2,208	1,265	(685)	(150)	3,080	
Net Interest Income after Provision	24,674	26,615	51,982	53,759	49,697	47,809	43,777	
Non-interest Income	6,251	5,707	11,629	10,050	11,399	10,829	14,459	
Non-interest Expense	17,064	17,476	34,224	32,461	31,882	30,424	32,311	
Income before Provision for Income Tax	13,861	14,846	29,387	31,348	29,214	28,214	25,925	
Income Tax Expense	4,136	4,650	9,111	9,968	9,721	9,286	8,425	
Cumulative effect of change in accounting, net							(449)	
Net Income	\$ 9,725	\$ 10,196	\$ 20,276	\$ 21,380	\$ 19,493	\$ 18,928	\$ 17,051	
<b>Balance Sheet Data</b>								
Assets	\$ 1,716,103	\$ 1,755,674	\$ 1,769,886	\$ 1,653,257	\$ 1,489,865	\$ 1,370,363	\$ 1,218,419	
Loans	1,190,102	1,244,614	1,218,129	1,182,175	1,069,294	966,855	808,882	
Allowance for Loan and Lease Losses	13,927	15,256	14,933	14,167	13,641	14,135	15,242	
Investments	458,881	405,610	444,093	367,629	323,998	303,749	314,775	
Deposits	1,132,978	1,236,988	1,185,801	1,163,905	1,014,601	900,996	850,134	
Borrowings	505,304	408,766	437,364	347,039	336,820	338,408	238,861	
Shareholders' Equity	\$ 107,509	\$ 96,211	\$ 107,052	\$ 129,538	\$ 126,405	\$ 119,706	\$ 118,828	
Common Shares Outstanding at Year End	6,512,980	6,608,505	6,616,780	7,529,073	7,634,975	7,758,653	8,027,374	
<b>Average Balance Sheet Data</b>								
Assets	\$ 1,751,531	\$ 1,718,774	\$ 1,733,923	\$ 1,592,978	\$ 1,394,898	\$ 1,281,240	\$ 1,152,199	
Loans	1,203,896	1,216,006	1,225,933	1,129,004	1,009,649	897,811	757,733	
Investments	461,011	418,935	422,250	382,458	304,456	302,103	316,944	
Deposits	1,170,148	1,204,366	1,207,835	1,082,374	965,951	860,064	806,167	
Borrowings	457,735	381,251	402,190	372,793	296,415	291,646	224,659	

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Shareholders Equity	\$ 109,153	\$ 119,625	\$ 110,204	\$ 125,818	\$ 122,062	\$ 119,448	\$ 110,877
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**Table of Contents****For the Six Months**

	<b>Ended June 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands, except share and per share amounts)</b>						
<b>Per Share Data</b>							
Basic Earnings Per Share	\$ 1.47	\$ 1.41	\$ 2.93	\$ 2.81	\$ 2.54	\$ 2.39	\$ 2.12
Diluted Earnings Per Share	1.47	1.41	2.93	2.80	2.53	2.38	2.11
Dividends Per Share	0.48	0.44	0.88	1.30	0.80	0.72	0.68
Book Value Per Share	16.51	14.56	16.18	17.21	16.56	15.43	14.80
Tangible Book Value Per Share (1)	\$ 15.78	\$ 13.71	\$ 15.40	\$ 16.40	\$ 15.65	\$ 14.48	\$ 13.77
Weighted Average Common Shares Outstanding	6,601,741	7,229,407	6,919,579	7,599,051	7,685,006	7,915,743	8,049,629
<b>Selected Financial Data</b>							
Return on Average Assets	1.12%	1.20%	1.17%	1.34%	1.40%	1.48%	1.48%
Return on Average Equity	17.97%	17.19%	18.40%	16.99%	15.97%	15.85%	15.38%
Stock Dividend Payout Ratio	32.65%	31.21%	30.03%	46.26%	31.50%	30.13%	32.08%
Net Interest Rate Spread	2.98%	3.39%	2.96%	3.35%	3.48%	3.71%	4.03%
Net Interest Margin	3.06%	3.48%	3.36%	3.68%	3.76%	4.00%	4.39%
Efficiency Ratio (2)	55.00%	52.28%	52.00%	49.88%	52.78%	52.02%	52.70%
Allowance for Loan and Lease Losses to Total Loans	1.17%	1.23%	1.23%	1.20%	1.28%	1.46%	1.88%
Non-performing Assets to Total Assets	0.38%	0.53%	0.78%	0.57%	0.43%	0.51%	0.72%
Net Charge-offs to Average Loans	0.09%	0.00%	0.12%	0.07%	(0.02%)	0.11%	0.18%
Average Equity to Average Assets	6.23%	6.96%	6.36%	7.90%	8.75%	9.32%	9.62%
<b>Risk-based Capital Ratios:</b>							
Tier 1	11.8%	9.9%	11.3%	10.7%	11.3%	11.4%	12.6%
Total	13.0%	11.5%	12.7%	11.9%	12.5%	12.6%	13.8%
Leverage Capital Ratio	7.8%	7.1%	7.6%	7.6%	8.1%	8.1%	8.7%

(1) Computed by dividing total shareholders' equity less goodwill and core deposit intangible by the number of common shares outstanding:

Equity	\$ 107,509	\$ 96,211	\$ 107,052	\$ 129,538	\$ 126,405	\$ 119,706	\$ 118,828
Less Intangibles:							
Goodwill	3,991	3,991	3,991	3,991	3,991	3,518	3,518
Deposit Premium	748	1,603	1,176	2,040	2,924	3,825	4,767
Tangible Equity (A)	\$ 102,770	\$ 90,617	\$ 101,885	\$ 123,507	\$ 119,490	\$ 112,363	\$ 110,543
Shares outstanding (B)	6,512,980	6,608,505	6,616,780	7,529,073	7,634,975	7,758,653	8,027,374
Tangible Book Value Per Share (A)/(B)	\$ 15.78	\$ 13.71	\$ 15.40	\$ 16.40	\$ 15.65	\$ 14.48	\$ 13.77

(2) Computed by dividing non-interest expense by the sum of net interest income and non-interest income.

**Union Bankshares**

The following table provides summary historical consolidated financial data as of the end of and for each of the fiscal years in the five-year period ended December 31, 2006, and as of the end of and for each of the six months ended June 30, 2007 and 2006. The historical consolidated financial data as of the end of and for each of the fiscal years in the five-year period ended December 31, 2006 have been derived from Union Bankshares' audited financial statements and related notes previously filed with the Securities and Exchange Commission. The historical

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consolidated financial data as of the end of and for each of the six months ended June 30, 2007 and 2006 have been derived from Union Bankshares' unaudited financial statements and related notes included

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elsewhere in this document. The selected consolidated financial and other data of Union Bankshares set forth below does not purport to be complete and should be read in conjunction with the consolidated financial statements and related notes in Part II, Item 8 of Union Bankshares Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 30, 2007, and in conjunction with the consolidated financial statements and related notes included in this document beginning on page F-1.

Certain ratios have been recalculated to conform to current year calculation methods. All share amounts have been restated to reflect Union Bankshares 2-for-1 stock split, in the form of a 100% stock dividend, paid on March 21, 2005.

	For the Six Months				For the Years Ended December 31,		
	2007	2006	2006	2005	2004	2003	2002
(In thousands, except share and per share amounts)							
<b>SUMMARY OF OPERATIONS</b>							
Net income	\$ 1,771	\$ 1,668	\$ 3,801	\$ 4,747	\$ 4,829	\$ 4,278	\$ 4,315
Net interest income	7,095	7,266	14,679	15,817	15,932	14,131	14,001
Non-interest income	3,233	3,036	6,035	5,751	5,713	6,128	5,837
Non-interest expense	8,007	8,115	15,649	15,220	14,549	13,801	13,423
Provision for (recovery of) loan losses	30			(215)	222	420	360
<b>PER COMMON SHARE DATA</b>							
Earnings per share	\$ 1.66	\$ 1.53	\$ 3.50	\$ 4.28	\$ 4.24	\$ 3.73	\$ 3.75
Dividends declared per share	0.86	0.80	1.600	1.600	1.275	1.175	1.100
Book value per share (1)	39.04	36.18	39.09	36.96	36.86	35.57	33.37
<b>FINANCIAL RATIOS</b>							
Return on average equity	8.43%	8.25%	9.40%	11.61%	11.63%	10.75%	11.82%
Return on average assets	0.64	0.61	0.69	0.91	1.03	1.06	1.15
Average equity to average assets	7.65	7.44	7.33	7.87	8.84	9.87	9.76
Net interest margin (2)	2.92	3.01	3.00	3.41	3.77	3.95	4.30
Allowance for loan losses to total loans	1.12	1.14	1.15	1.19	1.45	1.52	1.63
Non performing loans to total loans	0.65	0.77	0.86	0.69	0.47	0.61	0.81
Efficiency ratio (3)	74.51	76.24	73.03	68.30	65.89	66.56	65.90
Dividend payout ratio (declared)	51.70	52.16	45.46	37.36	30.18	31.46	29.34
<b>AT PERIOD END</b>							
Total assets	\$ 565,087	\$ 560,509	\$ 550,975	\$ 529,883	\$ 488,355	\$ 464,194	\$ 381,029
Loans, gross (4)	377,793	372,740	370,167	355,858	309,951	286,333	226,226
Total investment securities	145,844	149,991	140,498	140,688	144,139	138,155	109,569
Total deposits	348,711	317,517	347,765	334,998	304,982	298,454	275,765
Total borrowed funds	168,162	198,053	154,779	147,695	134,414	117,729	59,284
Total shareholders' equity	41,560	39,235	41,593	40,575	41,092	40,752	38,318

- (1) Calculated by dividing total shareholders' equity by the net shares outstanding at period end.
- (2) Adjusted to tax-equivalent basis.
- (3) Calculated by dividing Union Bankshares' operating expenses by the total of net interest income on a tax-equivalent basis before the provision for loan losses, plus other income.
- (4) Excludes loans held for sale.

**Table of Contents****Summary Combined Company Unaudited Pro Forma Financial Data**

The following summary unaudited pro forma combined financial information for the year ended December 31, 2006 and as of and for the six months ended June 30, 2007 has been derived from the unaudited pro forma condensed financial information and related notes included elsewhere in this document. This information is based on the respective audited and unaudited historical consolidated financial statements of Camden and Union Bankshares and after giving effect to the acquisition of Union Bankshares, using the purchase method of accounting for business combinations, as if the merger had been consummated as of the beginning of the period with respect to income statement data, and as of the balance sheet date with respect to the balance sheet data. This information is for illustrative purposes only. The companies may have performed differently had they always been combined. You should not rely on the selected unaudited pro forma financial data as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the merger. This information should be read in conjunction with the combined company unaudited pro forma condensed financial information and the historical financial statements and related notes of Camden and Union Bankshares included in or incorporated by reference into this document.

	<b>For the Six Months Ended June 30, 2007</b>	<b>For the Year Ended December 31, 2006</b>
<i>(In thousands, except per share data)</i>		
<b>Income Statement Data:</b>		
Net interest income	\$ 30,927	\$ 66,928
Provision for loan and lease losses	130	2,208
Non-interest income	9,298	17,292
Non-interest expense	25,527	50,784
Income taxes	4,121	9,247
Net income	10,447	21,981
<b>Per Share Data:</b>		
Basic earnings	\$ 1.34	\$ 2.70
Diluted earnings	1.34	2.70
Book value at end of period	19.67	19.35
Cash dividends	0.48	0.88
Average common shares outstanding	7,824,646	8,142,484
Total shares outstanding at period end	7,735,885	7,839,685
<b>June 30, 2007</b>		
<i>(In thousands)</i>		
<b>Balance Sheet Data:</b>		
Loans, net	\$ 1,549,273	
Total assets	2,335,298	
Total Deposits	1,481,137	
Total Borrowings	673,240	
Total Shareholders equity	152,182	



**Table of Contents****Unaudited Comparative Per Share Information**

The following table presents the unaudited basic and diluted earnings per share and book value per share data for each of Camden and Union Bankshares reflecting the merger of Camden and Union Bankshares (which we refer to as pro forma information) and on a historical basis. This information is only a summary and should be read in conjunction with the historical financial data of Camden and Union Bankshares and the separate historical financial statements of Camden and Union Bankshares and related notes included in or incorporated by reference into this document. You should not rely on the pro forma information as being indicative of the results that Camden will achieve in the merger.

**At and For the Year Ended December 31, 2006****Camden National Corporation**

<b>Earnings Per Share:</b>	
Historical diluted	\$ 2.93
Pro Forma diluted	\$ 2.70
<b>Dividends:</b>	
Historical	\$ 0.88
Pro Forma	\$ 0.88
<b>Book Value:</b>	
Historical	\$ 16.18
Pro Forma	\$ 19.35

**Union Bankshares Company**

<b>Earnings Per Share:</b>	
Historical diluted	\$ 3.50
Pro Forma diluted (1)	\$ 5.16
<b>Dividends:</b>	
Historical	\$ 1.60
Pro Forma (1)	\$ 1.68
<b>Book Value:</b>	
Historical	\$ 39.09
Pro Forma (1)	\$ 36.97

(1) Obtained by multiplying the pro forma amount for Camden by 1.9106, the exchange ratio.

**Table of Contents****Comparative Stock Prices and Dividends**

Camden common stock is listed on the American Stock Exchange under the trading symbol CAC. Union Bankshares common stock is listed on the OTC Bulletin Board under the symbol UNBH. The following table sets forth, for the periods indicated, the high and low sale prices per share of Camden common stock as reported on the American Stock Exchange and the high and low sales prices per share of Union Bankshares common stock as reported on the OTC Bulletin Board. The table also provides information as to dividends declared per share of Camden common stock and Union Bankshares common stock.

	Camden			Union Bankshares		
	High	Low	Dividend per Share	High	Low	Dividend per Share
<b>Calendar Year 2005</b>						
First Quarter	\$ 40.51	\$ 34.67	\$ 0.70	\$ 77.00	\$ 54.63	\$ 0.40
Second Quarter	\$ 35.47	\$ 29.99	\$ 0.20	\$ 79.00	\$ 70.00	\$ 0.40
Third Quarter	\$ 39.90	\$ 32.90	\$ 0.20	\$ 75.00	\$ 71.00	\$ 0.40
Fourth Quarter	\$ 38.21	\$ 32.81	\$ 0.20	\$ 71.00	\$ 68.00	\$ 0.40
<b>Calendar Year 2006</b>						
First Quarter	\$ 38.95	\$ 32.25	\$ 0.22	\$ 70.00	\$ 61.50	\$ 0.40
Second Quarter	\$ 40.25	\$ 36.50	\$ 0.22	\$ 68.00	\$ 63.25	\$ 0.40
Third Quarter	\$ 44.74	\$ 39.60	\$ 0.22	\$ 64.75	\$ 58.00	\$ 0.40
Fourth Quarter	\$ 47.97	\$ 38.90	\$ 0.22	\$ 61.00	\$ 54.50	\$ 0.40
<b>Calendar Year 2007</b>						
First Quarter	\$ 46.34	\$ 42.25	\$ 0.24	\$ 57.00	\$ 48.75	\$ 0.43
Second Quarter	\$ 44.50	\$ 36.03	\$ 0.24	\$ 59.00	\$ 49.00	\$ 0.43
August 13, 2007	\$ 36.57	\$ 36.18		\$ 51.00	\$ 51.00	
Third Quarter (through September 20, 2007)	\$ 40.47	\$ 34.05		\$ 69.00	\$ 49.00	

The following table sets forth the high, low and closing sale prices per share of Camden common stock as reported on the American Stock Exchange and Union Bankshares common stock as reported on the OTC Bulletin Board, on August 13, 2007, the last trading day before the public announcement of the merger agreement, and on [ ], 2007, the last full trading day for which closing prices were available at the time of the printing of this document. The equivalent per share value reflects the value of the Camden common stock you would receive for each share of your Union Bankshares common stock on such dates, by multiplying the closing price of Camden common stock by the stock consideration conversion ratio of 1.9106.

	Camden			Union Bankshares			Equivalent Per Share Value of Union Bankshares Common Stock
	High	Low	Closing	High	Low	Closing	
August 13, 2007	\$ 36.57	\$ 36.18	\$ 36.53	\$ 51.00	\$ 51.00	\$ 51.00	\$ 69.79
September 20, 2007	\$ 37.05	\$ 36.09	\$ 37.00	\$ 68.23	\$ 67.50	\$ 68.10	\$ 70.69

The above tables show only historical comparisons. Because the market prices of Camden common stock and Union Bankshares common stock will likely fluctuate prior to the closing of the merger, these comparisons may not provide meaningful information to Union Bankshares shareholders in determining whether to approve the merger agreement. You should obtain current market quotations. We cannot reliably predict the future prices for Camden common stock.

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**Dividend Policies**

Camden expects that after the completion of the merger, subject to approval and declaration by the Camden board of directors, it will continue to declare quarterly cash dividends on shares of its common stock consistent with past practices. The current annualized rate of distribution on the shares of Camden common stock is \$0.96 per share.

Until the merger is completed, Union Bankshares expects to continue to declare quarterly cash dividends on Union Bankshares common stock as authorized by the board of directors of Union Bankshares, subject to the terms of the merger agreement. Holders of Union Bankshares common stock will stop receiving cash dividends with respect to shares of Union Bankshares common stock upon the completion of the merger, when the separate corporate existence of Union Bankshares will cease. The merger agreement prohibits Union Bankshares from declaring any stock dividends.

**Number of Holders of Common Stock and Number of Shares Outstanding**

As of [ ], 2007, there were [ ] shareholders of record of Union Bankshares common stock who held an aggregate of [ ] shares of Union Bankshares common stock.

As of [ ], 2007, there were [ ] shareholders of record of Camden common stock who held an aggregate of [ ] shares of Camden common stock.

Camden's registrar and transfer agent is American Stock Transfer and Trust Company. Copies of the governing corporate instruments of Camden and Union Bankshares are available, without charge, by following the instructions listed under the section in this document titled "Where You Can Find More Information" beginning on page 127.

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**RISK FACTORS**

*In addition to the other information included in this document and incorporated by reference into this document, including Camden's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as updated by subsequently filed Forms 8-K and 10-Q, you should consider carefully the risk factors described below in deciding how to vote and in making a cash or stock election. An investment in shares of Camden common stock involves risk. You should keep these risk factors in mind when you read forward-looking statements in this document and in the documents incorporated by reference into this document. Please refer to the section in this document titled "Special Note Regarding Forward-Looking Statements" on page 29.*

**Risks Relating to the Merger**

*You may not receive the form of merger consideration that you elect.*

If the merger is completed, each outstanding share of Union Bankshares common stock will be converted into the right to receive either \$68.00 in cash or 1.9106 shares of Camden common stock, plus cash in lieu of any fractional share. You will have the opportunity to elect to receive all cash, all stock or a combination of cash and stock with respect to the shares of Union Bankshares common stock that you hold. Your right as a Union Bankshares shareholder to receive the consideration you elect for your shares is limited because of the allocation procedures set forth in the merger agreement, which are intended to ensure that 40% of the outstanding shares of Union Bankshares common stock will be converted into the right to receive cash, and 60% of the shares of Union Bankshares common stock will be converted into the right to receive Camden common stock. If the total cash elections by Union Bankshares shareholders are greater or less than the aggregate cash consideration to be paid in the merger, or the total stock elections by Union Bankshares shareholders are greater or less than the aggregate stock consideration to be paid in the merger, you may not receive exactly the form of consideration that you elect and you may receive a pro rata amount of cash and/or Camden common stock. A detailed discussion of the merger consideration provisions of the merger agreement is set forth under the sections titled "The Merger Agreement Merger Consideration," "Election Procedures" and "Allocation Procedures," beginning on page 51. We recommend that you carefully read this discussion and the merger agreement attached to this document as *Annex A*.

*The value of the stock consideration will vary with changes in Camden's stock price.*

Upon completion of the merger, 60% of the outstanding shares of Union Bankshares common stock will be converted into shares of Camden common stock. The ratio at which the shares will be converted is fixed at 1.9106 shares of Camden common stock for each share of Union Bankshares common stock, and there will be no adjustment for changes in the market price of either Union Bankshares common stock or Camden common stock. Any change in the price of Camden common stock will affect the aggregate value Union Bankshares shareholders will receive in the merger. Stock price changes may result from a variety of factors that are beyond the control of Camden and Union Bankshares, including changes in businesses, operations and prospects, regulatory considerations, and general market and economic conditions. Accordingly, at the time of the special meeting and at the time the elections are due, you will not know the exact value of the stock consideration to be received in the merger. You should obtain current market quotations for shares of Camden common stock and for shares of Union Bankshares common stock. In addition, there will be a time period between the completion of the merger and the time at which former Union Bankshares shareholders receiving stock consideration actually receive stock certificates evidencing their shares of Camden common stock. Until stock certificates are received, former Union Bankshares shareholders may not be able to sell their Camden shares in the open market and, therefore, will not be able to avoid losses resulting from any decrease, or secure gains resulting from any increase, in the trading price of Camden common stock during this period.

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***In order to make a cash or stock election, you will submit your shares of Union Bankshares common stock with your election form, and you will then not be able to sell those shares unless you revoke your election prior to the election deadline.***

If you are a Union Bankshares shareholder and want to make a cash or stock election, you will have to deliver your stock certificates (or follow the procedures for a guaranteed delivery) and a properly completed and signed form of election to the exchange agent. Since the actual election deadline is not currently known, Camden will issue a press release announcing the date of the election deadline as promptly as practicable following the determination of the deadline. For further details on the determination of the election deadline, see *The Merger Agreement Election Procedures* beginning on page 52 of this document. The election deadline is expected to be approximately 5 business days in advance of the completion of the merger, but it may be further in advance of the actual closing date. In the time between delivery of your shares and the closing of the merger, the trading price of Union Bankshares common stock or Camden common stock may fluctuate, and you might otherwise want to sell your shares of Union Bankshares common stock to gain access to cash, make other investments or reduce the potential for a decrease in the value of your investment. However, you will not be able to sell any shares of Union Bankshares common stock that you have delivered as part of your election unless you revoke your election before the election deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in Union Bankshares common stock for any reason until you receive cash and/or Camden common stock in the merger.

The date you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

***The fairness opinion obtained by Union Bankshares from its financial advisor will not reflect changes in circumstances subsequent to the date of the merger agreement.***

Union Bankshares has not obtained an updated opinion as of the date of this document from Stifel, Nicolaus & Company, Incorporated, its financial advisor. Changes in the operations and prospects of Camden or Union Bankshares, general market and economic conditions and other factors which may be beyond the control of Camden and Union Bankshares, and on which the fairness opinion was based, may alter the value of Camden or Union Bankshares or the price of shares of Camden common stock or Union Bankshares common stock by the time the merger is completed. The opinion does not speak to the time the merger will be completed or to any other date other than the date of such opinion. As a result, the August 13, 2007 opinion will not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed. For a description of the opinion that Union Bankshares received from its financial advisor, please refer to *The Merger Opinion of Union Bankshares Financial Advisor* beginning on page 40 of this document. For a description of the other factors considered by the Union Bankshares board of directors in determining to adopt the merger agreement, please refer to *The Merger Union Bankshares Reasons for the Merger* beginning on page 38 of this document.

***The shares of Camden common stock to be received by Union Bankshares shareholders as a result of the merger will have different rights from the shares of Union Bankshares common stock.***

Upon completion of the merger, Union Bankshares shareholders who receive shares of Camden common stock in the merger will become Camden shareholders and their rights as shareholders will be governed by the articles of incorporation and bylaws of Camden and Maine corporate law. The rights associated with Union Bankshares common stock are different from the rights associated with Camden common stock. See *Comparison of Rights of Shareholders of Union Bankshares and Camden* beginning on page 120 of this document, for a discussion of the different rights associated with Camden common stock.

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### ***The tax consequences of the merger for Union Bankshares shareholders will be dependent upon the merger consideration received.***

The tax consequences of the merger to you will depend upon the merger consideration that you receive. You generally will not recognize any gain or loss on the conversion of shares of Union Bankshares common stock solely into shares of Camden common stock. However, you generally will be taxed if you receive cash in exchange for your shares of Union Bankshares common stock or instead of any fractional share of Camden common stock. For a discussion of the tax consequences of the merger to Union Bankshares shareholders generally, see the section in this document titled "Material Federal Income Tax Consequences" beginning on page 79. You should consult your own tax advisors as to the effect of the merger on your specific interests.

### ***The need for regulatory approvals may delay the date of completion of the merger or may diminish the benefits of the merger.***

Camden is required to obtain the approvals of several bank regulatory agencies prior to completing the merger. Satisfying any requirements of these regulatory agencies may delay the date of completion of the merger. In addition, you should be aware that it is possible that, among other things, restrictions on the combined operations of the two companies, including divestitures, may be sought by governmental agencies as a condition to obtaining the required regulatory approvals. Such divestitures prior to the completion of the merger may diminish the benefits of the merger to Camden, may not be feasible or could delay the receipt of such regulatory approvals. Camden has the right to terminate the merger agreement if a governmental agency, as part of its authorization or approval, imposes any term, condition or restriction upon Camden that Camden reasonably determines would prohibit or materially limit the ownership or operation by Camden of any material portion of Union Bankshares' business or assets, or that would compel Camden to dispose or hold separate any material portion of Union Bankshares' assets.

### ***Camden may be unable to successfully integrate Union Bankshares' operations and retain Union Bankshares' key employees.***

The merger involves the integration of two companies that previously operated independently. The difficulties of combining the companies' operations include:

integrating personnel with diverse business backgrounds;

integrating departments, systems, operating procedures and information technologies;

combining different corporate cultures;

retaining existing customers and attracting new customers; and

retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. The integration of the two companies will require the experience and expertise of certain of Union Bankshares' key employees. We cannot assure you, however, that Camden will be successful in retaining these employees for the time period necessary to successfully integrate Union Bankshares' operations with those of Camden. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have a material adverse effect on the business and results of operations of the combined company, and could have a negative impact on the market price of Camden common stock after the merger.

### ***Unanticipated costs relating to the merger could reduce Camden's future earnings per share.***

Camden believes that it has reasonably estimated the likely costs of integrating the operations of Camden and Union Bankshares, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse



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developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the merger could have a significant dilutive effect on the combined company's earnings per share. In other words, if the merger is completed, the earnings per share of Camden common stock could be less than they would have been if the merger had not been completed.

***If the merger is not completed, Union Bankshares will have incurred substantial expenses without its shareholders realizing the expected benefits.***

Union Bankshares has incurred substantial expenses in connection with the transactions described in this document. If the merger is not completed, Union Bankshares expects that it will have incurred approximately \$400,000 in merger-related expenses. If the merger were not completed, these expenses would likely have a material adverse impact on the financial condition of Union Bankshares because it would not have realized the expected benefits of the merger. There can be no assurance that the merger will be completed as it is subject to the satisfaction or waiver of specified conditions, some of which are beyond Camden's and Union Bankshares' control.

***The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire Union Bankshares.***

Until the completion of the merger, Union Bankshares is prohibited from soliciting, initiating, encouraging, or with some exceptions, considering any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than Camden. In addition, Union Bankshares has agreed to pay a termination fee of \$2.9 million to Camden in specified circumstances. These provisions could discourage other companies from trying to acquire Union Bankshares even though those other companies might be willing to offer greater value to Union Bankshares shareholders than Camden has offered in the merger. The payment of the termination fee also could have a material adverse effect on Union Bankshares' financial condition.

**Risks Relating to Camden's Business**

***Interest rate volatility may reduce Camden's profitability.***

Camden's profitability depends to a large extent upon net interest income, which is the difference between interest income on interest-earning assets, such as loans and investments, and interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Net interest income can be affected significantly by changes in market interest rates. In particular, changes in relative interest rates may reduce Camden's net interest income as the difference between interest income and interest expense decreases. As a result, Camden has adopted asset and liability management policies to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments and funding sources. However, there can be no assurance that a change in interest rates will not negatively impact Camden's results from operations or financial position. Since market interest rates may change by differing magnitudes and at different times, significant changes in interest rates over an extended period of time could reduce overall net interest income. An increase in interest rates could also have a negative impact on Camden's results of operations by reducing the ability of borrowers to repay their current loan obligations, which could not only result in increased loan defaults, foreclosures and write-offs, but also necessitate further increases to Camden's allowance for loan and lease losses.

***Camden's allowance for loan and lease losses may not be adequate to cover actual loan and lease losses.***

Camden makes various assumptions and judgments about the collectibility of the loan portfolio and provides an allowance for probable loan and lease losses based on a number of factors. Monthly, Camden reviews the assumptions, calculation methodology and balance of the allowance for loan and lease losses ( ALLL ) with the board of directors of Camden Bank. On a quarterly basis, Camden's board of directors, as well as the board of directors of Camden Bank, completes a similar review of the ALLL. If the assumptions are incorrect, the ALLL may not be sufficient to cover the losses Camden could experience, which would have an



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adverse effect on operating results, and may also cause Camden to increase the ALLL in the future. If additional amounts were provided to the ALLL, Camden's net income would decrease.

***Camden's loans are concentrated in certain areas of Maine and adverse conditions in those markets could adversely affect Camden's operations.***

Camden is exposed to real estate and economic factors in the central, southern, western and midcoast areas of Maine, as virtually the entire loan portfolio is concentrated among borrowers in these markets. Further, because a substantial portion of the loan portfolio is secured by real estate in this area, the value of the associated collateral is also subject to regional real estate market conditions. Adverse economic, political or business developments or natural hazards may affect these areas and the ability of property owners in these areas to make payments of principal and interest on the underlying mortgages. If these regions experience adverse economic, political or business conditions, Camden would likely experience higher rates of loss and delinquency on these mortgage loans than if the loans were more geographically diverse.

***If Camden does not maintain net income growth, the market price of Camden's common stock could be adversely affected.***

Camden's return on shareholders' equity and other measures of profitability, which affect the market price of Camden's common stock, depend in part on Camden's continued growth and expansion. Camden's growth strategy has two principal components: internal growth and external growth. Camden's ability to generate internal growth is affected by the competitive factors described below as well as by the primarily rural characteristics and related demographic features of the markets Camden serves. Camden's ability to continue to identify and invest in suitable acquisition candidates on acceptable terms is crucial to Camden's external growth. In pursuing acquisition opportunities, Camden may be in competition with other companies having similar growth strategies and greater resources. As a result, Camden may not be able to identify or acquire promising acquisition candidates on acceptable terms. Competition for these acquisitions could result in increased acquisition prices and a diminished pool of acquisition opportunities. An inability to find suitable acquisition candidates at reasonable prices could slow Camden's growth rate and have a negative effect on the market price of Camden's common stock.

***Camden experiences strong competition within its markets, which may impact profitability.***

Competition in the banking and financial services industry is strong. In its market areas, Camden competes for loans, deposits and other financial products and services with local independent banks, thrift institutions, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies and brokerage and investment banking firms operating locally as well as nationally. Many of these competitors have substantially greater resources and lending limits than those of Camden's subsidiaries and may offer services that Camden's subsidiaries do not or cannot provide. Camden's long-term success depends on the ability of its subsidiaries to compete successfully with other financial institutions in their service areas. Because Camden maintains a smaller staff and has fewer financial and other resources than larger institutions with which Camden competes, Camden's ability to attract customers may be limited. If Camden is unable to attract and retain customers, it may be unable to sustain growth in the loan portfolio and its results of operations and financial condition may otherwise be negatively impacted.

***Camden's cost of funds for banking operations may increase as a result of general economic conditions, interest rates and competitive pressures.***

Camden Bank has traditionally obtained funds principally through deposits and borrowings. As a general matter, deposits are a less costly source of funds than borrowings because interest rates paid for deposits are typically less than interest rates charged for borrowings. If, as a result of general economic conditions, market interest rates, competitive pressures or otherwise, the value of deposits at Camden Bank decreases relative to its overall banking operations, Camden may have to rely more heavily on borrowings as a source of funds in the future.

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***Camden s banking business is highly regulated.***

Bank holding companies and national banking associations operate in a highly regulated environment and are subject to supervision, regulation and examination by various federal regulatory agencies, as well as other governmental agencies in the states in which they operate. Federal and state laws and regulations govern numerous matters including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, permissible non-banking activities, the level of reserves against deposits and restrictions on dividend payments. The Office of the Comptroller of the Currency possesses cease and desist powers to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the Federal Reserve Bank possesses similar powers with respect to bank holding companies. These and other restrictions limit the manner in which Camden may conduct business and obtain financing.

Camden s business is affected not only by general economic conditions, but also by the economic, fiscal and monetary policies of the United States and its agencies and regulatory authorities, particularly the Board of Governors of the Federal Reserve System. The economic and fiscal policies of various governmental entities and the monetary policies of the Board of Governors of the Federal Reserve System may affect the interest rates Camden s bank subsidiary must offer to attract deposits and the interest rates it must charge on loans, as well as the manner in which it offers deposits and makes loans. These economic, fiscal and monetary policies have had, and are expected to continue to have, significant effects on the operating results of depository institutions generally, including Camden s bank subsidiary.

***Camden could be held responsible for environmental liabilities of properties acquired through foreclosure.***

If Camden is forced to foreclose on a defaulted mortgage loan to recover its investment, it may be subject to environmental liabilities related to the underlying real property. Hazardous substances or wastes, contaminants, pollutants or sources thereof may be discovered on properties during Camden s ownership or after a sale to a third party. The amount of environmental liability could exceed the value of the real property. There can be no assurance that Camden would not be fully liable for the entire cost of any removal and clean-up on an acquired property, that the cost of removal and clean-up would not exceed the value of the property, or that Camden could recoup any of the costs from any third party.

***Due to the nature of Camden s business, it may be subject to litigation from time to time, some of which may not be covered by insurance.***

Through Camden Bank, Camden operates in a highly regulated industry, and as a result, is subject to various regulations related to disclosures to Camden s customers, Camden s lending practices, and other fiduciary responsibilities. From time to time, Camden has been, and may become, subject to legal actions relating to its operations that have, or could, involve claims for substantial monetary damages. Although Camden maintains insurance, the scope of this coverage may not provide it with full, or even partial, coverage in any particular case. As a result, a judgment against Camden in any such litigation could have a material adverse effect on Camden s financial condition and results of operation.

***Changes in tax legislation could have a material impact on Camden s results of operations.***

Changes in tax legislation could have a material impact on Camden s results of operations. The State of Maine may replace its current franchise tax on financial institutions with a corporate income-based tax.

***Camden s failure to qualify under regulatory capital adequacy guidelines could adversely affect its financial condition.***

Under regulatory capital adequacy guidelines and other regulatory requirements, Camden and Camden Bank must meet guidelines that include quantitative measures of assets, liabilities, and certain off-balance sheet items,

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subject to qualitative judgments by regulators about components, risk weightings and other factors. If Camden and Camden Bank fail to meet these minimum capital guidelines and other regulatory requirements, their financial condition would be materially and adversely affected and the ability of Camden Bank to pay dividends may be restricted. The failure to maintain the status of well-capitalized under their regulatory framework could also affect the confidence of Camden's customers, thus compromising Camden's competitive position, and could compromise Camden's eligibility for a streamlined Board of Governors of the Federal Reserve System review process for acquisition proposals.

***To the extent that Camden acquires other companies in the future, its business may be negatively impacted by risks related to those acquisitions.***

Camden has in the past acquired, and will in the future consider the acquisition of, other banking and related businesses. If Camden acquires other companies in the future, its business may be negatively impacted by risks related to those acquisitions. These risks include the following:

the risk that the acquired business will not perform in accordance with management's expectations;

the risk that difficulties will arise in connection with the integration of the operations of the acquired business with Camden's operations;

the risk that management will divert its attention from other aspects of Camden's business;

the risk that Camden may lose key employees of the acquired business;

the risks associated with entering into geographic and product markets in which Camden has limited or no direct prior experience; and

the risks of the acquired company that Camden may assume in connection with the acquisition.

As a result of these risks, any given acquisition, if and when consummated, may adversely affect Camden's results of operations or financial condition. In addition, because the consideration for an acquisition may involve cash, debt or the issuance of shares of Camden common stock and may involve the payment of a premium over book and market values, existing holders of Camden common stock could experience dilution in connection with the acquisition.

In addition, Camden will record goodwill in connection with the acquisition of Union Bankshares and is likely to record goodwill and other intangible assets in connection with any acquisitions of other companies. Under Financial Accounting Standards Board Statement No. 142, goodwill and identifiable intangible assets with indefinite lives are no longer amortized, but are reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in performance of the acquired company, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the acquired business, and a variety of other circumstances. If goodwill is determined to be impaired, Camden would be required to record a loss equal to the amount of the impairment. Such a loss could have a material adverse effect on Camden's consolidated financial results for the period in which such charge is taken.

***Any failure of Camden's communications and information systems could result in a loss of customer business and have a material adverse effect on its results of operations and financial condition.***

Camden relies heavily on communications and information systems to conduct its business. Any failure or interruptions or breach in security of these systems could result in failures or disruptions in its customer relationship management, general ledger, deposits, servicing or loan origination systems. The occurrence of any of these failures, interruptions or breaches could result in a loss of customer business and have a material adverse effect on Camden's results of operations and financial condition.



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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document, including the information incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. All statements, other than statements of historical facts, are forward-looking statements, including, without limitation:

statements about the benefits of the merger, including future financial and operating results, market position or prospects, enhanced revenues, and accretion to reported earnings that may be realized from the transaction;

statements about the timing of the merger and receipt of shareholder and regulatory approvals and expenses associated with the merger;

statements with respect to the strength of Camden's and/or Union Bankshares' business and their plans, objectives, expectations and intentions;

statements about the integration of Union Bankshares' business and operations into Camden;

statements regarding Camden's strategy, effectiveness of investment programs, evaluations of future interest rate trends and liquidity, expectations as to growth in assets, deposits and results of operations, future operations, market position, financial position, and prospects, plans and objectives of management; and

other statements identified by words such as may, could, should, would, will, continue, believe, expect, anticipate, plan, target and similar expressions.

Camden and Union Bankshares intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with these safe harbor provisions. You should read any forward-looking statements carefully because they discuss Camden's and/or Union Bankshares' future expectations, contain projections of Camden's and/or Union Bankshares' future results of operations or financial condition, or state other forward-looking information. Camden and Union Bankshares believe that it is important to communicate their future expectations to their investors. However, there may be events in the future that Camden and/or Union Bankshares are not able to accurately predict or control and that may cause their actual results to differ materially from the expectations described in any forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in this document, including the documents incorporated by reference into this document. Forward-looking statements are not guarantees of performance. These differences may be the result of various factors, including those factors described in the Risk Factors section in this document and other risk factors identified from time to time in Camden's and Union Bankshares' periodic filings with the Securities and Exchange Commission. The factors referred to above include many, but not all, of the factors that could impact the relevant company's ability to achieve the results described in any forward-looking statements. You should not place undue reliance on Camden's and/or Union Bankshares' forward-looking statements, which speak only as of the date of this document or the date of any document incorporated by reference into this document. Before you vote, you should be aware that the occurrence of the events described above and elsewhere in this document, including the documents incorporated by reference, could harm Camden's and/or Union Bankshares' business, prospects, operating results and financial condition. Except as may be required by the applicable law, Camden and Union Bankshares do not undertake or intend to update any forward-looking statements after the date of this document.

**Table of Contents****THE COMPANIES****Camden National Corporation**

Camden is a publicly held bank holding company registered under the Bank Holding Company Act of 1956, as amended, and is subject to supervision, regulation and examination by the Board of Governors of the Federal Reserve System. Camden is incorporated under the laws of the State of Maine and headquartered in Camden, Maine. Camden, as a diversified financial services provider, pursues the objective of achieving long-term sustainable growth by balancing growth opportunities against profit, while mitigating risks inherent in the financial services industry. The primary business of Camden and its subsidiaries is to attract deposits from consumer, institutional, non-profit and commercial customers and to extend loans to consumer, institutional, non-profit and commercial customers. Camden makes available its commercial and consumer banking products and services through its subsidiary, Camden Bank, and its brokerage and insurance services through Acadia Financial Consultants, which operates as a division of Camden Bank. Camden also provides wealth management, trust and employee benefit products and services through its other subsidiary, Acadia Trust, N.A., a federally regulated, non-depository trust company headquartered in Portland, Maine. In addition to serving as a holding company, Camden provides managerial, financial management, risk management, operational, human resource, marketing and technology services to its subsidiaries.

Camden was founded in January 1984 following a corporate reorganization in which the shareholders of Camden Bank exchanged their shares of stock for shares of stock in Camden. In December 1995, Camden merged with UnitedCorp, a bank holding company headquartered in Bangor, Maine, and acquired 100% of the outstanding stock of United Bank and 51% of the outstanding stock of the Trust Company of Maine, Inc. On December 20, 1999, Camden acquired KSB Bancorp, Inc., a publicly-held bank holding company organized under the laws of the State of Delaware and having its principal office in the State of Maine, with one principal subsidiary, Kingfield Savings Bank ( KSB ), a Maine-chartered stock savings bank with its principal office in Kingfield, Maine. Effective February 4, 2000, United Bank and KSB were merged to form UnitedKingfield Bank. On July 19, 2001, Camden acquired Acadia Trust, N.A. and Gouws Capital Management, Inc., which was merged into Acadia Trust, N.A. on December 31, 2001. On October 24, 2001, Camden acquired the remaining minority interest in Trust Company of Maine, Inc., which, on January 1, 2003, merged with Acadia Trust, N.A., with Acadia Trust, N.A. remaining as the surviving entity. Effective September 30, 2006, UnitedKingfield Bank was merged into Camden Bank, thus creating a banking subsidiary consisting of 27 branches statewide.

At June 30, 2007, Camden had total consolidated assets of approximately \$1.8 billion, loans of approximately \$1.2 billion, deposits of approximately \$1.1 billion, and shareholders' equity of approximately \$107.5 million. Camden's principal executive offices are located at Two Elm Street, Camden, Maine 04843, and its telephone number is (207) 236-8821. You can find additional information about Camden in Camden's filings with the Securities and Exchange Commission referenced in the section in this document titled "Where You Can Find More Information" beginning on page 127.

**Union Bankshares Company**

Union Bankshares is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, which has elected financial holding company status. Union Bankshares was incorporated in 1984 and is headquartered in Ellsworth, Maine. Union Bankshares is the sole shareholder of Union Trust, a Maine chartered commercial bank established in 1887. On August 31, 2000, Union Bankshares completed its acquisition of Mid-Coast Bancorp, Inc., and its principal subsidiary, The Waldoboro Bank, FSB. On September 29, 2000, The Waldoboro Bank, FSB was merged with and into Union Trust.

Union Trust is a community-oriented commercial bank with thirteen offices located along Maine's coast. Union Trust conducts its operations out of its main office in Ellsworth, Maine. It also operates through branch offices located in Ellsworth, Blue Hill, Stonington, Milbridge, Jonesport, Town Hill, Castine, Bar Harbor,

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Waldoboro, Rockland, Belfast and Camden, Maine. Its deposits are gathered from the general public in these towns and surrounding communities, and its lending activities are concentrated primarily in Hancock, Washington, Knox, Lincoln and Waldo counties of the State of Maine. Union Bankshares serves the financial needs of individuals, businesses, municipalities and organizations with a full range of community banking services. The community banking business derives its revenues from interest and fees earned in connection with its lending activities, interest and dividends on investment securities, service charges and fees on deposit accounts, and fees and commissions from trust accounts and investment advisory services.

At June 30, 2007, Union Bankshares had total assets of \$565.1 million, total deposits of \$348.7 million and shareholders' equity of \$41.6 million. Union Bankshares' principal executive offices are located at 66 Main Street, Ellsworth, Maine 04605, and its telephone number is (207) 667-2504. You can find additional information about Union Bankshares in Union Bankshares' filings with the Securities and Exchange Commission as explained in the section in this document titled "Where You Can Find More Information" beginning on page 127.

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**THE SPECIAL MEETING OF UNION BANKSHARES SHAREHOLDERS**

**Date, Time and Place of the Special Meeting**

The special meeting of shareholders of Union Bankshares will be held at [ ], on [ ], [ ], 2007 at [ ]:00 [ ]m., local time.

**Purpose of the Special Meeting**

At the special meeting, Union Bankshares shareholders as of the record date will be asked to consider and vote on the following proposals:

1. To approve the merger agreement, pursuant to which Union Bankshares will merge with and into Camden, with Camden being the surviving corporation;
2. To approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies, if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement; and
3. To act upon such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

**Recommendation of the Union Bankshares Board of Directors**

THE UNION BANKSHARES BOARD OF DIRECTORS HAS UNANIMOUSLY ADOPTED THE MERGER AGREEMENT AND RECOMMENDS THAT YOU VOTE **FOR** APPROVAL OF THE MERGER AGREEMENT AND THE ADJOURNMENT PROPOSAL.

**Record Date; Outstanding Shares; Shares Entitled to Vote**

Only holders of record of Union Bankshares common stock at the close of business on the record date of [ ], 2007, are entitled to notice of and to vote at the special meeting. As of the record date, there were [ ] shares of Union Bankshares common stock outstanding, held of record by approximately [ ] shareholders. A list of Union Bankshares shareholders as of the record date will be available for review by any Union Bankshares shareholder, the shareholder's agent or attorney at Union Bankshares principal executive offices during regular business hours beginning two business days after notice of the special meeting is given and continuing through the special meeting. Each holder of Union Bankshares common stock is entitled to one vote for each share of Union Bankshares common stock he, she or it owned as of the record date.

**Quorum; Vote Required**

A quorum of Union Bankshares shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of Union Bankshares common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Union Bankshares will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the special meeting.

The affirmative vote of the holders of at least sixty percent (60%) of the outstanding shares of Union Bankshares common stock is required to approve the merger agreement. If you do not vote, either in person or by proxy, it will have the same effect as voting against approval of the merger agreement.

**Share Ownership of Management**

As of the record date, the directors and executive officers of Union Bankshares and their affiliates collectively owned [ ] shares of Union Bankshares common stock, or approximately 4.0% of Union Bankshares outstanding shares. These directors and executive officers have



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executed voting agreements with Camden, under which they have agreed to vote their shares in favor of the merger agreement and have granted Camden an irrevocable proxy to so vote their shares.

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### Voting of Proxies

The Union Bankshares board of directors requests that you return the proxy card accompanying this document for use at the special meeting. Please complete, date and sign the proxy card and promptly return it in the enclosed pre-paid envelope. All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, **if no instructions are given, the shares will be voted FOR approval of the merger agreement, FOR an adjournment of the special meeting to solicit additional proxies, if necessary, and in the proxies discretion with respect to such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.**

Union Bankshares does not expect that any matters other than those set forth in the notice for the special meeting will be brought before the meeting. If other matters are properly presented and are within the purpose of the special meeting, however, the persons named as proxies will vote on such matters in such manner as shall be determined by a majority of the Union Bankshares board of directors.

If you have questions or need assistance in completing or submitting your proxy card, please contact Union Bankshares clerk at the following address and telephone number:

Union Bankshares Company

66 Main Street

Ellsworth, Maine 04605

(207) 667-2504

You may also contact our proxy solicitation agent, Georgeson Inc., as follows:

Georgeson Inc.

17 State Street

New York, NY 10004

(866) 651-3212

### How to Revoke Your Proxy

You may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to the clerk of Union Bankshares, stating that you revoke your proxy;

signing and delivering to the clerk of Union Bankshares a new proxy card relating to the same shares and bearing a later date; or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must bring additional documentation from the broker, bank or other nominee in order to vote your shares.

You should send any notice of revocation or your completed new proxy card, as the case may be, to Union Bankshares clerk, at the following address:

Union Bankshares Company

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66 Main Street

Ellsworth, Maine 04605

(207) 667-2504

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If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your vote.

### **Voting in Person**

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must bring additional documentation from the broker, bank or other nominee in order to vote your shares.

### **Abstentions and Broker Non-Votes**

Only shares affirmatively voted for approval of the merger agreement and shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** the merger agreement.

Brokers who hold shares of Union Bankshares common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions proposed in this document without specific instructions from the customer. Proxies submitted by a broker that do not exercise this voting authority are referred to as broker non-votes. If your broker holds your shares of Union Bankshares common stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this document.

Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote, or fill out the voter instruction form, if applicable.

Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting, but will have the same effect as voting against approval of the merger agreement.

### **Proxy Solicitation**

The enclosed proxy is solicited by and on behalf of the Union Bankshares board of directors. Union Bankshares will pay the expenses of soliciting proxies to be voted at the special meeting, except that Union Bankshares and Camden have each agreed to share equally the costs of preparing, printing, filing and mailing this document, other than attorneys' and accountants' fees which will be paid by the party incurring the expense. Following the original mailing of the proxies and other soliciting materials, Union Bankshares and its agents also may solicit proxies by mail, telephone, facsimile or in person. No additional compensation will be paid to directors, officers or other employees of Union Bankshares for making these solicitations. Union Bankshares intends to reimburse persons who hold Union Bankshares common stock of record but not beneficially, such as brokers, custodians, nominees and fiduciaries, for their reasonable expenses in forwarding copies of proxies and other soliciting materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares. Union Bankshares has also made arrangements with Georgeson, Inc. to assist in soliciting proxies and has agreed to pay them a fee of \$10,000 plus reasonable expenses for these services.

### **Dissenters' Appraisal Rights**

Union Bankshares is organized as a corporation under Maine law. Under Maine corporate law, Union Bankshares shareholders who object to the merger have dissenters' appraisal rights. For more information regarding dissenters' rights, please see the section in this document titled "The Merger - Dissenters' Appraisal Rights" beginning on page 45.

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### **Stock Certificates**

You should not send in any certificates representing Union Bankshares common stock at this time. Prior to the anticipated closing date of the merger, you will receive separate instructions for the exchange of your stock certificates representing Union Bankshares common stock. For more information regarding these instructions, please see the section in this document titled "The Merger Agreement Election Procedures" beginning on page 52.

### **Proposal to Approve Adjournment of the Special Meeting**

Union Bankshares is also submitting a proposal for consideration at the special meeting to authorize the named proxies to approve one or more adjournments of the special meeting if there are not sufficient votes to approve the merger agreement at the time of the special meeting. Even though a quorum may be present at the special meeting, it is possible that Union Bankshares may not have received sufficient votes to approve the merger agreement by the time of the special meeting. In that event, Union Bankshares would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card.

The proposal to approve one or more adjournments of the special meeting requires the affirmative vote of the holders of a majority of the shares of Union Bankshares common stock present or represented at the special meeting and entitled to vote on the proposal.

If the special meeting is adjourned for 30 days or less, Union Bankshares is not required to give notice of the time and place of the adjourned meeting, unless the board of directors fixes a new record date for the special meeting.

The adjournment proposal relates only to an adjournment of the special meeting occurring for purposes of soliciting additional proxies for approval of the merger agreement proposal in the event that there are insufficient votes to approve that proposal. The Union Bankshares board of directors retains full authority to the extent set forth in its bylaws and Maine law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any Union Bankshares shareholders.

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**THE MERGER**

**General**

Under the terms and conditions set forth in the merger agreement, Union Bankshares will be merged with and into Camden, with Camden being the surviving corporation. At the effective time of the merger, each share of Union Bankshares common stock outstanding immediately prior to the effective time will, by virtue of the merger and without any action on the part of the shareholder, be converted into the right to receive either:

\$68.00 in cash (which is referred to as the cash consideration); or

1.9106 shares of Camden common stock (which is referred to as the stock consideration), plus cash in lieu of any fractional share. You will have the opportunity to elect the form of consideration to be received for all shares of Union Bankshares common stock that you hold, subject to allocation procedures set forth in the merger agreement. You may elect to receive a portion of your merger consideration in cash and the remaining portion in shares of Camden common stock. The allocation procedures included in the merger agreement are intended to ensure that 40% of the outstanding shares of Union Bankshares common stock immediately prior to the effective time of the merger will be converted into the right to receive cash, and 60% of these shares of Union Bankshares common stock will be converted into the right to receive shares of Camden common stock. Shares of Union Bankshares common stock held by Camden or Union Bankshares, other than in a fiduciary capacity, will not be converted into the right to receive the merger consideration upon consummation of the merger.

**Background of the Merger**

The board of directors of Union Bankshares and its senior management have regularly reviewed Union Bankshares' strategic alternatives and assessed various opportunities for increasing long-term shareholder value, including opportunities for enhancing earnings internally, opportunistic *de novo* branching, and acquiring and/or affiliating with other financial institutions. These reviews included a periodic assessment by financial advisors of Union Bankshares' financial performance and return to shareholders, stock trading patterns and trends in the financial marketplace, including merger and acquisition activity, both local and nationwide. In addition, these reviews often included a discussion of the fiduciary duties of Union Bankshares' board of directors with Thacher Proffitt & Wood LLP, Union Bankshares' special legal counsel ( Thacher Proffitt ).

In January 2007, Stifel, Nicolaus & Company, Incorporated (formerly Ryan Beck & Co., Inc.), an investment banking firm, at the direction of management, prepared materials addressing certain strategic opportunities for the Union Bankshares board of directors. On January 17, 2007, at a regular meeting of the board of directors of Union Bankshares, the board reviewed and discussed these materials. On or about January 22, 2007, Robert W. Daigle, President and Chief Executive Officer of Camden called Peter A. Blyberg, Union Bankshares' President and Chief Executive Officer, to informally discuss a potential merger between Camden and Union. Mr. Daigle indicated that Camden would consider paying a per share price of \$65.00, subject to customary due diligence and certain other contingencies. No formal steps followed this preliminary conversation.

On March 14, 2007, at a regular meeting of Union Bankshares' board of directors, Stifel met with the board to review a range of strategic options, including acquiring another bank, participating in a simultaneous conversion/acquisition transaction, remaining independent and selling to another financial institution. Following the presentation, Mr. Blyberg reported his telephone call with Mr. Daigle. The board discussed the Stifel presentation and determined to continue to review all strategic options.

On April 11, 2007, at a regular meeting, the Union Bankshares board continued its discussion of Union Bankshares' strategic options.

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At a regular meeting of the board on May 16, 2007, Union Bankshares' board reviewed additional material prepared by Stifel regarding select strategic opportunities. At that meeting, the board authorized Mr. Blyberg to approach Camden to determine their interest in a potential transaction.

On June 15, 2007, Mr. Blyberg met with Mr. Daigle, and had a substantive conversation regarding a potential merger transaction. On June 19, 2007, Camden submitting a non-binding expression of interest, which outlined in a proposal to purchase Union Bankshares for 60% stock and 40% cash in an amount equivalent to a price of \$68.00 per share, subject to customary due diligence and certain assumptions that Camden made relating to one-time transaction costs and ongoing cost savings.

On June 20, 2007, at a regular meeting of Union Bankshares' board of directors, the board of directors authorized management to negotiate a confidentiality agreement with Camden.

On June 28, 2007, Union Bankshares executed a confidentiality agreement with Camden.

On July 5, 2007, senior management of Camden met in Brunswick, Maine with senior management of Union Bankshares. The parties discussed the possible merger of Camden and Union Bankshares, including potential one-time transaction expenses and possible cost savings, structure, social issues and other general matters.

At a special meeting of Union Bankshares' board of directors on July 11, 2007, the board discussed the proposed transaction concerning Camden. Thacher Proffitt and Stifel participated in the special meeting by telephone conference. Thacher Proffitt discussed the board of directors' fiduciary duties and responsibilities in considering a potential transaction. Stifel reviewed with the board of directors the components of the preliminary discussions of the proposed merger, including value per share, total value, the mix of consideration and the proposed structure, and noted that all discussions remained preliminary as very limited due diligence had been performed by both Camden and Union Bankshares.

Senior management of Union Bankshares and Camden continued their discussions regarding the proposed transaction between July 11 and July 19, 2007.

On July 19, 2007, Camden submitted a revised non-binding expression of interest outlining a proposal to purchase Union Bankshares for 60% stock and 40% cash in an amount equivalent to a price of \$73.00 per share. The revised non-binding expression of interest also noted that the offer price was dependent on the results of Camden's due diligence and would be reflective, among other matters, of a detailed assessment of Camden's one-time transaction expenses as well as estimated cost savings.

Camden and their advisors conducted due diligence of Union Bankshares at an off-site location during the week of July 20-26, 2007.

At a regular meeting of the board of directors of Union Bankshares on July 25, 2007, which Thacher Proffitt and Stifel attended by telephone conference, the board discussed the terms of Camden's non-binding expression of interest, the status of Camden's due diligence, and the potential one-time transaction expenses and estimated cost savings that were expected to result from the proposed transaction.

Union Bankshares and their advisors conducted due diligence at the offices of Camden on July 28, 2007. On July 30, 2007, Goodwin Procter LLP, Camden's counsel, circulated an initial draft of the merger agreement.

On July 30, 2007, Camden's President and Chief Executive Officer, Mr. Daigle, notified Mr. Blyberg that, based on Camden's due diligence of Union and Camden's estimates of one-time transaction expenses and ongoing cost savings, Camden was prepared to pay a price of \$68.00 per share in the form of 60% stock and 40% cash to the shareholders of Union Bankshares.

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On August 2, 2007, at a special meeting of the Union Bankshares board of directors of Union Bankshares, which Thacher Proffitt and Stifel attended by telephone, the board discussed the results of due diligence and the terms of the merger agreement, including the revised per share price and the reasons therefor. Thacher Proffitt reviewed for Union Bankshares' board of directors the material terms of the draft merger agreement, as well as the fiduciary duties of the board of directors with respect to Union Bankshares' shareholders. Following extensive discussion, the board authorized Union Bankshares' management to proceed with negotiations with Camden concerning the proposed merger.

On August 7, 2007, Union Bankshares' board of directors formally engaged Stifel to serve as financial advisor and, among other things, to provide Union Bankshares with a fairness opinion in connection with a potential transaction with Camden.

Through August 13, 2007, the parties and their respective advisors negotiated the terms of the merger agreement and the ancillary agreements.

On August 13, 2007, at a special meeting, Union Bankshares' board of directors discussed the final terms of the proposed transaction with Camden. At this meeting, Stifel and Thacher Proffitt updated Union Bankshares' board on the material terms that had been resolved and discussed the interests of certain persons in the proposed transaction. Prior to the meeting, each member of the Union Bankshares board of directors had been provided with a copy of the merger agreement and related ancillary agreements. Stifel presented a financial analysis of the proposed merger. Thacher Proffitt reviewed for Union Bankshares' board of directors the results of its due diligence on Camden, the material terms of the merger agreement, as negotiated, as well as the voting agreement to be entered into by each of the directors and certain executive officers of Union Bankshares, and the fiduciary duties of Union Bankshares' board of directors with respect to Union Bankshares' shareholders. Stifel delivered its oral opinion (subsequently confirmed in writing) that as of the date of its opinion and based upon and subject to the considerations described in its opinion, the merger consideration offered by Camden was fair from a financial point of view to Union Bankshares' shareholders. Following the presentations, the board engaged in a discussion and asked various questions of management, Stifel and Thacher Proffitt regarding the proposed merger, and after such discussions and deliberations, unanimously determined that the merger was in the best interest of Union Bankshares and its shareholders and approved the merger agreement and the transactions contemplated thereby.

On August 13, 2007, Camden's board of directors held a special meeting in Camden, Maine, at which members of Camden's senior management reviewed with Camden's board of directors information regarding Union Bankshares, as well as the terms of the merger. Following review and discussion among the members of Camden's board of directors, including questions to Camden's management, Camden's board of directors unanimously approved the merger agreement and related matters.

On the evening of August 13, 2007, the parties executed the merger agreement. On the morning of August 14, 2007, the parties issued a joint press release publicly announcing the transaction.

On September 21, 2007, an amendment to the merger agreement was signed by Union Bankshares and Camden.

**Union Bankshares' Reasons for the Merger**

In reaching its decision to approve the merger agreement and the related transactions, the Union Bankshares board of directors consulted with senior management, its financial advisor, Stifel, and its legal counsel, Thacher Proffitt & Wood LLP, and considered a number of factors, including, among others, the following, which are not presented in order of priority:

the historical performance of Union Bankshares;

the current and prospective economic, regulatory and competitive environment in which Union Bankshares operates;



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the merger consideration offered and the belief of the Union Bankshares board of directors that the merger consideration is a fair amount, in light of economic trends affecting community banks, and that the mixture of stock and cash is favorable and will result in long-term value for Union Bankshares shareholders;

the pro forma ownership that Union Bankshares shareholders will have in the surviving entity;

the fact that Union Bankshares shareholders would have the opportunity to elect to receive shares of Camden common stock or cash (subject to the requirement that 40% of the outstanding Union Bankshares common stock will be exchanged for cash and 60% will be exchanged for shares of Camden common stock);

the fact that the transaction is expected to be tax-free to Union Bankshares shareholders to the extent that they receive Camden common stock in exchange for their shares of Union Bankshares common stock;

the ability of Camden to pay the merger consideration;

the business and future prospects of Camden and the Union Bankshares board of directors' view of the quality of Camden common stock as an investment of Union Bankshares shareholders;

the compatibility of the respective business cultures and lines of businesses of Union Bankshares and Camden;

the anticipated effect of the acquisition on Union Bankshares' employees (including the fact that Union Bankshares' employees who do not continue as employees of Camden will be entitled to receive severance benefits);

the effect on Union Bankshares' customers and the communities served by Union Bankshares;

the terms and conditions of the merger agreement, including, but not limited to, the representations and warranties of the parties, the covenants, the consideration, the benefits to Union Bankshares' employees, employee and executive termination benefits, and the circumstances under which the Union Bankshares board of directors may consider a superior proposal;

the likelihood of obtaining the necessary regulatory and shareholder approvals;

the likelihood of finding another acquirer with the willingness and ability to offer greater consideration; and

the opinion of Stifel that the terms of the transaction are fair to Union Bankshares shareholders from a financial point of view. Based on the factors described above, the Union Bankshares board of directors determined that the merger is advisable and in the best interests of Union Bankshares shareholders and unanimously approved the merger agreement. In reaching its determination to approve and recommend the merger agreement, the Union Bankshares board of directors did not assign any specific or relative weights to any of the factors listed above. The Union Bankshares board of directors weighed these factors against the potential risks of the merger. These risks are discussed in the section of this document titled "Risk Factors - Risks Relating to the Merger" beginning on page 22.

**Camden's Reasons for the Merger**

In reaching its decision to approve the merger agreement and related transactions, the Camden board of directors consulted with senior management and Camden's advisors, and considered a number of factors, including, among others, the following, which are not presented in order of priority:

information concerning the business, operations, financial condition, earnings and prospects of each of Camden and Union Bankshares as separate entities and on a combined basis;

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its understanding of the current environment in the financial services industry, including continued consolidation, and current financial market conditions;

the compatibility of the businesses, operations and cultures of the two companies, particularly with respect to meeting local banking needs;

the increase in Camden's market presence in Maine, especially in the Washington and Hancock county markets, that would result from the merger;

the pro forma financial effects of the proposed transaction, including the balanced loan portfolio and diversified sources of funding of the combined company on a pro forma basis;

the anticipated operational cost savings through shared overhead and services with Camden's other subsidiaries;

the terms and conditions of the merger agreement, including the financial terms, and the structure of the merger;

the expected treatment of the merger as a reorganization for federal income tax purposes;

the ability to complete the merger, including the conditions to the merger requiring receipt of necessary regulatory approvals in accordance with the terms of the merger agreement;

the challenges of combining the businesses of two corporations; and

the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger.

The foregoing discussion of the information and factors considered by the Camden board of directors is not intended to be exhaustive, but is believed to include all material factors considered by the Camden board. In view of the wide variety of factors considered by the Camden board, the Camden board did not find it practicable to assign any specific or relative weights to the factors considered. In addition, the Camden board did not reach any specific conclusion on each factor considered, or any aspect of any particular factor, but conducted an overall analysis of these factors. Individual members of the Camden board may have given different weight to different factors. However, after taking into account all of the factors set forth above, the Camden board unanimously approved the merger agreement.

There can be no assurance that the potential synergies or opportunities considered by the Camden board will be achieved through completion of the merger. See the section of this document titled "Risk Factors - Risks Relating to the Merger" beginning on page 22.

**Opinion of Union Bankshares' Financial Advisor**

Stifel, Nicolaus & Company, Incorporated acted as Union Bankshares' financial advisor in connection with the merger. Stifel is a nationally recognized investment banking and securities firm with membership on all the principal United States' securities exchanges and substantial expertise in transactions similar to the merger. As part of its investment banking activities, Stifel is regularly engaged in the independent valuation of businesses and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

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On August 13, 2007, Stifel rendered its oral opinion, which was subsequently reaffirmed and confirmed in writing on August 13, 2007, to the board of directors of Union Bankshares that, as of A