

UNIVEST CORP OF PENNSYLVANIA

Form DEF 14A

March 07, 2008

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

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Univest Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

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14 North Main Street
P. O. Box 64197
Souderton, Pennsylvania 18964

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 8, 2008

TO THE HOLDERS OF COMMON STOCK:

The Annual Meeting of Shareholders of Univest Corporation of Pennsylvania will be held on Tuesday, April 8, 2008, at 10:45 a.m., in the Univest Building, 14 North Main Street, Souderton, Pennsylvania.

Univest's Board of Directors recommends a vote:

1. FOR the election of four Class III directors each for a three-year term expiring in 2011 and until their successors are elected and qualified.
2. FOR the election of three alternate directors each for a one-year term expiring in 2009 and until their successors are elected and qualified.
3. FOR the approval of Amended and Restated Univest 2003 Long-Term Incentive Plan.

Other business, of which none is anticipated, as may properly come before the meeting or any postponements or adjournments thereof will be transacted.

The close of business on February 21, 2008, has been fixed by the Board of Directors as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting.

The accompanying proxy statement forms a part of this notice.

SEPARATE PROXY CARDS ARE ENCLOSED TO SHAREHOLDERS FOR THE PURPOSE OF VOTING ALL THEIR SHARES OF THE CORPORATION'S COMMON STOCK.

IT IS IMPORTANT THAT EACH SHAREHOLDER EXERCISE HIS/HER RIGHT TO VOTE. Whether or not you plan to attend the meeting, please take a moment now to cast your vote over the Internet or by telephone in accordance with the instructions set forth on the enclosed proxy card, or alternatively, to complete, sign, and date the enclosed proxy card and return it in the postage-paid envelope we have provided in order that your shares will be represented at the meeting. If you attend the meeting, you may vote in person.

By Order of the Board of Directors

WILLIAM S. AICHELE
Chairman

KAREN E. TEJKL
Secretary

March 7, 2008

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PROXY STATEMENT

Univest Corporation of Pennsylvania (Univest or Corporation) is a one-bank holding company organized by Union National Bank and Trust Company of Souderton under the Bank Holding Company Act of 1956, as amended. Univest elected to become a Financial Holding Company in 2000 as provided under Title I of the Gramm-Leach-Bliley Act, and is subject to supervision by the Federal Reserve System. The Principal subsidiary of the Corporation is Univest National Bank and Trust Co. (Bank). Union National Bank and Trust Company of Souderton and Pennview Savings Bank (which was a wholly owned subsidiary of the Corporation) were merged together on January 18, 2003 with Union National Bank and Trust Company of Souderton being the surviving entity. Upon the completion of the merger, Union National Bank and Trust Company of Souderton's name was changed to Univest National Bank and Trust Co.

The accompanying proxy is solicited by the Board of Directors (Board) of Univest Corporation of Pennsylvania, 14 North Main Street, P.O. Box 64197, Souderton, Pennsylvania 18964, for use at the Annual Meeting of Shareholders to be held April 8, 2008, and at any adjournment thereof. Copies of this proxy statement and proxies to vote the Common Stock are being sent to the shareholders on or about March 7, 2008. Any shareholder executing a proxy may revoke it at any time by giving written notice to the Secretary of the Corporation before it is voted. Some of the officers of the Corporation or employees of the Bank and other subsidiary companies or employees of StockTrans, Inc., the Corporation's transfer agent, may solicit proxies personally and by telephone, if deemed necessary. The Corporation will bear the cost of solicitation and will reimburse brokers or other persons holding shares of the Corporation's voting stock in their names, or in the names of their nominees, for reasonable expense in forwarding proxy cards and proxy statements to beneficial owners of such stock.

The person named in the proxy will vote in accordance with the instructions of the shareholder executing the proxy, or in the absence of any such instruction, for or against on each matter in accordance with the recommendations of the Board set forth in the proxy.

Univest's Board of Directors recommends a vote:

1. FOR the election of four Class III directors each for a three-year term expiring in 2011 and until their successors are elected and qualified.
2. FOR the election of three alternate directors each for a one-year term expiring in 2009 and until their successors are elected and qualified.
3. FOR the approval of Amended and Restated Univest 2003 Long-Term Incentive Plan.

The Board has fixed the close of business on February 21, 2008, as the record date for the determination of shareholders entitled to notice and to vote at the Annual Meeting. As of February 21, 2008, there were 14,873,904 issued and 12,843,507 outstanding shares of Common Stock (exclusive of 2,030,397 shares held as treasury stock which will not be voted).

Holders of record of the Corporation's Common Stock on February 21, 2008 will be entitled to one vote per share on all business of the meeting. The matters of business listed in this proxy will be decided by majority vote of the shares represented at the meeting. Certain other matters, of which none are anticipated to be voted upon at the meeting, may require super majority approval as specified by the amended Articles of Incorporation. The presence in person or by proxy of the holders of the majority of the outstanding shares of Common Stock will constitute a quorum for the transaction of business at the meeting.

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As of February 21, 2008, Univest National Bank and Trust Co. held 1,226,740 shares or 9.6% of the Corporation's outstanding Common Stock in various trust accounts in a fiduciary capacity in its Trust Department. No one trust account has 5% or more of the Corporation's Common Stock.

A copy of the Annual Report to Shareholders, including financial statements for the year ended December 31, 2007, was mailed on March 7, 2008 to each shareholder of record as of February 21, 2008. The Annual Report is not a part of the proxy soliciting material.

**SPECIAL CAUTIONARY NOTICE REGARDING
FORWARD-LOOKING STATEMENTS**

The information contained in this Proxy Statement and the documents that have been incorporated herein by reference may contain forward-looking statements. When used or incorporated by reference in disclosure documents, the words believe, anticipate, estimate, expect, project, target, goal and similar expressions are intended to identify forward-looking statements within the meaning of section 27A of the Securities Act of 1933. Such forward-looking statements are subject to certain risks, uncertainties and assumptions, including those set forth below:

Operating, legal and regulatory risks

Economic, political and competitive forces impacting various lines of business

The risk that our analysis of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful

Volatility in interest rates

Other risks and uncertainties

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected or projected. These forward-looking statements speak only as of the date of the report. Univest expressly disclaims any obligation to publicly release any updates or revisions to reflect any change in Univest's expectations with regard to any change in events, conditions or circumstances on which any such statement is based.

ELECTION OF DIRECTORS AND ALTERNATE DIRECTORS

The person named in the accompanying proxy intends to vote to elect as directors the nominees listed below in each case, unless authority to vote for directors is withheld in the proxy. The Bylaws authorize the Board to fix the number of Directors to be elected from time to time. By proper motion, it has established the number at four Class III Directors each to be elected for a three-year term expiring in 2011 and a pool of three Alternate Directors each to be elected for a one-year term expiring in 2009.

The nominating committee has recommended the slate of nominees listed below for election as Class III Directors and Alternate Directors. Management is informed that all the nominees are willing to serve as directors, but if any of them should decline or be unable to serve, the persons named in the proxy will vote for the election of such other person or persons as may be designated by the Board, unless the Board reduces the number of directors in accordance with the Corporation's Bylaws.

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The following information, as of February 21, 2008, is provided with respect to the nominees for election to the Board.

| Name | Age | Business Experience | Director Since** |
|-------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Class III (each to be elected for a three-year term expiring 2011):* | | | |
| Marvin A. Anders | 68 | Retired Chairman of the Corporation and Retired Chairman of Univest National Bank and Trust Co. | 1996 |
| R. Lee Delp | 61 | Principal, R. L. Delp & Company (Business Consulting) | 1994 |
| H. Ray Mininger | 67 | President, H. Mininger & Son, Inc. (General Contractor) | 1995 |
| P. Gregory Shelly | 62 | President, Shelly Enterprises, Inc. (Building Materials) | 1985 |
| Alternate Directors (each to be elected for a one-year term expiring 2009):* | | | |
| Wallace H. Bieler | 62 | Retired Senior Executive Vice President, Chief Financial Officer, Chief Operation Officer, and Corporate Secretary of the Corporation and Retired Chief Financial Officer and Corporate Secretary of Univest National Bank and Trust Co. | 2008 |
| Mark A. Schlosser | 43 | President, Schlosser Steel, Inc. (Steel Manufacturing) | 2005 |
| Margaret K. Zook | 62 | Executive Director Souderton Mennonite Homes (Retirement Community) | 1999 |

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The following directors are not subject to election now as they were elected in prior years for terms expiring in future years.

| Name | Age | Business Experience | Director Since** |
|------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------|-------------------------|
| Class I (each continuing for a three-year term expiring 2009): | | | |
| William S. Aichele | 57 | Chairman, President, and CEO of the Corporation and Chairman and CEO of the Bank | 1990 |
| Norman L. Keller | 70 | Retired Executive Vice President of the Corporation | 1990 |
| Thomas K. Leidy | 69 | Retired President and CEO, Leidy's, Inc. (Pork Processing) | 1984 |
| Merrill S. Moyer | 73 | Retired Chairman of the Corporation and Retired Chairman of the Bank | 1984 |
| Class II (each continuing for a three-year term expiring 2010): | | | |
| Charles H. Hoefflich | 93 | Chairman Emeritus of the Corporation | 1962 |
| William G. Morral, CPA | 61 | Financial Consultant; Former CFO, Moyer Packing Company | 2002 |
| John U. Young | 69 | Consultant & Director, Alderfer, Inc. (Meat Processing) | 1990 |

* All nominees are now directors or alternate directors respectively.

** Dates indicate initial year as a director or alternate director of Uninvest or the Bank.

The following information, as of February 21, 2008, is provided with respect to the Named Executive Officers of the Corporation not serving as a Director or Alternate Director of the Board.

| Name | Age | Current Primary Positions | Current Position Since |
|----------------------------|------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------|
| K. Leon Moyer | 58 | Senior Executive Vice President of the Corporation and President and Chief Operating Officer of the Bank | 2005 |
| Kenneth H. Hochstetler | 46 | Executive Vice President of the Corporation; President of Uninvest Investments; and President of Uninvest Insurance | 2004 |
| Jeffrey M. Schweitzer, CPA | 34 | Executive Vice President and Chief Financial Officer of the Corporation and Chief Financial Officer of the Bank | 2007 |

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| Name | Shares of Common Stock Beneficially Owned at 2/21/08* | Percent of Outstanding Shares |
|--------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|
| William S. Aichele(1) | 137,223 | 1.07% |
| Marvin A. Anders(2) | 113,306 | ** |
| Wallace H. Bieler(3) | 75,552 | ** |
| R. Lee Delp | 9,607 | ** |
| Charles H. Hoefflich | 217,377 | 1.69% |
| Norman L. Keller(4) | 81,076 | ** |
| Thomas K. Leidy(5) | 101,348 | ** |
| H. Ray Mininger(6) | 29,417 | ** |
| William G. Morral(7) | 30,644 | ** |
| K. Leon Moyer(8) | 53,255 | ** |
| Merrill S. Moyer(9) | 133,845 | 1.04% |
| Mark A. Schlosser(10) | 16,196 | ** |
| P. Gregory Shelly(11) | 109,766 | ** |
| John U. Young(12) | 17,107 | ** |
| Margaret K. Zook | 1,098 | ** |
| Jeffrey M. Schweitzer | 1,252 | ** |
| Kenneth H. Hochstetler(13) | 15,390 | ** |
| All Directors and Executive Officers as a Group (17 persons) | 1,143,459 | 8.90% |

* The shares Beneficially owned may include shares owned by or for, among others, the spouse and/or minor children of the individuals and any other relative who has the same home as such individual, as well as other shares as to which the individual has or shared voting or investment power. Beneficial ownership may be disclaimed as to certain of the securities. No securities are pledged as collateral or security.

** Beneficially owns less than 1% of the outstanding shares of the Common Stock of the Corporation.

- (1) Includes 7,813 shares in the Univest Deferred Salary Savings Plan in which Mr. Aichele has a pecuniary interest in. He disclaims beneficial ownership of these shares. Also included are 51,498 shares which may be acquired by the exercise of vested stock options.
- (2) Includes 36,297 shares owned by a member of Mr. Anders family. He disclaims beneficial ownership of these shares.
- (3) Includes 27,074 shares which may be acquired by the exercise of vested stock options.
- (4) Includes 45,574 shares owned by members of Mr. Keller s family. He disclaims beneficial ownership of these shares.
- (5) Includes 9,591 shares owned by a member of Mr. Leidy s family and 3,725 shares over which he shares voting and/or investment power. He disclaims beneficial ownership of these shares.

- (6) Includes 11,165 shares over which Mr. Mininger shares voting and/or investment power and 985 shares owned by a member of his family. He disclaims beneficial ownership of these shares.
- (7) Includes 3,068 shares owned by members of Mr. Morral s family and 3,062 shares over which he shares voting and/or investment power. He disclaims beneficial ownership of these shares.
- (8) Includes 6,778 shares owned by members of Mr. Moyer s family. He disclaims beneficial ownership of these shares. Also included are 16,187 shares which may be acquired by the exercise of vested stock options.

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- (9) Includes 62,492 shares owned by a member of Mr. Moyer's family. He disclaims beneficial ownership of these shares.
- (10) Includes 12,433 shares over which Mr. Schlosser shares voting and/or investment power and 843 shares owned by a member of his family. He disclaims beneficial interest of these shares.
- (11) Includes 39,310 shares owned by members of Mr. Shelly's family. He disclaims beneficial ownership of these shares.
- (12) Includes 7,114 shares owned by a member of Mr. Young's family. He disclaims beneficial ownership of these shares.
- (13) Includes 6,100 shares which may be acquired by the exercise of vested stock options.

Compliance with Section 16 (a) of the Securities Exchange Act of 1934

Section 16 (a) of the Securities Exchange Act of 1934 requires the Corporation's directors and executive officers, and persons who own more than ten percent of a registered class of the Corporation's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Shares and other equity securities of the Corporation. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Corporation with copies of all Section 16 (a) forms they file.

To the Corporation's knowledge, based solely on a review of the copies of such reports furnished to the Corporation and written representations that no other reports were required during the fiscal year ended December 31, 2007, all Section 16 (a) reports by its officers, directors and greater than ten percent beneficial owners were timely filed except reports filed by: John U. Young (Indirect for his wife, Kathleen K. Young) for the purchase of 75 shares of Common Stock of the Corporation on March 7, 2007; and Kenneth H. Hochstetler for the direct purchase of 434 shares of Common Stock of the Corporation on December 20, 2007 through the exercise of stock options, which were inadvertently filed late.

The Board, the Board's Committees and Their Functions

The Corporation's Board met eleven (11) times during 2007. All of the directors attended at least 75% of the meetings of the Board and of the committees of which they were members. All directors are encouraged to attend the annual meeting of Shareholders. In 2007, all Directors were present at the annual shareholder's meeting. The Board has established a number of committees, including the Audit Committee, the Compensation Committee and the Nominating and Governance Committee, each of which is described below.

All shareholder correspondence to the Board may be sent to the Corporation and will be forwarded to the appropriate Board member or committee chair. To contact any Board members or committee chairs, please mail your correspondence to:

Univest Corporation
Attention (Board Member's name)
Office of the Corporate Secretary
14 N. Main Street
P.O. Box 64197
Souderton, PA 18964

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| Board Member | Corporate Board | Audit | Compensation | Nominating and Governance | Independent* |
|---------------------|------------------------|--------------|---------------------|----------------------------------|---------------------|
| William S. Aichele | Chairman | | | | |
| Marvin A. Anders | X | | | | |
| James L. Bergey | X | | X | X | X |
| R. Lee Delp | X | | X | X | X |
| Charles H. Hoeflich | X | | Chairman | X | X |
| Norman L. Keller | X | X | | | X |
| Thomas K. Leidy | X | | X | X | X |
| H. Ray Mininger | X | | | | |
| Merrill S. Moyer | X | Chairman | X | Chairman | X |
| P. Gregory Shelly | X | X | | | X |
| John U. Young | X | X | | | X |

* Director meets the independence requirements as defined in the listing standards of the NASDAQ Stock Market and SEC regulations.

Audit Committee

The Audit Committee's responsibilities include: annual review of and recommendation to the Board for the selection of the Corporation's independent registered public accounting firm, review with the internal auditors and independent registered public accounting firm the overall scope and plans for the respective audits as well as the results of such audits, and review with management and the internal auditors and independent registered public accounting firm the effectiveness of accounting and financial controls, and interim and annual financial reports. All of the members of the Audit Committee are independent as defined in the listing standards of the NASDAQ Stock Market and SEC regulations.

The Board has determined that Merrill S. Moyer, Chairman of the Audit Committee, meets the requirements adopted by the Securities and Exchange Commission and the NASDAQ Stock Market for qualification as an audit committee financial expert. Mr. Moyer has past employment experience with the Corporation as a Chief Executive Officer, including active supervision of the Chief Financial Officer and other senior financial officers, providing him with a high level of financial sophistication, as well as a comprehensive knowledge of internal controls and audit committee functions. He has served as Chairman of the Audit Committee since 1999. An audit committee financial expert is defined as a person who has the following attributes: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

The identification of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than those that are imposed on such person as a member of the Audit

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Committee and the Board in the absence of such identification. Moreover, the identification of a person as an audit committee financial expert for purposes of the regulations of the Securities and Exchange Commission does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board. Additionally, a person who is determined to be an audit committee financial expert will not be deemed an expert for purposes of Section 11 of the Securities Act of 1933.

The Board approved an updated Audit Committee Charter in January 2008. At the February 2007 meeting of the Audit Committee, the Committee re-approved the Audit and Non-Audit Services Pre-Approval Policy. Copies of these documents may be found on the Corporation's Web Site: www.univest.net in the INVESTORS section under Governance Documents.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee (Committee) met seven (7) times in 2007. The Committee has reviewed and discussed the audited consolidated financial statements of the Corporation for the year ended December 31, 2007, with the Corporation's management. The Committee has discussed with KPMG LLP (KPMG), the Corporation's independent registered public accounting firm for the fiscal year ended December 31, 2007, the matters required to be discussed by Statement on Auditing Standards (SAS) No. 114 (The Auditors Communication with Those Charged with Governance.) SAS No. 114 supersedes SAS No. 61 (Communication with Audit Committees).

The Committee has also received the written disclosures and the letter from KPMG required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and the Committee has discussed the independence of KPMG with that firm.

Based on the Committee's review and discussions noted above, the Committee recommended to the Board that the Corporation's audited consolidated financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the Securities and Exchange Commission.

UNIVEST AUDIT COMMITTEE:

Merrill S. Moyer, Chairman
Norman L. Keller
P. Gregory Shelly
John U. Young

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On November 13, 2007, the Corporation retained KPMG LLP (KPMG) as its independent registered public accounting firm for the fiscal year ending December 31, 2008. The selection of the independent registered public accounting firm was recommended and approved by the Audit Committee.

Prior to 2004, shareholder ratification of the selection of the independent registered public accounting firm for the Corporation was requested at the annual shareholder meeting. In the spirit of the corporate governance requirements of the Sarbanes-Oxley Act of 2002, and Section 10A (m)(2) of the Securities Exchange Act of 1934, as amended, which states "The audit committee of each issuer, in its capacity as a committee of the board of directors, shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by the issuer (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each such registered public accounting firm shall report directly to the audit committee" the Audit Committee, with the approval of the Board, has determined that a ratification vote would inhibit the committee's ability to make timely decisions with respect to the appointment and/or dismissal of the independent registered public accounting firm and has therefore recommended removal of the ratification vote from the proxy process.

A representative from KPMG, as independent registered public accounting firm for the current fiscal year, is expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Independent Registered Public Accounting Firm Fees

The following table presents fees for professional services rendered by KPMG for the integrated audit, including an audit of the Corporation's annual financial statements and internal controls over financial reporting, and fees billed for other services rendered by KPMG:

| | 2007 | 2006 |
|-----------------------------------|-------------|-------------|
| Audit Fees | \$ 401,797 | \$ 342,158 |
| Audit Related Fees ⁽¹⁾ | 52,000 | 68,943 |
| Tax Fees ⁽²⁾ | 66,341 | 71,197 |
| Other Fees | -0- | -0- |

(1) Includes audit of benefit plans, FOCUS report audit and student loan agreed upon procedures; 100% of these fees were approved pursuant to the Audit Committee's pre-approval policy and procedures.

(2) Includes preparation of federal and state tax returns and tax compliance issues; 100% of these fees were approved pursuant to the Audit Committee's pre-approval policy and procedures.

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EXECUTIVE AND DIRECTOR COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The principal objective of the Corporation is to maximize shareholder value through the development and enhancement of the Corporation's business operations. To further that objective, the Corporation's executive compensation program is designed to:

Attract and retain employees in leadership positions in the Corporation by recognizing the importance of these individuals in driving the vision of the Corporation of being a strong and influential leader in the markets we serve and providing our customers with financial solutions for life, which is critical to both the short-term and long-term success of the Corporation.

Support strategic performance objectives through the use of compensation programs. The goal of the executive compensation program is to provide the executive with a total compensation package competitive with the market and industry in which the Corporation operates and to promote the long-term goals, stability and performance of the Corporation, aligning the interests of management with those of our shareholders.

Support the Corporation's management development and succession plans.

Create a mutuality of interest between executive officers and shareholders through compensation structures that share the rewards and risks of strategic decision-making.

Require executives to acquire substantial levels of ownership of Corporation stock in order to better align the executives' interests with those of the shareholders through a variety of plans.

Ensure, to the extent possible, that compensation has been and will continue to be tax deductible.

An executive's total compensation is composed of three primary components: base salary compensation, annual incentive compensation, and long-term incentive compensation. Each component is based on individual and group performance factors, which are measured objectively and subjectively by the Compensation Committee.

EXECUTIVE COMPENSATION

BASE SALARY COMPENSATION

The Compensation Committee's approach is to offer competitive salaries in comparison with market practices. The Committee annually examines market compensation levels and trends observed in the labor market. For its purposes, the Compensation Committee has defined the labor markets as the pool of executives who are currently employed in similar positions in companies with similar asset size, with special emphasis placed on salaries paid by companies that constitute the banking industry. Market information is used as a frame of reference for annual salary adjustments and starting salaries.

The Compensation Committee makes salary decisions in a structured annual review. The Compensation Committee considers decision-making responsibilities, experience, work performance and achievement of key goals, and team-building skills of each position as the most important measurement factors in its annual reviews. To help quantify these measures, the committee has, from time to time, enlisted the assistance of independent compensation consultants. Base salaries are determined by considering the experience and responsibilities of the individual

executive officer with a target of paying at the median (50%) level of our peer group adjusted for overall performance of

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the individual executive. Base salaries are adjusted annually and are in effect for the period January 1 through December 31.

During 2007, the Corporation engaged Pearl, Meyer & Partners to accumulate comparative data on the Corporation's peer group which the Compensation Committee utilized in adjusting the base salary of its executive group. The Corporation's peer group, eighteen (18) institutions of similar asset size and regional location, consists of: National Penn Bancshares, Inc.; S&T Bancorp, Inc.; Harleysville National Corporation; Independent Bank Corp.; Sandy Spring Bancorp, Inc.; Washington Trust Bancorp, Inc.; Hudson Valley Holding Corp.; Lakeland Bancorp, Inc.; Tompkins Financial Corporation; OceanFirst Financial Corp.; Peoples Bancorp Inc.; Parkvale Financial Corporation; Omega Financial Corporation; First Defiance Financial Corp.; Arrow Financial Corporation; First United Corporation; Peapack-Gladstone Financial Corp.; and Oak Hill Financial, Inc.

Increases in base salary compensation during 2007 were based on individual performance and a selected peer group compensation review performed by the Corporation's independent compensation consultants.

Compensation for Group Life Insurance premiums, hospitalization and medical plans, and other personal benefits are provided to all full-time employees and part-time employees averaging a certain number of hours and do not discriminate in favor of officers of the Corporation or its subsidiaries.

ANNUAL INCENTIVES

Univest established a non-equity annual incentive plan to reward executive officers for accomplishing annual financial objectives. The weighted financial measures and related targets for the plan are set forth in the preceding fiscal year by the Compensation Committee. The annual incentive program consists primarily of cash bonuses paid for: 1) individual performance to reinforce the critical focus of our executive officers on certain annual objectives that have significant impact on our long-term performance strategy; and 2) meeting annual Corporation performance goals (annual net income, efficiency ratio, return on average assets, return on average equity or other annual performance targets as set by the Compensation Committee). An executive may receive up to 50% of their annual incentive bonus in shares of the Corporation's stock which the Corporation will match with a restricted stock grant. The restricted stock grant will vest ratably over a five-year period. The purpose of this deferral option is to further align the executive's interests with those of the shareholders, promote retention and keep the executive focused on the long-term viability, performance and stability of the Corporation.

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For the year-ended December 31, 2007, based on the projected performance goals, the threshold was set at a 40% payout, the target was established at a 100% payout and a maximum was established at a 150% payout; if the projected performance goals are less than the established threshold amounts, there is no payout. Understanding that actual results will not equal the Target, Threshold or Stretch goals exactly, the Annual Incentive Compensation plan provides for laddered payouts based on actual results compared to Target as detailed in the table below:

Incentive