

AUBURN NATIONAL BANCORPORATION, INC  
Form DEF 14A  
April 12, 2019

**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  [X]

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))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to Rule 14a-12

AUBURN NATIONAL BANCORPORATION, INC.

(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):

[X] 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 price 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: \_\_\_\_\_

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing. \_\_\_\_\_  
\_\_\_\_\_

- (1) Amount previously paid: \_\_\_\_\_
- (2) Form, Schedule or Registration Statement No.: \_\_\_\_\_
- (3) Filing Party: \_\_\_\_\_
- (4) Date Filed: \_\_\_\_\_

April 12, 2019

TO OUR SHAREHOLDERS:

You are cordially invited to attend the Annual Meeting of Shareholders of Auburn National Bancorporation, Inc., to be held at the AuburnBank Center, 132 North Gay Street, Auburn, Alabama, on May 14, 2019, at 3:00 p.m., Local Time (collectively, with any adjournments or postponements thereof, the Meeting ).

The Notice of Meeting, Proxy Statement, Proxy, and our 2018 Annual Report to Shareholders are enclosed. We hope you can attend and vote your shares in person. In any case, please complete the enclosed Proxy and return it to us. This action will ensure that your preferences will be expressed on the matters that are being considered. If you attend the Meeting, you may vote your shares in person even if you have previously returned your Proxy.

Prior to the meeting, a reception will be held from 2:30 p.m. to 3:00 p.m. in the AuburnBank Center. We hope you can join us!

We thank you for your support this past year, and we encourage you to review our Annual Report. If you have any questions about the Proxy Statement or the Annual Report, please call or write us.

Sincerely,

/s/ Robert W. Dumas  
Robert W. Dumas  
*Chairman of the Board,*  
*President and CEO*

**AUBURN NATIONAL BANCORPORATION, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD MAY 14, 2019**

Notice is hereby given that the 2019 Annual Meeting of Shareholders of Auburn National Bancorporation, Inc. (the Company ) will be held at the AuburnBank Center, 132 North Gay Street, Auburn, Alabama, on Tuesday, May 14, 2019, at 3:00 p.m., Local Time (collectively, with any adjournments or postponements thereof, the Meeting ), for the following purposes:

1. *Election of Directors.* To elect 10 directors to the Board of Directors for one-year terms;
  2. *Advisory Vote on Executive Compensation.* To approve, on a non-binding, advisory basis, the compensation of the Company s named executive officers as disclosed in the proxy statement that accompanies this notice;
  3. *Frequency of Advisory Vote on Executive Compensation.* To recommend, on a non-binding, advisory basis, the frequency (every one, two or three years) of shareholder votes to approve, on a non-binding, advisory basis, the compensation of the Company s named executive officers ; and
  4. *Other Business.* To transact such other business as may properly come before the Meeting.
- Only shareholders of record at the close of business on March 15, 2019, are entitled to notice of and to vote at the Meeting. All shareholders, whether or not they expect to attend the Meeting in person, are requested to complete, date, sign and return the enclosed Proxy in the accompanying envelope.

Also enclosed is a copy of the Company s 2018 Annual Report.

By Order of the Board of Directors,

/s/ C. Wayne Alderman  
C. Wayne Alderman  
Secretary

April 12, 2019

PLEASE COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY TO THE TRANSFER AGENT IN THE ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY VOTE IN PERSON BY WRITTEN BALLOT IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE**

Edgar Filing: AUBURN NATIONAL BANCORPORATION, INC - Form DEF 14A

**SHAREHOLDER MEETING TO BE HELD ON TUESDAY, MAY 14, 2019**

**THE PROXY STATEMENT AND ANNUAL REPORT TO SHAREHOLDERS**

**ARE AVAILABLE AT [WWW.AUBNPROXY.COM](http://WWW.AUBNPROXY.COM)**

**AND OUR COMPANY S WEBSITE [WWW.AUBURNBANK.COM](http://WWW.AUBURNBANK.COM)**

**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**OF**  
**AUBURN NATIONAL BANCORPORATION, INC.**  
**TO BE HELD MAY 14, 2019**

**General**

This Proxy Statement is being furnished to the shareholders of Auburn National Bancorporation, Inc. (the *Company*), a Delaware corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the *BHC Act*), in connection with the solicitation of proxies by the *Company*'s Board of Directors from holders of the outstanding shares of the *Company*'s \$.01 par value Common Stock ( *Common Stock* ) for the 2019 Annual Meeting of Shareholders of the *Company* (collectively, with any adjournments or postponements, the *Meeting* ). Unless the context otherwise requires, the term *Company* includes the *Company*'s subsidiary, AuburnBank (the *Bank* ). The *Company*'s Common Stock is listed on the Nasdaq Global Market under the symbol *AUBN*.

The Meeting is being held to consider and vote upon: (i) the election of 10 directors to the Board of Directors; (ii) on a non-binding, advisory basis, the compensation of the *Company*'s named executive officers (defined below) as disclosed in this Proxy Statement (a *say-on-pay proposal* ); (iii) on a non-binding, advisory basis, the frequency (every one, two, or three years) of say-on-pay proposals (the *say-on-frequency proposal* ); and (iv) such other matters as may properly come before the Meeting.

The *Company*'s Board of Directors knows of no business that will be presented for consideration at the Meeting other than the matters described in this Proxy Statement.

This Proxy Statement and the Proxy are first being mailed on or about April 12, 2019, to *Company* shareholders of record as of the close of business on March 15, 2019 (the *Record Date* ). The *Company*'s 2018 Annual Report (the *Annual Report* ), including financial statements for the fiscal year ended December 31, 2018, accompanies this Proxy Statement.

Each shareholder is entitled to one vote on each proposal for each share of Common Stock held as of the Record Date. In determining whether a quorum exists at the Meeting for purposes of all matters to be voted on, all votes for or against, as well as all abstentions (including votes to withhold authority to vote in certain cases), will be counted as shares present, and a quorum will exist if a majority of the shares outstanding and entitled to vote at the meeting are present. Under Delaware law, the vote required for the election of directors is a plurality of the votes cast by the shares present, in person or by proxy, at the Meeting, provided a quorum is present. Consequently, with respect to the election of directors, abstentions and broker non-votes will not be counted in determining whether the proposal has received the requisite number of votes for approval. The say-on-pay proposal and the say-on-frequency proposal included on the ballot are only non-binding, advisory votes. This means that the Board of Directors will not be required to take any action on these matters regardless of the number of shares voted in favor of or against either proposal. However, the Board of Directors wants to understand the view of the *Company*'s shareholders on the *Company*'s executive compensation program, so your consideration and vote on these matters will be taken seriously by the Board of Directors. For both the say-on-pay proposal and the say-on-frequency proposal, the votes that shareholders cast for the proposals must exceed the number of votes cast against the proposals to pass. Abstentions and broker non-votes will not be counted in determining whether the proposals received the requisite number of votes for approval. Unless otherwise required by the *Company*'s Certificate of Incorporation or Amended and Restated

Bylaws ( Bylaws ), or by the Delaware General Corporation Law or other applicable law, any other proposal that is properly brought before the Meeting will require approval by the affirmative vote of a majority of all votes cast at the Meeting with respect to such proposal. With respect to any such proposal, abstentions and broker non-votes will not be counted in determining whether such proposal has received the requisite number of votes for approval.

The Company's principal executive offices are located at 100 N. Gay Street, Auburn, Alabama 36830, and its telephone number is (334) 821-9200. The Company maintains an internet website at [www.auburnbank.com](http://www.auburnbank.com).

### **Record Date, Solicitation and Revocability of Proxies**

The Record Date for the Meeting has been set as the close of business on March 15, 2019. Accordingly, only holders of record of shares of Common Stock on the Record Date will be entitled to vote at the Meeting. At the close of business on such date, there were approximately 3,581,485 shares of Common Stock issued and outstanding, which were held by approximately 384 shareholders of record.

Shares of Common Stock represented by a properly executed Proxy, if such Proxy is received in time and is not revoked, will be voted at the Meeting in accordance with the instructions indicated in such Proxy. **If you properly execute and return your Proxy but do not indicate any voting instructions with respect to one or more matters to be voted upon at the Meeting, or if your voting instructions are unclear, your shares will be voted in accordance with the recommendation of the Board of Directors as to all such matters. Specifically, your shares will be voted FOR the election of all director nominees, FOR the advisory approval of the say-on-pay proposal, FOR the advisory recommendation of the say-on-frequency proposal, as well as in the discretion of the persons named as proxies on all other matters that may properly come before the Meeting.**

A shareholder who has given a Proxy may revoke it at any time prior to its exercise at the Meeting by either (i) giving written notice of revocation to the Company's Secretary, (ii) properly submitting to the Company a duly executed Proxy bearing a later date, or (iii) appearing in person at the Meeting and voting in person by written ballot. All written notices of revocation or other communications with respect to revocation of Proxies should be addressed as follows: Auburn National Bancorporation, Inc., P.O. Box 3110, Auburn, Alabama 36831-3110, Attention: C. Wayne Alderman, Secretary.

### **Proxy Solicitation Costs**

The cost of soliciting Proxies for the Meeting will be paid by the Company. The Company's officers may also solicit proxies by telephone or otherwise, but will not receive additional compensation for these activities. In addition to the solicitation of shareholders of record by mail, telephone, facsimile, or personal contact, the Company may also make arrangements with brokers, dealers, banks, or voting trustees or their nominees who can be identified as record holders of Common Stock to forward this proxy statement and the 2018 Annual Report to beneficial owners of Common Stock. The Company will reimburse them for the reasonable expenses in connection with these services.



**PROPOSAL #1 ELECTION OF DIRECTORS**

**General**

Ten persons have been nominated to serve on the Company’s Board of Directors for one-year terms of office expiring at the Company’s next scheduled annual meeting of shareholders and until their successors have been elected and qualified. All of the nominees for director are presently directors of the Company.

Proxies cannot be voted for a greater number of persons than the number of nominees specified herein. Cumulative voting for directors is not permitted. All shares represented by valid Proxies received and not revoked before they are exercised will be voted in the manner specified therein. If no specification is made, the Proxies will be voted for the election of the ten nominees listed below. In the unanticipated event that any nominee is unable to serve, the persons designated as proxy holders will cast votes for the remaining nominees and for such other replacements as may be nominated by the Company’s Board of Directors.

**The nominees have been nominated by the Company’s Board of Directors based on the recommendation of the Nominating and Corporate Governance Committee, and the Board unanimously recommends a vote FOR the election of all ten nominees listed below.**

**Information about Nominees for Director**

The following table sets forth the name and age of each nominee for director, a brief description of his or her principal occupation and business experience, certain other directorships and how long he or she has been a director for the Company or the Bank. In addition, we have also provided a brief discussion of the specific experience, qualifications, attributes or skills that led to the Nominating Committee’s conclusion that the nominee should serve as one of our directors. Except for Robert W. Dumas, President and CEO of the Company and the Bank, none of the nominees is employed by the Company or the Bank or any entity that is an affiliate of the Company or the Bank.

<b>Name, Principal Occupation, Business Experience, Age, Directorships and Qualifications</b>	<b>Director Since</b>
<p><b>C. Wayne Alderman</b>                      Dean and Professor Emeritus, former Dean of Enrollment Services and former Dean, College of Business, Auburn University; former Director of Financial Operations of the Bank from 2000 to 2007; employed by Auburn University since 1979. Dr. Alderman is 68.</p> <p>Dr. Alderman, a certified public accountant and former Torchmark Professor of Accounting at Auburn University, brings strategic planning expertise, public accounting and risk and general management knowledge to the Board. He also brings valuable insight and banking knowledge as a result of his service as the Bank’s Director of Financial Operations from 2000 to 2007, in addition to serving as a director of the Bank since 1993.</p>	<p>2004</p>
<p><b>Terry W. Andrus</b>                      Retired President and Chief Executive Officer of the East Alabama Medical Center from 1984 to 2018; Director of 340B Health, Former Director of Blue Cross/Blue Shield of Alabama. Mr. Andrus is 67.</p>	<p>1998</p>

Mr. Andrus brings executive decision-making, financial expertise, and business-building skills from his past service as the Chief Executive Officer of a regional hospital. Mr. Andrus also has served as Chairman of the Alabama Hospital Association. He possesses banking knowledge through his service as a director of the Bank since 1991.

Name, Principal Occupation, Business Experience, Age, Directorships and Qualifications	Director Since
<p><b>J. Tutt Barrett</b></p> <p>Mr. Barrett is a senior partner in the law firm of Dean &amp; Barrett, located in Opelika, Alabama, where he has worked since 1992. Mr. Barrett is 67.</p> <p>Mr. Barrett brings a wealth of legal and risk management skills to the Board. He also provides governance skills and experience gained through his service on the boards of various charitable organizations. In addition, Mr. Barrett has served on one of the Bank's local advisory boards since 1991.</p>	2010
<p><b>Robert W. Dumas</b></p> <p>Chairman of the Board of the Company and the Bank since January 2019; Chief Executive Officer and President of the Company since 2017 and Bank since 2001; Vice Chairman of the Company and the Bank from 2013 until his election as Chairman; President and Chief Lending Officer of the Bank from 1998 to 2001; employed by the Bank since 1984; and Director of East Alabama Medical Center. Mr. Dumas is 65.</p> <p>Mr. Dumas brings valuable insight and knowledge to the Board as a result of his service as President and CEO of the Company and the Bank. Mr. Dumas currently serves on the Auburn University Board of Trustees, Auburn Research and Technology Board of Directors, Federal Reserve Bank of Atlanta Board of Directors, and Alabama Bankers Association Board of Directors and has held numerous other positions in professional leadership, including his service as President and Chairman of the Alabama Bankers Association and a member of the Auburn University Business Advisory Council. Mr. Dumas brings valuable knowledge from his 40 years of service in the banking industry, including serving as a director of the Bank since 1997.</p>	2001
<p><b>William F. Ham, Jr.</b></p> <p>Former Mayor of City of Auburn from 1998 to 2018; owner of Varsity Enterprises, a company providing coin laundry services, since 1977. Mr. Ham is 65.</p> <p>Mr. Ham brings a wealth of business-building skills to the Board as a result of his experience as an entrepreneur and as the Mayor of City of Auburn. He also brings valuable knowledge through his service as a director of the Bank since 1993.</p>	2004
<p><b>David E. Housel</b></p> <p>Director of Athletics Emeritus at Auburn University since January 2006; Director of Athletics at Auburn University from 1994 to January 2006; employed by Auburn University since 1970. Mr. Housel is 72.</p> <p>Mr. Housel brings valuable business, public relations, and strategic planning skills to the Board through his previous experience managing a major collegiate athletic program with numerous employees and supervising multi-million dollar budgets. He also possesses banking knowledge through his service as a director of the Bank since 1997.</p>	2004

Name, Principal Occupation, Business Experience, Age, Directorships and Qualifications	Director Since
<p><b>Anne M. May</b></p> <p>Retired Partner, Machen &amp; McChesney, LLP, from 1983 to 2018. Ms. May is 68.</p> <p>Ms. May has valuable risk management skills, public accounting knowledge and expertise in compensation and tax compliance as a partner and former managing partner for a local accounting firm. She also possesses extensive banking knowledge through her service as a director of the Bank since 1982.</p>	1990
<p><b>Amy B. Murphy</b></p> <p>Director of Graduate and Online Programs in the School of Accountancy at Auburn University where she has worked since 1994. Ms. Murphy is 60.</p> <p>Ms. Murphy, a certified public accountant and instructor in the School of Accountancy at Auburn University, brings valuable financial, accounting and risk management expertise to the Board. She also possesses valuable strategic planning skills and management knowledge through her role as Director of Graduate and Online Programs. Ms. Murphy was appointed to the Board of the Company and the Bank in February 2016.</p>	2016
<p><b>Edward Lee Spencer, III</b></p> <p>Director of the Company; former Vice President, Spencer Lumber Company; employed by Spencer Lumber Company from 1973 to 2006. Son of E. L. Spencer, Jr. Edward Lee Spencer, III is 63.</p> <p>Mr. Edward Lee Spencer, III brings valuable business insights and knowledge as a result of his previous management experience with Spencer Lumber Company, a supplier of building and construction materials. He also brings valuable banking knowledge through his service as a director of the Bank since 1991.</p>	2004
<p><b>Patricia Wade, M.D.</b></p> <p>Physician with Pinnacle Cardiovascular Associates, formerly Auburn Cardiovascular, P.C., in Auburn, Alabama since 2011. She has practiced medicine in the Auburn-Opelika, Alabama area since 1993. Dr. Wade is 63.</p> <p>As a physician, Dr. Wade brings a unique perspective to the Board of Directors regarding the needs of the local medical community. As a private-practice professional, she offers insight into the small business community. Dr. Wade was appointed to the Board of the Company and the Bank in February 2016.</p>	2016

## CORPORATE GOVERNANCE

### Board Leadership Structure

The Board of Directors does not have a policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes this issue is part of the succession planning process and that it is in the best interests of the Company and our shareholders to retain the flexibility to combine or separate these functions. At this time, the Board believes there are a number of important advantages of combining the positions of Chairman and Chief Executive Officer, including the following:

Mr. Dumas with 35 years of experience at the Bank, including 17 years as President and Chief Executive Officer and 6 years as Vice Chairman, has the knowledge, expertise, and experience to understand the opportunities and challenges facing the Company, as well as the leadership and management skills to promote and execute our values and strategy, particularly during the current economic environment;

Combining the positions allows Mr. Dumas to lead Board discussions regarding our business and strategy, and provides unified leadership for the Company;

Combining the positions creates a firm link between management and the Board and promotes the development and implementation of corporate strategy; and

Combining the positions allows timely communication with the Board on critical business matters given the complexity of our business.

The Board also believes that combining the positions of Chairman and Chief Executive Officer would not undermine the independence of the Board. The Company's Board is comprised of Mr. Dumas and nine other directors. Eight directors satisfy the Nasdaq's listing standards regarding independence. The Company has established an independent director committee. Anne M. May is currently the chairperson of the committee and therefore is formally identified as the Lead Independent Director. Our corporate governance guidelines provide that the independent directors will meet at least semi-annually in executive session without management present.

The Company believes the foregoing structure, policies and practices, when combined with the Company's other governance policies and procedures, provide appropriate oversight, discussion and evaluation of decisions and direction from the Board of Directors.

### Board's Role in Risk Oversight

The Board of Directors maintains oversight responsibility of the management of the Company's risks. A fundamental part of risk management is not only understanding the risks to the Company, and the actions needed to manage those risks, but also determining acceptable levels of risk for the Company. The full Board of Directors reviews with management its process for managing enterprise risk.

While the Board of Directors maintains the ultimate oversight responsibility for risk management, certain of the Board's committees have been assigned responsibility for risk management oversight of specific areas. These responsibilities include:

the Compensation Committee evaluating, with our senior officers, risks posed by our compensation programs and seeking to limit any unnecessary or excessive risks these programs may pose to us, in order to avoid programs that might encourage such risks. The Compensation Committee's role and its relationship with the Board are more fully described under "Committees of the Board - Compensation Committee";

the Audit and Compliance Committee overseeing risks related to our financial statements, our compliance with legal and regulatory requirements, our financial reporting process and system of internal controls. The Audit and Compliance Committee also evaluates the performance of our independent auditors and our internal auditing department. The Audit Committee periodically meets privately in separate executive sessions with management, our internal audit department, and the independent auditors. The Audit and Compliance Committee's role and its relationship with the Board are more fully described under "Committees of the Board - Audit and Compliance Committee"; and

the Strategic Planning Committee reviewing management and adjusting our risk assessment during the Company's annual strategic planning process. The Strategic Planning Committee's role and its relationship with the Board are more fully described under "Committees of the Board - Strategic Planning Committee".

While each of these committees is responsible for evaluating certain risks and overseeing the management of these risks, the entire Board of Directors is informed through committee reports about such risks. In addition, each of the Company's directors serves on the Bank's Board of Directors. We believe that Board committees that report at the Bank level are critical to the Company's risk management processes. These committees include the Director's Loan Committee, Asset/Liability Committee, Information Technology/Information Security (IT/IS) Steering Committee, Operations and Bank Secrecy Act (BSA) Committee. These committees each play a role in monitoring the following risks to the Bank and Company: credit, liquidity, interest rate, operational, reputational, compliance, and information technology and security risks.

### **Director Nominating Process**

The Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board, monitors existing director qualifications and periodically examines the composition of the Company's Board of Directors and determines whether the Board of Directors would better serve its purposes with the addition of one or more directors. This assessment includes, among other relevant factors, in the context of the perceived needs of the Board at that time, issues of experience, reputation, judgment, diversity and skills.

If the Nominating and Corporate Governance Committee determines that adding a new director is advisable or if a vacancy on the Board arises, the Nominating and Corporate Governance Committee initiates the search, working with other directors, management and, if it deems appropriate or necessary, a search firm retained to assist in the search. The Nominating and Corporate Governance Committee will consider all appropriate candidates proposed by management, directors and shareholders. Information regarding potential candidates is presented to the Nominating and Corporate Governance Committee, which then evaluates the candidates based on the needs of the Board of Directors at that time and the criteria listed above. Potential candidates are evaluated according to the same criteria, regardless of whether the candidate was recommended by the Nominating and Corporate Governance Committee, a shareholder, another director, management or another third party. The Nominating and Corporate Governance Committee then meets to consider the selected candidate(s) and submits the approved candidate(s) to the full Board of Directors for approval and recommendation to the shareholders. Although neither the Board nor the Nominating and Corporate Governance Committee has a formal policy with regard to the consideration of diversity in identifying director nominees, the director nomination process is designed to ensure that the Board considers members with diverse backgrounds, including race, ethnicity, gender, education, skills and experience, with a focus on appropriate financial and other expertise relevant to the company's business, and also considers issues of judgment, conflicts of interest, integrity, ethics and commitment to the goal of maximizing shareholder value. The goal of this process is to assemble a group of directors with deep, varied experience, sound judgment and commitment to the company's success.

Subject to the requirements of the Company's Certificate of Incorporation and Amended and Restated Bylaws, as well as any requirements of law or regulation, any shareholder entitled to vote for the election of directors may recommend a director nominee. Advance notice of such proposed nomination must be received by the Secretary of the Company not less than 21 days nor more than 60 days prior to any meeting of the shareholders called for the election of directors. Nominations should be submitted in writing to the Secretary of the Company specifying the nominee's name and other required information set forth in the Company's Bylaws. In 2018, there were no shareholder recommendations received, and no third party search firms were used to identify director candidates.

### **Shareholder Communications**

Shareholders who wish to communicate with the Board, or any individual director or group of directors, may do so by sending written communications addressed to: Board of Directors of Auburn National Bancorporation, Inc., c/o C. Wayne Alderman, Secretary, Auburn National Bancorporation, Inc., 100 N. Gay Street, P.O. Box 3110, Auburn, Alabama, 36831-3110. All information will be compiled by the Secretary of the Company and submitted to the Board of Directors or each applicable director at the next regular meeting of the Board of Directors.

## Meetings of the Board of Directors

The Boards of Directors of the Company and the Bank, as well as the committees of the Company's and Bank's Boards of Directors, generally hold meetings in tandem. The Company's Board of Directors held 12 meetings during 2018. All directors attended at least 75% of the aggregate of all meetings of the Company's Board of Directors and each committee on which they served. All of the Company's directors are encouraged to attend the Company's annual meetings of shareholders. All of the Company's directors attended the 2018 Annual Meeting of Shareholders.

## Committees of the Board of Directors

In accordance with the Company's Corporate Governance Guidelines or Bylaws, the Company's Board has established the committees described below. As of April 12, 2019, the members of each committee are identified below:

Director Name	Nominating &					
	Audit & Compliance	Compensation	Corporate Governance	Independent Directors	Executive Planning	Strategic Property
Alderman						
Andrus	(C)		(C)			
Barrett						
Dumas					(C)	(C)
Ham, Jr.						
Housel						
May		(C)		(C)		
Murphy						
Spencer, III						
Wade, M.D. (C) Chairman						

*Audit and Compliance Committee.* The Audit and Compliance Committee ( Audit Committee ) has the responsibilities set forth in the Audit Committee Charter, including reviewing the Company's financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities and determining that all audits and examinations required by law are performed. It appoints independent auditors, reviews and approves their audit plan and reviews with the independent auditors the results of the audit and management's response thereto. The Audit Committee also reviews the adequacy of the internal audit budget and personnel, the internal audit plan and schedule, and results of audits performed by the internal audit staff. The Audit Committee is responsible for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts. All members of the Audit



Committee are independent directors, as defined in the Nasdaq listing standards, and meet the independence criteria set forth in SEC Rule 10A-3(b)(1) and the financial literacy requirements of the Nasdaq listing standards and SEC regulations. This committee held thirteen meetings in 2018. The Board of Directors has determined that C. Wayne Alderman and Terry W. Andrus, members of the Audit Committee, are audit committee financial experts, as defined by SEC rules.

*Compensation Committee.* Pursuant to the Compensation Committee Charter, the Compensation Committee is authorized to review, recommend and approve the compensation of the Chief Executive Officer, other executive officers and other key employees of the Company and the Bank; to evaluate the Company's incentive compensation plans, including any equity compensation plans; and to select, interview and make hiring recommendations to the Board for the Chief Executive Officer position. In addition, the Committee approves changes to any Company personnel policy manuals or handbooks, and annually evaluates director compensation. Although it has not done so, the Compensation Committee may delegate authority to subcommittees consisting of one or more members, as it deems appropriate. Although it has not done so during 2018, the Compensation Committee may engage its own legal counsel and compensation consultants, funded by the Company. All members of the Compensation Committee are independent directors as defined in the Nasdaq listing standards. This committee held two meetings in 2018.

*Nominating and Corporate Governance Committee.* The purpose of the Nominating and Corporate Governance Committee is to identify individuals qualified to become members of the Company's Board of Directors and recommend to the Board the director nominees for the next annual meeting of shareholders. This committee also takes a leadership role in shaping corporate governance policies and practices of the Company. The responsibilities and duties of the Nominating and Corporate Governance Committee are more fully set out in the Nominating and Corporate Governance Committee Charter. All members of the Nominating and Corporate Governance Committee are independent directors as defined in the Nasdaq listing standards. The Nominating and Corporate Governance Committee held one meeting in 2018.

*Independent Directors Committee.* The Independent Directors Committee was formed to meet Nasdaq listing standards, which require that the Company's independent directors meet separately from the other directors in regularly scheduled executive sessions at least twice annually, and at such other times as may be deemed appropriate by the Company's independent directors. Nasdaq listing standards also require that a majority of the Company's directors be independent directors. The Board has affirmatively determined that all members of the Independent Directors Committee are independent directors. The Company's Board of Directors has appointed Anne M. May to serve as the Board's Lead Independent Director. This committee held two meetings in 2018.

*Executive Committee.* The Company's Executive Committee is authorized to act in the absence of the Board of Directors on certain matters that require Board approval. This committee held one meeting during 2018.

*Strategic Planning Committee.* The Strategic Planning Committee evaluates potential acquisitions and the Company's long range goals and oversees the process and risk assessment used for the officers' and directors' strategic planning sessions. This committee held two meetings in 2018.

*Property Committee.* The Property Committee evaluates potential properties for expansion or branching activities. This committee held two meetings during 2018.

The Board of Directors has adopted a Code of Conduct and Ethics applicable to the Company's directors, officers and employees, including the Company's principal executive officer, principal financial officer, principal accounting officer and other senior financial officers. The Code of Conduct and Ethics, as well as the charters for the Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee, can be found by hovering over the heading "About Us" on the Company's website, [www.auburnbank.com](http://www.auburnbank.com), and then clicking on "Investor Relations", and then clicking on "Governance Documents". In addition, this information is available in print to any shareholder who requests it. Written requests for a copy of the Company's Code of Conduct or the Audit Committee, Compensation Committee, or Nominating and Corporate Governance Committee charters may be sent to Auburn National Bancorporation, Inc., 100 N. Gay Street, Auburn, Alabama 36830, Attention: Marla Kickliter, Senior Vice President of Compliance and Internal Audit. Requests may also be made via telephone by contacting Ms. Kickliter or Laura Carrington, Vice President of Human Resources, at (334) 821-9200. As additional corporate governance standards are adopted, they will be disclosed on an ongoing basis on the Company's website.



## Board Compensation

In 2018, the Chairman received \$2,000 and each director received \$1,000, respectively, for each Board meeting attended, which will be the same for 2019. Generally, the Board of Directors of the Company and the Bank meet on the same day, and in such cases, a fee is paid for one board meeting only. In addition, members of the Audit Committee and the Compensation Committee of the Company, which also serve as the members of the Audit Committee and the Compensation Committee of the Bank, respectively, receive an additional fee of \$250 for each committee meeting, while each Chairman of these committees receives \$500 per meeting. Members of the Bank's Loan Committee, Asset/Liability Committee and IT/IS Steering Committee receive \$250 for each committee meeting, while each Chairman of these committees receives \$500 per meeting. The Company's and the Bank's directors may receive year-end cash bonuses based upon the Company's financial performance. In 2018, aggregate fees paid to Company and Bank Directors, including cash bonuses, totaled approximately \$255,750. The compensation of directors may be changed from time to time by the Board of Directors upon recommendation of the Compensation Committee, without shareholder approval.

The following table provides information concerning the compensation of the Company's non-employee directors for 2018. Compensation paid to Robert W. Dumas for his service as director is reported in the Summary Compensation Table on page 14.

Name	Fees Earned or Paid in		Total
	Cash	Non-equity Incentive Plan Compensation(1)	
C. Wayne Alderman	\$ 34,750	\$ 3,650	\$ 38,400
Terry W. Andrus	16,750	3,650	20,400
J. Tutt Barrett	26,250	3,650	29,900
William F. Ham, Jr.	21,750	3,650	25,400