

FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
Form N-CSR  
August 05, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT  
COMPANIES

Investment Company Act file number 811-21539  
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First Trust Senior Floating Rate Income Fund II  
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(Exact name of registrant as specified in charter)

120 East Liberty Drive, Suite 400  
Wheaton, IL 60187  
-----

(Address of principal executive offices) (Zip code)

W. Scott Jardine, Esq.  
First Trust Portfolios L.P.  
120 East Liberty Drive, Suite 400  
Wheaton, IL 60187  
-----

(Name and address of agent for service)

registrant's telephone number, including area code: 630-765-8000  
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Date of fiscal year end: May 31  
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Date of reporting period: May 31, 2011  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

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THE REPORT TO SHAREHOLDERS IS ATTACHED HEREWITH.

ANNUAL  
REPORT  
FOR THE YEAR ENDED  
MAY 31, 2011

FIRST TRUST  
SENIOR FLOATING RATE  
INCOME FUND II

FIRST TRUST

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II (FCT)

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MAY 31, 2011

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. ("First Trust" or the "Advisor") and their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as "anticipate," "estimate," "intend," "expect," "believe," "plan," "may," "should," "would" or other words that convey uncertainty of future events or outcomes.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of First Trust Senior Floating Rate Income Fund II (the "Fund") to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information

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included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Advisor and its representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

### PERFORMANCE AND RISK DISCLOSURE

There is no assurance that the Fund will achieve its investment objectives. The Fund is subject to market risk, which is the possibility that the market values of securities owned by the Fund will decline and that the value of the Fund shares may therefore be less than what you paid for them. Accordingly, you can lose money by investing in the Fund. See "Risk Considerations" in the Notes to Financial Statements for a discussion of certain other risks of investing in the Fund.

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit <http://www.ftportfolios.com> or speak with your financial advisor. Investment returns, net asset value and common share price will fluctuate and Fund shares, when sold, may be worth more or less than their original cost.

### HOW TO READ THIS REPORT

This report contains information that may help you evaluate your investment. It includes details about the Fund and presents data and analysis that provide insight into the Fund's performance and investment approach.

By reading the portfolio commentary by the portfolio management team of the Fund, you may obtain an understanding of how the market environment affected the Fund's performance. The statistical information that follows may help you understand the Fund's performance compared to that of relevant market benchmarks.

It is important to keep in mind that the opinions expressed by personnel of the Advisor are just that: informed opinions. They should not be considered to be promises or advice. The opinions, like the statistics, cover the period through the date on the cover of this report. The risks of investing in the Fund are spelled out in the prospectus, the statement of additional information, this report and other Fund regulatory filings.

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### SHAREHOLDER LETTER

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II (FCT)  
LETTER FROM THE PRESIDENT  
MAY 31, 2011

Dear Shareholders:

I am pleased to present you with the annual report for your investment in First Trust Senior Floating Rate Income Fund II (the "Fund").

First Trust Advisors L.P. ("First Trust") has always believed that staying invested in quality products and having a long-term horizon can help investors reach their financial goals. Successful investors understand that the success

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they have achieved is typically because of their long-term investment perspective through all kinds of markets. While the past two years have been challenging, the markets have been recovering from their lows of 2008-2009, bringing relief to economists and investors alike.

The report you hold contains detailed information about your investment; a portfolio commentary from the Fund's management team that provides a recap of the period; a performance analysis and a market and Fund outlook. Additionally, you will find the Fund's financial statements for the twelve months this report covers. I encourage you to read this document and discuss it with your financial advisor.

First Trust has been through many types of markets. That's why we remain committed to being a long-term investor and investment manager and to bringing you quality investment solutions regardless of the inevitable volatility the market experiences. We offer a variety of products that may fit many financial plans to help those investors seeking long-term investment success. You may want to talk to your advisor about the investments First Trust offers that might also fit your financial goals.

At First Trust we continue to be committed to making available up-to-date information about your investments so you and your financial advisor have current information on your portfolio. We value our relationship with you, and we thank you for the opportunity to assist you in achieving your financial goals. I look forward to the remainder of 2011 and to the next edition of your Fund's report.

Sincerely,

/s/ James A. Bowen

James A. Bowen  
President of First Trust Senior Floating Rate Income Fund II

FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
"AT A GLANCE"  
AS OF MAY 31, 2011 (UNAUDITED)

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FUND STATISTICS  
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Symbol on New York Stock Exchange	FCF
Common Share Price	\$14.82
Common Share Net Asset Value ("NAV")	\$14.76
Premium (Discount) to NAV	0.41%
Net Assets Applicable to Common Shares	\$373,902,129
Current Monthly Distribution per Common Share (1)	\$0.0700
Current Annualized Distribution per Common Share	\$0.8400
Current Distribution Rate on Closing Common Share Price (2)	5.67%
Current Distribution Rate on NAV (2)	5.69%

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COMMON SHARE PRICE & NAV (WEEKLY CLOSING PRICE)  
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Common Share Price                      NAV

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5/31/10	12.31	13.91
6/4/2010	12.20	13.91
6/11/2010	12.59	13.81
6/18/2010	12.52	13.83
6/25/2010	12.68	13.84
7/2/2010	12.40	13.75
7/9/2010	12.56	13.76
7/16/2010	12.73	13.85
7/23/2010	12.99	13.91
7/30/2010	13.10	13.98
8/6/2010	13.08	13.97
8/13/2010	13.10	13.99
8/20/2010	13.21	14.02
8/27/2010	13.20	14.03
9/3/2010	13.22	14.03
9/10/2010	13.20	14.07
9/17/2010	13.10	14.12
9/24/2010	12.97	14.16
10/1/2010	13.20	14.17
10/8/2010	13.12	14.23
10/15/2010	13.13	14.27
10/22/2010	13.28	14.30
10/29/2010	13.30	14.39
11/5/2010	13.55	14.43
11/12/2010	13.38	14.45
11/19/2010	13.63	14.46
11/26/2010	13.74	14.47
12/3/2010	13.82	14.43
12/10/2010	13.75	14.46
12/17/2010	13.85	14.52
12/23/2010	13.95	14.55
12/31/2010	13.95	14.60
1/7/2011	14.02	14.65
1/14/2011	14.22	14.73
1/21/2011	14.34	14.76
1/28/2011	14.50	14.81
2/4/2011	14.71	14.79
2/11/2011	14.43	14.81
2/18/2011	14.75	14.85
2/25/2011	14.66	14.84
3/4/2011	14.68	14.77
3/11/2011	14.81	14.74
3/18/2011	14.7	14.68
3/25/2011	14.86	14.74
4/1/2011	14.95	14.73
4/8/2011	15.14	14.77
4/15/2011	15.11	14.79
4/21/2011	15.14	14.81
4/29/2011	15.41	14.83
5/6/2011	15.48	14.77
5/13/2011	15.36	14.77
5/20/2011	15.30	14.76
5/27/2011	14.85	14.75
5/31/2011	14.82	14.76

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PERFORMANCE  
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	Average Annual Total Return		
	1 Year Ended 5/31/2011	5 Years Ended 5/31/2011	Inception (5/25/2004) to 5/31/2011
FUND PERFORMANCE (3)			
NAV	11.19%	1.77%	2.96%
Market Value	23.20%	3.41%	2.35%
INDEX PERFORMANCE			
S&P/LSTA Leveraged Loan Index	9.28%	5.28%	5.31%

ASSET CLASSIFICATION	% OF TOTAL INVESTMENTS
Health Care Providers & Services	10.7
Media	10.0
Chemicals	6.4
Diversified Consumer Services	6.3
Hotels, Restaurants & Leisure	6.2
Software	4.8
Diversified Telecommunication Services	4.5
Aerospace & Defense	4.2
Capital Markets	3.9
Electric Utilities	3.5
Diversified Financial Services	3.5
Specialty Retail	3.3
Containers & Packaging	2.6
IT Services	2.6
Automobiles	2.4
Food & Staples Retailing	2.3
Health Care Equipment & Supplies	2.3
Pharmaceuticals	2.2
Commercial Services & Supplies	2.1
Real Estate Management & Development	2.0
Road & Rail	1.6
Life Sciences Tools & Services	1.4
Oil, Gas & Consumable Fuels	1.1
Independent Power Producers & Energy Traders	1.1
Food Products	1.1
Machinery	1.0
Semiconductors & Semiconductor Equipment	1.0
Leisure Equipment & Products	0.9
Real Estate Investment Trusts (REITs)	0.9
Wireless Telecommunication Services	0.7
Computers & Peripherals	0.6
Metals & Mining	0.5
Paper & Forest Products	0.5
Health Care Technology	0.4
Building Products	0.4
Energy Equipment & Services	0.3
Insurance	0.3
Communications Equipment	0.2
Household Durables	0.2
Total	100.0%

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CREDIT QUALITY (S&P RATINGS) (4)	% OF TOTAL INVESTMENTS
BBB+	0.5%
BBB	0.6
BBB-	4.4
BB+	6.8
BB	15.5
BB-	26.1
B+	26.1
B	12.1
B-	0.6
CCC+	1.0
CCC	1.1
NR	1.4
NR (Privately rated securities)	3.8
	-----
	Total 100.0%
	=====

TOP 10 ISSUERS	% OF TOTAL INVESTMENTS
Reynolds Consumer Products Holdings, Inc.	1.6%
Nuveen Investments, Inc.	1.5
LPL Holdings, Inc.	1.5
Asurion Corp.	1.4
Brenntag Holding GmbH & Co.	1.4
MultiPlan, Inc.	1.4
Select Medical Corp.	1.3
Univision Corp.	1.2
CB Richard Ellis Services, Inc.	1.2
Carestream Health, Inc.	1.2
	-----
	Total 13.7%
	=====

- (1) Most recent distribution paid or declared through 5/31/2011. Subject to change in the future.
- (2) Distribution rates are calculated by annualizing the most recent distribution paid or declared through the report date and then dividing by Common Share Price or NAV, as applicable, as of 5/31/2011. Subject to change in the future.
- (3) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in NAV per share for net asset value returns and changes in Common Share price for market value returns. Total returns do not reflect sales load and are not annualized for periods less than one year. Past performance is not indicative of future results.
- (4) Ratings below BBB- by Standard & Poor's Ratings Group are considered to be below investment grade.

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PORTFOLIO COMMENTARY  
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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II (FCT)  
MAY 31, 2011

INVESTMENT MANAGER

First Trust Advisors L.P. ("First Trust") was established in 1991 and is located in Wheaton, Illinois. First Trust is a registered investment advisor which offers customized portfolio management using its structured, quantitative approach to security selection. As of May 31, 2011, First Trust managed or supervised \$52.0 billion in assets. The First Trust Leveraged Finance Investment Team began managing the First Trust Senior Floating Rate Income Fund II on October 12, 2010. The experienced professionals comprising the First Trust Leveraged Finance Investment Team hail from one of the largest managers in the senior loan business and currently manage approximately \$535 million in assets. The team's experience includes managing senior secured floating-rate corporate loans ("senior loans") in both the U.S. and Europe, managing high-yield debt and corporate restructuring expertise. The team has managed institutional separate accounts, comingled funds, structured products and retail funds.

PORTFOLIO MANAGEMENT TEAM

WILLIAM HOUSEY, CFA  
SENIOR VICE PRESIDENT, SENIOR PORTFOLIO MANAGER

Mr. Housey joined First Trust in June 2010 as Senior Portfolio Manager in the Leveraged Finance Investment Team and has nearly 15 years of investment experience. Prior to joining First Trust, Mr. Housey was at Morgan Stanley/Van Kampen Funds, Inc. for 11 years and served as Executive Director and Co-Portfolio Manager. Mr. Housey has extensive experience in portfolio management of both leveraged and unleveraged credit products, including senior loans, high-yield bonds, credit derivatives and corporate restructurings. Mr. Housey received a BS in Finance from Eastern Illinois University and an MBA in Finance as well as Management and Strategy from Northwestern University's Kellogg School of Business. Mr. Housey holds the Chartered Financial Analyst ("CFA") designation.

SCOTT D. FRIES, CFA  
VICE PRESIDENT, PORTFOLIO MANAGER

Mr. Fries joined First Trust in June 2010 as Portfolio Manager in the Leveraged Finance Investment Team and has over 15 years of investment industry experience. Prior to joining First Trust, Mr. Fries spent 15 years and served as Co-Portfolio Manager of Institutional Separately Managed Accounts for Morgan Stanley/Van Kampen Funds, Inc. Mr. Fries received a BA in International Business from Illinois Wesleyan University and an MBA in Finance from DePaul University. Mr. Fries holds the Chartered Financial Analyst designation.

COMMENTARY

FIRST TRUST SENIOR FLOATING RATE INCOME FUND II

The primary investment objective of First Trust Senior Floating Rate Income Fund II ("FCT" or the "Fund") is to seek a high level of current income. As a secondary objective, the Fund attempts to preserve capital. The Fund pursues its



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objectives by investing in a portfolio of senior loans. There can be no assurance that the Fund's investment objectives will be achieved. The Fund may not be appropriate for all investors.

### MARKET RECAP

The senior loan market provided relatively strong returns over the twelve-month reporting period. For the full-year period, the S&P/LSTA Leveraged Loan Index (the "Index") (broad-based senior loan market index) returned 9.28%. The reporting period began on a negative note (June 2010 index return was -0.47%) due to potential sovereign risk in Europe, particularly Greece, which led to a flight to quality. Since that time, the senior loan market has generally risen, benefiting from improving credit quality and strong demand for the asset class.

A look at the default rate in the market provides a view to the improving credit conditions over the reporting period. The default rate has steadily moved lower throughout the reporting period. In June 2010, the trailing twelve-month default rate stood at 4.02%; it declined to 0.91% as of May 2011. This puts the current default rate well inside the historic average 3.66% default level for the market. The date range for the historic average default rate is December 1998-May 2011. As this data suggests, corporate performance has generally improved, with issuers showing the ability to grow revenues and cash flows in recent periods.

Alongside improving credit conditions, we have seen demand increase for the asset class, which has benefited secondary loan prices. A major factor regarding demand has been the significant increase in retail senior loan mutual fund flows. For the calendar year to date period, retail senior loan funds have taken in \$22.7 billion in new investor dollars. This compares to \$4.4 billion over the same five-month period in 2010. Retail investors are drawn to the potentially attractive income and interest rate protection that these funds may offer. Along with the increase in demand, the volume of new loan issuance has also increased over the period with an impressive \$25 billion in new loan issuance in the month of May 2011 alone.

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### PORTFOLIO COMMENTARY - (Continued)

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II (FCT)  
MAY 31, 2011

Overall, the combination of improving credit conditions and strong investor demand provided an environment for impressive returns over the period. Average loan prices in the market have improved 5 points, from 90.4 cents on the dollar at the beginning of the period to 95.4 cents on the dollar at the end of May 2011. With the increase in loan prices, the discounted spread of loans in the market has tightened over the period. In June 2010, the discounted spread to a three-year average life was 6.70%; it has declined steadily to 5.21% at the end of May 2011.

### PERFORMANCE ANALYSIS

For the twelve-month period ended May 31, 2011, the Fund generated a market price total return of 23.20% and a net asset value (NAV) total return of 11.19%.

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The Fund's market price return increased in the period as the market price began the period trading at a -9.38% discount to NAV and improved to a +0.41% premium to NAV at the end of the period.

From an income standpoint, the Fund increased the monthly distribution rate six times over the twelve-month period. The Fund paid \$0.039 cents per share in June 2010, and through the dividend increases, it paid \$0.07 cents per share in May 2011. This equates to a 79% increase in the level of monthly distributions over the period. These increases were made possible in part through a higher level of coupons paid by holdings within the Fund. At the end of May 2011, the Fund's distribution rate at NAV was 5.69% (5.67% at market price).

The Fund's NAV return for the period of 11.19% outperformed the S&P/LSTA Leveraged Loan Index return of 9.28% by 191 basis points. While the Fund's higher credit quality bias relative to the index detracted from returns in the period (as lower quality loans generally outperformed), the Fund benefited from the use of leverage over the period as loan prices increased.

### MARKET AND FUND OUTLOOK

The First Trust Leveraged Finance Team believes that the senior loan market will continue to benefit from the favorable market conditions that exist today. Credit quality is likely to remain strong and we expect default rates to remain at a modest level in the periods ahead. Strong demand for senior loans may continue as investors seek the potential benefits of current income and protection from rising interest rates (senior loans may benefit from rising rates due to the fact they pay a floating interest rate). The combination of a modest default rate and a supportive technical environment should provide a positive backdrop for senior loan returns.

We believe the Fund is positioned well to benefit in what we expect to be a positive environment for the asset class in the periods ahead. Through our rigorous credit research, we seek to identify the best relative value opportunities in the market as potential holdings for the Fund. The portfolio construction process balances the goals of a high current income with portfolio risk. In order to mitigate risk, we expect that the portfolio will remain well diversified and maintain a higher average credit quality than the market as represented by the Index. With loan prices trading, on average, below par, defaults at a modest level, and credit quality generally strong, we believe investors with an intermediate-time horizon will be rewarded by investing in the senior loan asset class, as current market conditions appear to offer investors a compelling value.

### DISCLOSURE

The Fund's portfolio holdings are subject to change without notice. Any mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security. There is no assurance that the Fund currently holds these securities.

The S&P/LSTA Leveraged Loan Index is a daily total return index that uses LSTA/LPC Mark-to-Market Pricing to calculate market value change. On a real-time basis, the Index tracks the current outstanding balance and spread over LIBOR for fully funded term loans. The facilities included in the Index represent a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers. (Information gathered from Standard & Poor's LCD.)

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
SENIOR FLOATING-RATE LOAN INTERESTS - 152.4%					
ADVERTISING - 2.1%					
\$ 6,784,151	Clear Channel Communications, Inc., Term Loan B.....	Caa1	CCC+	3.84%	
2,000,000	Mood Media Corp., Term Loan, First Lien.....	Ba3	B	7.75%	
AEROSPACE & DEFENSE - 7.8%					
2,000,000	Aeroflex, Inc., Term Loan B.....	B1	BB-	4.25%	
1,582,109	DAE Aviation Holdings, Inc., Term Loan B1.....	B2	B	5.28%	
1,524,099	DAE Aviation Holdings, Inc., Term Loan B2.....	B2	B	5.25%-5.28%	
5,231,239	DynCorp International, Inc., Term Loan.....	Ba1	BB	6.25%	
2,319,621	GenCorp, Inc., Synthetic Letter of Credit.....	Ba1	BB-	3.45%	
1,179,819	GenCorp, Inc., Term Loan.....	Ba1	BB-	3.45%	
1,995,000	Pelican Products, Inc., Term Loan.....	NR (f)	NR (f)	5.00%	
2,241,103	Robertson Fuel Systems, LLC, Term Loan.....	NR (f)	NR (f)	2.94%	
4,224,547	Spirit Aerosystems, Inc., Term Loan B.....	Ba1	BBB-	3.53%	
3,992,915	TASC, Inc., Term Loan B.....	Ba2	BB	4.50%	
2,992,500	Transdigm, Inc., Term Loan B.....	Ba2	BB-	4.00%	
AGRICULTURAL PRODUCTS - 1.1%					
1,158,093	Dole Food Co., Inc., Term Loan B1.....	Ba2	BB-	5.00%-5.50%	
2,876,412	Dole Food Co., Inc., Term Loan C1.....	Ba2	BB-	5.00%-5.50%	

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ALTERNATIVE CARRIERS - 2.8%				
6,000,000	Intelsat Jackson Holdings S.A., Term Loan B....	B1	BB-	5.25%
1,000,000	Level 3 Financing, Inc., Term Loan A.....	B1	B+	2.53%
3,114,257	Telesat Canada, U.S. Term Loan I.....	B1	BB-	3.20%
267,500	Telesat Canada, U.S. Term Loan II.....	B1	BB-	3.20%
ALUMINUM - 0.8%				
2,992,500	Novelis, Inc., Term Loan B.....	Ba2	BB-	4.00%
APPAREL RETAIL - 1.6%				
1,995,000	Gymboree Corp., Term Loan, First Lien.....	B1	B+	5.00%
4,000,000	Neiman Marcus Group, Term Loan.....	B2	BB-	4.75%
APPLICATION SOFTWARE - 4.1%				
1,995,000	Bentley Systems, Inc., Term Loan B.....	Ba3	BB+	5.75%
2,500,000	CCC Information Systems, Inc., Term Loan B....	B1	B+	5.50%
4,000,000	Eagle Parent, Inc., Term Loan B.....	Ba3	B+	5.00%
1,995,000	Property Data, Inc., Term Loan.....	Ba3	B+	7.00%
2,500,000	Trizetto Group, Inc., Term Loan B.....	B1	BB-	4.75%
2,500,000	Verint Systems, Inc., Term Loan B, First Lien..	B1	B+	4.50%
ASSET MANAGEMENT & CUSTODY BANKS - 6.0%				
1,313,950	Grosvenor Capital Management Holdings, LLP, Term Loan.....	NR (f)	NR (f)	4.25%
2,369,531	Harbourvest Partners L.P., Term Loan B.....	NR (f)	NR (f)	6.25%
2,797,273	LPL Holdings, Inc., Extended Term Loan.....	Ba3	BB-	4.25%

See Notes to Financial Statements

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
-----					
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					
ASSET MANAGEMENT & CUSTODY BANKS - (Continued)					
\$ 5,773,049	LPL Holdings, Inc., Term Loan.....	Ba3	BB-	5.25%	
1,330,000	Munder Capital Management, Incremental Term Loan.....	NR (f)	NR (f)	6.00%	
6,704,791	Nuveen Investments, Inc., Extended Term Loan...	B2	B	5.76%-5.81%	
2,000,000	Nuveen Investments, Inc., Term Loan.....	B2	B	3.27%-3.31%	

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	AUTO PARTS & EQUIPMENT - 2.7%			
2,000,000	Delphi Corp., Term Loan B.....	Baa3	BBB-	3.50%
4,000,000	HHI Holdings, LLC, Term Loan B.....	B2	B+	7.00%-7.75%
1,995,000	Tomkins, PLC, Term Loan B.....	Ba2	BB	4.25%
1,995,000	Transtar Holding Co., Term Loan, First Lien....	Ba3	BB-	5.50%
	AUTOMOBILE MANUFACTURERS - 1.1%			
4,000,000	Metaldyne, LLC, Term Loan B.....	B1	B+	5.25%
	AUTOMOTIVE RETAIL - 1.2%			
2,500,000	KAR Holdings, Inc., Term Loan B.....	Ba3	BB-	5.00%
2,000,000	Pilot Travel Centers, LLC, Term Loan B.....	Ba2	BB+	4.25%
	BIOTECHNOLOGY - 1.4%			
5,000,000	Grifols, SA, Term Loan B.....	Ba3	BB	6.00%
	BROADCASTING - 2.7%			
4,423,344	FoxCo Acquisition, LLC, Term Loan B.....	B1	B+	4.75%
1,353,820	Gray Television, Inc., Term Loan B.....	B2	B	3.71%
1,500,000	Hubbard Radio, LLC, Term Loan B.....	Ba3	B+	5.25%
2,000,000	Raycom TV Broadcasting, LLC, Term Loan B.....	NR	NR	4.50%
830,278	Sinclair Broadcasting Group, Term Loan B.....	Baa3	BB+	4.00%
	BUILDING PRODUCTS - 0.5%			
1,990,000	Goodman Global, Inc., Term Loan B.....	B1	B+	5.75%
	CABLE & SATELLITE - 5.2%			
1,848,649	Atlantic Broadband Finance, LLC, Term Loan.....	Ba3	B+	4.00%
1,995,000	Bresnan Broadband Holdings, LLC, Term Loan.....	Ba3	BB+	4.50%
5,131,102	Charter Communications Operating, LLC, Term Loan C.....	Ba1	BB+	3.56%
5,605,485	CSC Holdings, Inc., Term Loan B3, Extended Maturity.....	Baa3	BBB-	2.06%
1,995,000	Knology, Inc., Term Loan B.....	B1	B+	4.00%
838,594	UPC Broadband Holdings B.V., Term Loan T.....	Ba3	B+	3.71%
1,946,576	UPC Broadband Holdings B.V., Term Loan X.....	Ba3	B+	3.71%
	CASINOS & GAMING - 5.2%			
2,000,000	Ameristar Casinos, Inc., Term Loan B.....	Ba3	BB+	4.00%
3,000,000	CCM Merger, Inc., Term Loan B.....	B3	B+	7.00%
5,000,000	Harrah's Entertainment, Inc., Term Loan B2.....	B3	B	3.19%-3.27%
1,995,000	Isle of Capri Casinos, Term Loan B.....	Ba3	BB-	4.75%

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PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					
CASINOS & GAMING - (Continued)					
\$ 4,900,965	VML US Finance, LLC, Term Loan B.....	Ba3	BB-	4.70%	
3,000,000	Wynn Las Vegas, LLC, Term Loan B.....	Ba3	BB+	3.20%	
COAL & CONSUMABLE FUELS - 0.8%					
3,000,000	Walter Energy, Inc., Term Loan B.....	B1	BB-	4.00%	
COMMUNICATIONS EQUIPMENT - 0.3%					
1,000,000	Commscope, Inc., Term Loan B.....	Ba3	BB	5.00%	
COMPUTER HARDWARE - 0.9%					
3,325,259	CDW, LLC, Extended Term Loan.....	B2	B	4.50%	
DATA PROCESSING & OUTSOURCED SERVICES - 1.7%					
904,762	Global Cash Access, Inc., Term Loan.....	B1	BB-	7.00%	
5,723,889	Harland Clarke Holdings Corp., Term Loan B....	B1	B+	2.69%-2.81%	
DIVERSIFIED CHEMICALS - 5.3%					
637,174	Brenntag Holding GmbH & Co. KG, Acquisition Term Loan.....	Ba2	BBB-	3.69%-3.96%	
4,322,712	Brenntag Holding GmbH & Co. KG, Term Loan B2.....	Ba2	BBB-	3.69%-3.75%	
3,000,000	Brenntag Holding GmbH & Co. KG, Term Loan, Second Lien.....	B1	BB-	6.43%	
3,054,960	Celanese Holdings, LLC, Extended Term Loan....	Ba1	BBB-	3.30%	
1,406,442	Ineos Group Limited, Term Loan B2.....	B1	B	7.50%	
1,407,306	Ineos Group Limited, Term Loan C2.....	B1	B	8.00%	
5,985,000	Univar, Inc., Term Loan B.....	B2	B	5.00%	
DIVERSIFIED SUPPORT SERVICES - 0.5%					
1,995,000	Brickman Group Holdings, Inc., Term Loan B....	B1	B+	7.25%	
ELECTRIC UTILITIES - 5.4%					
2,000,000	AES Corp., Term Loan B.....	Ba1	BB+	5.50%	
4,000,000	Calpine Corp., Term Loan B.....	B1	B+	4.50%	
1,912,682	Great Point Power, LLC, Term Loan.....	Ba1	BB+	4.25%	
5,947,687	NRG Energy, Inc., Extended Synthetic Letter of Credit.....	Baa3	BB+	3.56%	
414,192	NRG Energy, Inc., Extended Term Loan B.....	Baa3	BB+	3.46%-3.56%	
2,977,612	Race Point Power, LLC, Term Loan.....	Ba2	BB	8.25%	
3,000,000	Star West Generation, LLC, Term Loan B.....	Ba3	B+	6.00%	
ELECTRONIC EQUIPMENT & INSTRUMENT - 0.8%					
3,000,000	iPayment, Inc., Term Loan B.....	Ba2	B+	5.75%	

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	ENVIRONMENTAL & FACILITIES SERVICES - 2.1%			
5,955,000	EnergySolutions, LLC, Term Loan.....	Ba2	BB+	6.25%
2,000,000	Waste Industries USA, Inc., Term Loan B.....	B1	B+	4.75%

See Notes to Financial Statements

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					
FOOD DISTRIBUTORS - 0.4%					
\$ 1,500,000	General Nutrition Centers, Inc., Term Loan B...	B1	B+	4.25%	
FOOD RETAIL - 3.0%					
4,176,456	SUPERVALU, Inc., Extended Term Loan B2.....	B1	BB	3.46%	
3,752,324	Univision Corp., Term Loan.....	B2	B+	2.19%	
3,541,272	Univision Corp., Extended Term Loan.....	B2	B+	4.44%	
FOREST PRODUCTS - 0.8%					
2,799,430	Georgia-Pacific Corp., Term Loan C.....	Baa2	BBB+	3.56%	
GENERAL MERCHANDISE STORES - 0.3%					
1,000,000	Savers, Inc., Term Loan B.....	Ba3	B+	4.25%	
HEALTH CARE EQUIPMENT - 3.5%					
3,660,306	Biomet, Inc., Dollar Term Loan.....	B1	BB-	3.19%-3.31%	
7,000,000	Carestream Health, Inc., Term Loan B.....	B1	BB-	5.00%	
2,984,576	DJO Finance, LLC, Term Loan.....	Ba2	BB-	3.19%	
HEALTH CARE FACILITIES - 7.3%					
2,558,605	CHS/Community Health Systems, Inc., Extended Term Loan.....	Ba3	BB	3.69%-3.75%	
3,000,000	Golden Living Drumm Investors, LLC, Term Loan.....	B1	B+	5.00%	
3,291,558	HCA, Inc., Term Loan B2.....	Ba2	BB	3.56%	
1,750,000	HCR ManorCare, LLC, Term Loan B.....	Ba3	B+	5.00%	
3,500,000	Kindred Healthcare, Inc., Term Loan B.....	Ba3	B+	5.25%	
3,000,000	Select Medical Corp., Term Loan B.....	Ba3	BB-	5.50%	
4,417,640	Select Medical Corp., Term Loan B1.....	Ba2	BB-	3.92%-6.00%	
5,940,225	Vanguard Health Systems, Inc., Term Loan B.....	Ba2	BB-	5.00%	

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HEALTH CARE SERVICES - 5.1%				
997,500	Davita, Inc., Term Loan B.....	Ba2	BB	4.50%
5,000,000	Emergency Medical Services Corp., Term Loan B..	B1	B+	5.25%
3,974,843	Gentiva Health Services, Inc., Term Loan B.....	Ba2	BB-	4.75%
1,915,000	Healthways, Inc., Term Loan B.....	Ba2	BB	1.81%
2,395,325	MedAssets, Inc., Term Loan B.....	Ba3	BB-	5.25%
997,500	Renal Advantage Holdings, Inc., Term Loan B....	Ba3	B	5.75%
997,500	Rural Metro Corp., Term Loan B.....	B1	B+	6.00%
1,990,000	Sheridan Healthcare, Inc., Incremental Term Loan	B1	B	4.00%
102,041	Vantage Oncology Holdings, LLC, Delayed Draw Term Loan.....	B2	B	0.75%
895,714	Vantage Oncology Holdings, LLC, Term Loan.....	B2	B	6.25%
HEALTH CARE SUPPLIES - 0.5%				
1,995,000	ConvaTec, Inc., Term Loan B.....	Ba3	B+	5.75%
HOME ENTERTAINMENT SOFTWARE - 0.5%				
2,000,000	NDS Group, Inc., Term Loan B.....	Ba2	BB-	4.00%

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
-----					
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					
HOMEBUILDING - 0.2%					
\$ 957,179	Mattamy Funding Partnership, Term Loan.....	NR (f)	NR (f)	2.56%	
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 1.6%					
3,423,502	Dynegy Holdings, Inc., Synthetic Letter of Credit	B2	CCC	4.03%	
3,241,410	Texas Competitive Electric Holdings Company, LLC, Term Loan B3.....	B2	CCC	3.74%	
INDUSTRIAL MACHINERY - 1.6%					
2,000,000	Douglas Dynamics, LLC, Term Loan.....	B1	BB	5.75%	
3,937,500	Intelligrated, Inc., Term Loan B.....	B2	B+	7.50%	
INTEGRATED TELECOMMUNICATION SERVICES - 3.2%					



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1,324,297	Avaya, Inc., Term Loan B1.....	B1	B	3.00%
2,660,123	Avaya, Inc., Term Loan B3.....	B1	B	4.76%
2,992,500	Global TelLink, Inc., Term Loan B.....	B1	B	5.00%
2,992,414	nTelos, Inc., Term Loan B.....	Ba3	BB	4.00%
2,000,000	Securus Technologies, Inc., Term Loan B.....	B1	B+	5.25%
	INTERNET SOFTWARE & SERVICES - 0.8%			
3,000,000	AVG Technologies, Term Loan B.....	B1	B+	7.50%
	IT CONSULTING & OTHER SERVICES - 1.2%			
443,424	Apptis (DE), Inc., Term Loan.....	B1	B+	6.50%
3,000,000	Presidio, Inc., Term Loan B.....	Ba3	B+	7.25%
984,034	West Corp., Term Loan B5.....	Ba3	BB-	4.52%-4.71%
	LEISURE FACILITIES - 2.3%			
967,231	London Arena and Waterfront Finance, LLC, Term Loan A.....	NR (f)	NR (f)	2.71%
3,870,130	Six Flags, Inc., Term Loan B.....	B1	BB	5.25%
3,560,000	Universal City Development Partners, Ltd., Term Loan.....	Ba2	B+	5.50%
	LEISURE PRODUCTS - 1.4%			
2,990,000	Live Nation Entertainment, Inc., Term Loan B...	Ba2	BB-	4.50%
1,259,415	LodgeNet Entertainment Corp., Term Loan.....	B3	B	6.50%
840,096	Sram, LLC, Term Loan B.....	Ba3	BB-	5.00%-5.50%
	LIFE & HEALTH INSURANCE - 0.5%			
1,733,333	CNO Financial Group, Inc., Term Loan.....	B1	B	6.25%
	LIFE SCIENCES TOOLS & SERVICES - 2.1%			
1,985,025	inVentiv Health, Inc., Term Loan.....	Ba3	BB-	4.75%
332,500	inVentiv Health, Inc., Term Loan B1.....	Ba3	BB-	4.75%
666,667	inVentiv Health, Inc., Term Loan B2.....	Ba3	BB-	1.63%
1,421,375	Quintiles Transnational Corp., Term Loan B, First Lien.....	Ba2	BB	2.31%

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
-----					
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					

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LIFE SCIENCES TOOLS & SERVICES - (Continued)

\$ 3,500,000	Quintiles Transnational Corp., Term Loan B, First Lien.....	B1	BB-	5.00%
	MANAGED HEALTH CARE - 2.1%			
7,818,510	MultiPlan, Inc., Term Loan.....	Ba3	B	4.75%
	MOVIES & ENTERTAINMENT - 2.0%			
1,642,750	AMC Entertainment, Inc., Term Loan.....	Ba2	BB-	3.44%
1,419,231	Filmyard Holdings, LLC, Term Loan B.....	Ba2	BB-	7.75%
1,496,250	Regal Cinemas Corp., Term Loan.....	Ba2	BB-	3.56%
2,992,500	TWCC Holding Corp., Term Loan B.....	Ba3	BB-	4.25%
	OFFICE SERVICES & SUPPLIES - 0.5%			
841,176	Pike Electric, Inc., Term Loan B.....	NR (f)	NR (f)	1.75%
950,843	Pike Electric, Inc., Term Loan C.....	NR (f)	NR (f)	1.75%
	OIL & GAS EQUIPMENT & SERVICES - 0.5%			
1,984,257	Aquilex Holdings, LLC, Term Loan.....	Ba3	BB-	6.00%
	OIL & GAS EXPLORATION & PRODUCTION - 0.4%			
1,433,407	SemCrude, L.P., Prefunded Synthetic Letter of Credit.....	NR	NR	8.50%
160,508	SemCrude, L.P., Term Loan, Second Lien (g).....	NR	NR	9.00%
	OIL & GAS REFINING & MARKETING - 0.4%			
105,833	Alon USA, Inc., Term Loan (Edgington Facility).....	B1	B+	2.44%-2.50%
846,667	Alon USA, Inc., Term Loan (Paramount Facility).....	B1	B+	2.44%-2.50%
602,421	Citgo Petroleum Corporation, Term Loan B.....	Ba2	BB+	8.00%
	OTHER DIVERSIFIED FINANCIAL SERVICES - 4.3%			
2,995,000	Fifth Third Processing Solutions, LLC, Term Loan B.....	Ba3	BB-	4.50%
4,898,611	First American Payment Systems, L.P., Term Loan B.....	B1	B+	6.75%
938,593	First Data Corp., Term Loan B2.....	B1	B+	2.94%
5,631,559	First Data Corp., Term Loan B3.....	B1	B+	2.94%
1,000,000	Moneygram International, Term Loan B.....	Ba1	BB-	4.50%
1,000,000	WorldPay U.S., Inc., Facility B2A (USD).....	Ba2	BB	6.25%
	PACKAGED FOODS & MEATS - 2.1%			
3,875,273	Dean Foods Co., Term Loan B.....	Ba3	BB-	3.56%
2,000,000	Del Monte Foods Company, Term Loan B.....	Ba3	B+	4.50%
1,000,000	Farley and Sathers Candy Co., Inc., Term Loan B	B1	B+	6.50%
1,000,000	JBS USA, LLC, Term Loan B.....	Ba3	BB	4.25%

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					
PAPER PACKAGING - 4.0%					
\$ 2,039,594	Graham Packaging Holdings Co., Term Loan C.....	B1	B+	6.75%	
2,000,000	RanPak Corp., Term Loan B.....	NR (f)	NR (f)	4.75%	
9,000,000	Reynolds Consumer Products Holdings, Inc., Term Loan E.....	Ba3	BB	4.25%	
2,000,000	Rock-Tenn Co., Term Loan B.....	Baa3	BBB	3.50%	
PHARMACEUTICALS - 3.3%					
1,975,000	Amneal Pharmaceuticals, LLC, Term Loan B.....	NR	NR	6.25%	
2,822,518	Catalent Pharma Solutions, Inc., Dollar Term Loan.....	Ba3	BB-	2.44%	
2,499,419	IMS Health, Term Loan B.....	Ba3	BB	4.50%	
1,698,313	Mylan, Inc., Term Loan B.....	Baa3	BBB	3.56%	
1,600,000	Warner Chilcott, PLC, Term Loan B1.....	Ba3	BBB-	4.25%	
800,000	Warner Chilcott, PLC, Term Loan B2.....	Ba3	BBB-	4.25%	
1,100,000	Warner Chilcott, PLC, Term Loan B3.....	Ba3	BBB-	4.25%	
PUBLISHING - 1.4%					
2,992,500	Centeo Corporation, Term Loan.....	Ba3	BB-	6.25%	
1,990,000	Getty Images, Inc., Term Loan B.....	Ba3	BB-	5.25%	
792,542	Yell Group, PLC, Term Loan B1.....	Caa1	B-	3.94%	
REAL ESTATE OPERATING COMPANIES - 0.8%					
2,992,500	ClubCorp Corp Operations, Inc., Term Loan.....	Ba2	BB	6.00%	
REAL ESTATE SERVICES - 2.2%					
1,990,000	CB Richard Ellis Services, Inc., Term Loan B...	Ba1	BB	3.45%	
2,000,000	CB Richard Ellis Services, Inc., Term Loan C...	Ba1	BB	1.63%	
3,000,000	CB Richard Ellis Services, Inc., Term Loan D...	Ba1	BB	1.75%	
1,393,829	Realogy Corp., Term Loan, First Lien.....	B1	B-	4.52%	
RESTAURANTS - 2.0%					

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1,995,000	Burger King Corp., Term Loan B.....	Ba3	BB-	4.50%
2,246,250	Dunkin' Brands, Inc., Term Loan B.....	B2	B	4.25%
3,389,764	Focus Brands, Inc., Term Loan B.....	B2	B	5.25%-6.25%
RETAIL REITS - 1.3%				
4,948,672	Capital Automotive L.P., Term Loan B.....	Ba3	B+	5.00%
SEMICONDUCTORS - 1.5%				
3,977,392	Freescale Semiconductor, Inc., Extended Term Loan.....	B1	B	4.46%
1,622,804	Intersil Corporation, Term Loan.....	Ba2	BB+	4.75%

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
SENIOR FLOATING-RATE LOAN INTERESTS - (Continued)					
SPECIALIZED CONSUMER SERVICES - 9.6%					
\$ 2,000,000	Acosta, Inc., Term Loan B.....	NR (f)	NR (f)	4.75%	
5,985,000	Advantage Sales & Marketing, Inc., Term Loan, First Lien.....	NR (f)	B+	5.25%	
6,509,440	Affinion Group, Inc., Term Loan B.....	Ba3	BB-	5.00%	
226,464	ARAMARK Corp., Prefunded Synthetic Letter of Credit 2.....	Ba3	BB	3.51%	
3,443,529	ARAMARK Corp., Term Loan B.....	Ba3	BB	3.56%	
6,000,000	Asurion Corp., Term Loan B.....	NR (f)	B+	5.50%	
2,000,000	Asurion Corp., Term Loan, Second Lien.....	NR (f)	B-	9.00%	
1,960,531	Language Line, LLC, Term Loan B.....	Ba3	B+	6.25%	
2,715,625	Nielsen Finance, LLC, Dollar Term Loan B.....	Ba2	BB	3.96%	
1,473,769	Nielsen Finance, LLC, Dollar Term Loan C.....	Ba2	BB	3.46%	
1,529,285	Protection One, Inc., Term Loan.....	Ba3	BB	6.00%	
2,000,000	Symphony IRI Group, Inc., Term Loan B-2.....	B1	B+	5.00%	
SPECIALTY CHEMICALS - 4.0%					
1,774,468	Arizona Chemical, Inc., Term Loan B.....	B1	B+	4.75%	
1,991,424	Houghton International, Inc., Term Loan B.....	B1	B	6.75%	
1,972,881	Nusil Technology, LLC, Term Loan, First Lien...	NR (f)	NR (f)	5.25%	
1,492,500	Omnova Solutions, Inc., Term Loan B.....	Ba2	B+	5.75%	
2,000,000	Rockwood Specialties Goup, Inc., Term Loan B...	Ba1	BBB-	3.75%	
3,485,294	Solutia, Inc., Term Loan.....	Ba1	BB+	3.50%	

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1,995,000	Styron Corp., Term Loan B.....	B1	B+	6.00%
	SPECIALTY STORES - 2.5%			
2,000,000	Jo-Ann Stores, Inc., Term Loan B.....	B1	B+	4.75%
3,491,250	NBTY, Inc., Term Loan B.....	Ba3	BB-	4.25%
3,960,000	Petco Animal Supplies, Inc., Term Loan.....	B1	B	4.50%
	SYSTEMS SOFTWARE - 2.6%			
1,021,024	Open Solutions, Inc., Term Loan, First Lien....	B1	BB-	2.39%
500,000	SunGard Data Systems, Inc., Incremental Term Loan.....	Ba3	BB	3.71%
4,260,021	SunGard Data Systems, Inc., Term Loan B.....	Ba3	BB	3.86%-3.89%
3,990,000	Vertafore, Inc., Term Loan, First Lien.....	B1	B+	5.25%
	TRUCKING - 2.5%			
4,000,000	Hertz Corp., Term Loan B.....	Ba1	BB	3.75%
3,000,000	Sirva Worldwide, Inc., Term Loan B.....	NR (f)	NR (f)	10.75%
2,358,385	Swift Transportation Co., Inc., Term Loan B....	B1	BB-	6.00%
	WIRELESS TELECOMMUNICATION SERVICES - 2.0%			
3,495,000	MetroPCS Wireless, Inc., Term Loan B.....	Ba1	BB	4.00%
2,992,500	Syniverse Technologies, Inc., Term Loan B.....	B1	BB-	5.25%
1,000,000	TowerCo Finance, LLC, Term Loan B.....	Ba3	BB-	5.25%

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
 MAY 31, 2011

PRINCIPAL VALUE	DESCRIPTION	RATINGS (UNAUDITED) (c)		RATE (d)	MA
		MOODY'S	S&P		
-----					
SENIOR FLOATING-RATE LOAN INTERESTS - (CONTINUED)					
TOTAL SENIOR FLOATING-RATE LOAN INTERESTS.....					
(Cost \$569,651,859)					
PRINCIPAL VALUE	DESCRIPTION			RATE (d)	MA
-----					
NOTES - 0.0%					

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HOMEBUILDING - 0.0%  
 \$ 727,273 TOUSA, Inc. (Payment-In-Kind Election Note) (h) (i) (j) (k)..... 14.75%  
 TOTAL NOTES.....  
 (Cost \$436,364)

SHARES	DESCRIPTION
COMMON STOCKS - 0.6%	
	DIVERSIFIED CHEMICALS - 0.5%
38,260	LyondellBasell Industries AF S.C.A., Class B.....
	OIL & GAS EXPLORATION & PRODUCTION - 0.1%
19,828	SemGroup Corp., Class A (l).....
	TOTAL COMMON STOCKS..... (Cost \$1,129,017)
WARRANTS - 0.0%	
	BROADCASTING - 0.0%
1,449	Cumulus Media, Inc. (h) (j).....
	TOTAL WARRANTS..... (Cost \$0)
PREFERRED STOCKS - 0.0%	
	HOMEBUILDING - 0.0%
4,273	TOUSA, Inc. (8.0%, Series A Convertible Payment-In-Kind Preferred Stock) (h) (i) (j)
	TOTAL PREFERRED STOCKS..... (Cost \$2,563,636)
	TOTAL INVESTMENTS - 153.0%..... (Cost \$573,780,876) (m)
	OUTSTANDING LOAN - (42.8%).....
	NET OTHER ASSETS AND LIABILITIES - (10.2%).....
	NET ASSETS - 100.0%.....

- 
- (a) All percentages shown in the Portfolio of Investments are based on net assets.
  - (b) All or a portion of the securities are available to serve as collateral on the outstanding loan.
  - (c) Ratings below Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Ratings Group are considered to be below investment grade.

## Edgar Filing: FIRST TRUST SENIOR FLOATING RATE INCOME FUND II - Form N-CSR

FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
PORTFOLIO OF INVESTMENTS - (Continued)  
MAY 31, 2011

- (d) Senior Loans in which the Fund invests pay interest at rates which are periodically predetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the London Inter-Bank Offered Rate ("LIBOR"), (ii) the prime rate offered by one or more United States banks or (iii) the certificate of deposit rate. Certain Senior Loans are subject to a LIBOR floor that establishes a minimum base LIBOR rate.
- (e) Senior Loans generally are subject to mandatory and/or optional prepayment. As a result, the actual remaining maturity of Senior Loans may be substantially less than the stated maturities shown.
- (f) This Senior Loan Interest was privately rated upon issuance. The rating agency does not provide ongoing surveillance on the rating.
- (g) Interest for the period commencing on November 30, 2009 and ending on December 31, 2011 shall be payable, at the Borrowers' option, (i) in cash at a rate per annum equal to 9% ("Cash Interest") or (ii) in Payment-in-Kind interest at a rate per annum equal to 11%. Commencing on January 1, 2012, interest shall be payable as Cash Interest.
- (h) This security is fair valued in accordance with procedures adopted by the Fund's Board of Trustees.
- (i) This borrower has filed for protection in federal bankruptcy court.
- (j) This security is restricted and cannot be offered for public sale without first being registered under the Securities Act of 1933, as amended. Prior to registration, restricted securities may only be resold in transactions exempt from registration (See Note 1 D - Restricted Investments in the Notes to Financial Statements).
- (k) This security is a Senior Subordinated Payment-in-Kind Election Note whereby 1.00% of interest per annum will be paid in cash and 13.75% of interest per annum shall be paid by the issuer, at its option (i) entirely in cash, (ii) entirely in Payment-in-Kind interest or (iii) in a combination thereof. Interest is to be paid semi-annually; however, the issuer is in default and income is not being accrued.
- (l) Non-income producing security.
- (m) Aggregate cost for federal income tax purposes is \$573,989,886. As of May 31, 2011, the aggregate gross unrealized appreciation for all investments in which there was an excess of value over tax cost was \$4,153,529 and the aggregate gross unrealized depreciation for all investments in which there was an excess of tax cost over value was \$6,142,878.

NR Not Rated

# Edgar Filing: FIRST TRUST SENIOR FLOATING RATE INCOME FUND II - Form N-CSR

PORTFOLIO OF INVESTMENTS (a) (b) - (Continued)  
MAY 31, 2011

## VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of May 31, 2011 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

	TOTAL VALUE AT 5/31/2011	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT UNOBSERVABLE INPUTS
Senior Floating-Rate Loan Interests:			
Application Software	\$ 15,447,618	\$ --	\$ 13,452,618
Asset Management & Custody Banks	22,334,925	--	17,316,166
Electric Utilities	20,251,942	--	15,344,641
Health Care Services	19,203,882	--	16,372,716
Homebuilding	923,678	--	--
Internet Software & Services	2,910,000	--	--
Leisure Products	5,039,751	--	4,201,755
Movies & Entertainment	7,574,711	--	6,137,740
Office Services & Supplies	1,765,139	--	--
Other Diversified Financial Services	16,086,008	--	11,150,657
Paper Packaging	15,034,806	--	13,044,806
Pharmaceuticals	12,423,694	--	10,458,569
Trucking	9,287,625	--	6,370,125
Other Industry Categories*	421,531,892	--	421,531,892
Total Senior Floating-Rate Loan Interests	569,815,671	--	535,381,685
Common Stocks*	2,180,793	2,180,793	--
Warrants*	4,073	--	4,073
Total Investments	\$572,000,537	\$2,180,793	\$535,385,758

\* See the Portfolio of Investments for the industry breakout. Industry categories are only shown separately if they include holdings in two or more levels or have holdings in only Level 3.

All transfers in and out of Level 3 during the period are assumed to be transferred on the last day of the period at their current value. The following table presents the Fund's investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period presented:

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF MAY 31, 2010	TRANSFERS IN (OUT) OF LEVEL 3	NET REALIZED GAINS (LOSSES)	CHANGE IN NET UNREALIZED APPRECIATION (DEPRECIATION)
---	-------------------------------	-------------------------------------	--------------------------------	---

Senior Floating-Rate



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Loan Interests	\$17,428,350	\$(2,992,694)	\$1,972	\$883,185	\$1
----------------	--------------	---------------	---------	-----------	-----

Net change in unrealized appreciation/depreciation from Level 3 investments held as of May 31, 2011 was \$353,334 and is included in "Net change in unrealized appreciation (depreciation) on investments" on the Statement of Operations.

See Notes to Financial Statements

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 STATEMENT OF ASSETS AND LIABILITIES  
 MAY 31, 2011

ASSETS:

Investments, at value	
(Cost \$573,780,876).....	
Cash.....	
Prepaid expenses.....	
Receivables:	
Investment securities sold.....	
Interest.....	
 Total Assets.....	

LIABILITIES:

Outstanding loan.....	
Payables:	
Investment securities purchased.....	
Investment advisory fees.....	
Interest and fees on loan.....	
Audit and tax fees.....	
Administrative fees.....	
Printing fees.....	
Legal fees.....	
Custodian fees.....	
Trustees' fees and expenses.....	
Transfer agent fees.....	
Other liabilities.....	
 Total Liabilities.....	

NET ASSETS.....

NET ASSETS CONSIST OF:

Paid-in capital.....	
Par value.....	
Accumulated net investment income (loss).....	
Accumulated net realized gain (loss) on investments.....	
Net unrealized appreciation (depreciation) on investments.....	

NET ASSETS.....

NET ASSET VALUE, per Common Share (par value \$0.01 per Common Share).....

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Number of Common Shares outstanding (unlimited number of Common Shares has been authorized)....

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See Notes to Financial Statements

FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MAY 31, 2011

INVESTMENT INCOME:

Interest.....  
Dividends (net of foreign withholding tax of \$574).....  
Other.....  
Total investment income.....

EXPENSES:

Investment advisory fees.....  
Interest and fees on loan.....  
Administrative fees.....  
Legal fees.....  
Printing fees.....  
Custodian fees.....  
Audit and tax fees.....  
Trustees' fees and expenses.....  
Transfer agent fees.....  
Other.....  
Total expenses.....

NET INVESTMENT INCOME (LOSS).....

NET REALIZED AND UNREALIZED GAIN (LOSS):

Net realized gain (loss) on investments.....  
Net change in unrealized appreciation (depreciation) on investments.....

NET REALIZED AND UNREALIZED GAIN (LOSS).....

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....

See Notes to Financial Statements

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
STATEMENTS OF CHANGES IN NET ASSETS

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	YEAR ENDED 5/31/2011
OPERATIONS:	
Net investment income (loss).....	\$ 18,553,225
Net realized gain (loss).....	596,325
Net change in unrealized appreciation (depreciation).....	18,626,513
	-----
Net increase (decrease) in net assets resulting from operations.....	37,776,063
	-----
DISTRIBUTIONS TO SHAREHOLDERS FROM:	
Net investment income.....	(17,618,839)
Net realized gain.....	--
Return of capital.....	--
	-----
Total distributions to shareholders.....	(17,618,839)
	-----
CAPITAL TRANSACTIONS:	
Proceeds from Common Shares reinvested.....	639,102
	-----
Net increase (decrease) in net assets resulting from capital transactions.....	639,102
	-----
Total increase (decrease) in net assets.....	20,796,326
NET ASSETS:	
Beginning of period.....	353,105,803
	-----
End of period.....	\$373,902,129
	=====
Accumulated net investment income (loss) at end of period.....	\$ 1,018,448
	=====
CAPITAL TRANSACTIONS WERE AS FOLLOWS:	
Common Shares at beginning of period.....	25,291,939
Common Shares issued as reinvestment under the Dividend Reinvestment Plan.....	43,338
	-----
Common Shares at end of period.....	25,335,277
	=====

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See Notes to Financial Statements

FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Net increase (decrease) in net assets resulting from operations.....	\$ 37,776,063
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:	
Purchases of investments.....	(511,794,168)
Sales, maturities and paydowns of investments.....	499,869,412

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Net amortization/accretion of premiums/discounts on investments.....	(2,767,993)
Net realized gain/loss on investments.....	(596,325)
Net change in unrealized appreciation/depreciation on investments.....	(18,626,513)
CHANGES IN ASSETS AND LIABILITIES:	
Increase in interest receivable.....	(658,501)
Increase in prepaid expenses.....	(189,440)
Decrease in interest and fees on loan payable.....	(54,831)
Increase in investment advisory fees payable.....	20,741
Increase in audit and tax fees payable.....	5,189
Decrease in legal fees payable.....	(25,043)
Decrease in printing fees payable.....	(5,107)
Increase in administrative fees payable.....	4,288
Increase in custodian fees payable.....	6,576
Increase in transfer agent fees payable.....	1,411
Increase in Trustees' fees and expenses payable.....	13
Increase in other liabilities.....	3,836
-----	
CASH PROVIDED BY OPERATING ACTIVITIES.....	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Common Shares reinvested.....	639,102
Distributions to Common Shareholders .....	(17,618,839)
Proceeds from borrowings.....	67,500,000
Repayment of borrowings.....	(61,000,000)
-----	
CASH USED IN FINANCING ACTIVITIES.....	
Decrease in cash.....	
Cash at beginning of period.....	
CASH AT END OF PERIOD.....	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest and fees.....	

See Notes to Financial Statements

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FIRST TRUST SENIOR FLOATING RATE INCOME FUND II  
 FINANCIAL HIGHLIGHTS  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	YEAR ENDED 5/31/2011 (a)	YEAR ENDED 5/31/2010	YEAR ENDED 5/31/2009
	-----	-----	-----
Net asset value, beginning of period .....	\$ 13.96	\$ 11.79	\$ 16.42
INCOME FROM INVESTMENT OPERATIONS:			
Net investment income (loss) .....	0.73	0.47	0.87
Net realized and unrealized gain (loss) .....	0.77	2.15	(4.63)
Distributions paid to AMP (b) Shareholders from:			
Net investment income .....	--	(0.02)	(0.09)

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Total from investment operations .....	1.50	2.60	(3.85)
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:			
Net investment income .....	(0.70)	(0.43)	(0.78)
Net realized gain.....	--	--	--
Return of capital.....	--	--	--
Total distributions to Common Shareholders.....	(0.70)	(0.43)	(0.78)
Net asset value, end of period .....	\$ 14.76	\$ 13.96	\$ 11.79
Market value, end of period .....	\$ 14.82	\$ 12.65	\$ 10.04
Total return based on net asset value (c).....	11.19%	22.99%	(22.07)
Total return based on market value (c).....	23.20%	30.76%	(26.11)

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON SHARES:

Ratio of total expenses to average net assets .....	1.98%	2.42%	3.40%
Ratio of total expenses to average net assets excluding interest expense .....	1.31%	1.39%	1.62%
Ratio of net investment income (loss) to average net assets	5.09%	3.49%	7.34%
Ratio of net investment income (loss) to average net assets net of AMP Shares dividends (d).....	N/A	3.37%	6.60%

SUPPLEMENTAL DATA:

Portfolio turnover rate .....	95%	52%	15%
Net assets, end of period (in 000's).....	\$ 373,902	\$ 353,106	\$ 298,097
Ratio of total expenses to total average Managed Assets (e).....	1.39%	1.77%	2.02%
Ratio of total expenses to total average Managed Assets excluding interest expense (e).....	0.92%	1.01%	0.96%
PREFERRED SHARES AND LOAN OUTSTANDING			
Total AMP Shares outstanding (f).....	N/A	N/A	3,200
Liquidation and market value per AMP share (g).....	N/A	N/A	\$ 25,018
Asset coverage per share.....	N/A	N/A	\$ 118,155
Total loan outstanding (in 000's) .....	\$ 160,000	\$ 153,500	\$ 57,050
Asset coverage per \$1,000 of loan outstanding (j).....	\$ 3,337	\$ 3,300	\$ 7,627

(a) From inception to October 12, 2010, Four Corners Capital Management, LLC served as the Fund's sub-advisor. Effective October 12, 2010, the Leveraged Finance Investment Team of First Trust Advisors L.P. assumed the day-to-day responsibility for management of the Fund's portfolio. (See Note 3 in the Notes to Financial Statements).

(b) Auction Market Preferred ("AMP") Shares.

(c) Total return is based on the combination of reinvested dividend, capital gain and return of capital distributions, if any, at prices obtained by the Dividend Reinvestment Plan and changes in net asset value per share for net asset value returns and changes in Common Share price for market value returns. Total returns do not reflect sales load and are not annualized for periods less than one year. Past performance is not indicative of future results.

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- (d) Ratio reflects the effect of distributions to AMP Shareholders.
  - (e) Managed Assets are calculated by taking the Fund's average daily total asset value (which includes assets attributable to the Fund's AMP Shares, if AMP Shares are outstanding, and the principal amount of borrowings), minus the sum of the Fund's accrued and unpaid dividends on any outstanding AMP Shares, if AMP Shares are outstanding, and liabilities, other than the principal amount of borrowings.
  - (f) As of November 18, 2009, the Fund no longer has any Series A or Series B AMP Shares outstanding.
  - (g) Includes accumulated and unpaid distributions to AMP Shareholders.
  - (h) Calculated by taking the Fund's total assets less the Fund's total liabilities (not including the AMP Shares liquidation value), and dividing by the number of AMP Shares outstanding. If this methodology had been used historically, fiscal year 2007 would have been \$144,542.
  - (i) Calculated by taking the Fund's total assets less the Fund's total liabilities (not including the AMP Shares liquidation value and the loan outstanding) and dividing by the number of AMP Shares outstanding.
  - (j) Calculated by taking the Fund's total assets less the Fund's total liabilities (not including the AMP Shares liquidation value and the loan outstanding) and dividing by the outstanding loan balance in 000's.
- N/A Not applicable.

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See Notes to Financial Statements

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### NOTES TO FINANCIAL STATEMENTS

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#### FIRST TRUST SENIOR FLOATING RATE INCOME FUND II (FCT) MAY 31, 2011

##### 1. FUND DESCRIPTION

First Trust Senior Floating Rate Income Fund II (formerly known as First Trust/Four Corners Senior Floating Rate Income Fund II) (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on March 25, 2004, and is registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FCT on the New York Stock Exchange ("NYSE").

The Fund's primary investment objective is to seek a high level of current income. As a secondary objective, the Fund attempts to preserve capital. The Fund pursues these objectives by investing in a portfolio of senior secured floating-rate corporate loans ("Senior Loans")<sup>1</sup>. There can be no assurance that the Fund will achieve its investment objectives. Investing in Senior Loans involves credit risk and, during periods of generally declining credit quality, it may be particularly difficult for the Fund to achieve its secondary investment objective. The Fund may not be appropriate for all investors.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of the Fund is determined daily as of the close of regular trading on the NYSE, normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. If the NYSE closes early on a valuation day, the NAV is determined as of that time. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. The NAV per Common Share is calculated by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses, dividends declared but unpaid and any borrowings of the Fund), by the total number of Common Shares outstanding.

The Fund's investments are valued d"line-height:120%;text-align:justify;font-size:10pt;">

The audit committee of our board has appointed KPMG LLP as our independent registered public accounting firm for 2015. KPMG LLP was first engaged as our independent registered public accounting firm in 2004 and has audited our financial statements for 2014.

Although shareholder ratification of the appointment of KPMG LLP as our independent registered public accounting firm is not required by our bylaws or otherwise, our board has decided to afford our shareholders the opportunity to express their opinions on the matter of our independent registered public accounting firm. Even if the selection is ratified, the audit committee at its discretion may select a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Corporation and our shareholders. If our shareholders do not ratify the appointment, the audit committee will take that fact into consideration, together with such other facts as it deems relevant, in determining its next selection of an independent registered public accounting firm.

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:

	2014	2013 <sup>(3)</sup>
Audit Fees	\$855,974	\$836,269
Audit Related Fees (1)	74,247	71,182
Tax Fees (2)	100,300	95,392
Total Fees	\$1,030,521	\$1,002,843

(1) Includes audit of benefit plans 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.

- (3) Prior period information has been revised to include fees billed and paid for the 2013 audit after the preparation of the 2014 Proxy Statement

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## EXECUTIVE 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 carrying out the Corporation's Mission Statement, Core Values and Vision Statement: "To be the best integrated financial solutions provider in the market." These key statements are critical in keeping us focused on our short-term and long-term goals for the 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. By doing this, we will align 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 the Corporation's 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.

Executive Compensation provides for laddered payouts based on actual results compared to Target and by Officer Category as detailed in the table below. Category 1 is the CEO of the Corporation; Category 2 is the President and CEO of the Bank; Category 3 is the President, Corporate Banking, of the Bank and any Senior Executive Vice President of the Corporation and/or the Bank; and Category 4 is any Executive Vice President of the Corporation or Bank.

An executive's total incentive compensation is composed of three primary components: base salary, 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. Although there are no formal guidelines with respect to the amount of each named executive officer's compensation that is in the form of base salary, annual incentive compensation and long-term incentive compensation, in general the compensation program results in the approximate following payouts:

	Base Salary	Annual Incentive Compensation	Long-Term Incentive Compensation	Total Compensation
Category 1	50.0%	25.0%	25.0%	100.0%
Category 2	50.0%	20.0%	30.0%	100.0%
Category 3	50.0%	20.0%	30.0%	100.0%
Category 4	65.0%	15.0%	20.0%	100.0%

As a result of the annual incentive paid for 2014 being below target, the actual payout of total compensation to the named executive officers for 2014, consisting of base salary, annual incentive compensation and long-term incentive stock option and restricted stock grants, differed only slightly from the table above and was as follows:

	Base Salary	Annual Incentive Compensation	Long-Term Incentive Compensation	Total Compensation
Category 1	52.3%	24.5%	23.2%	100.0%
Category 2	54.7%	20.6%	24.7%	100.0%
Category 3	59.0%	17.4%	23.6%	100.0%
Category 4	66.2 - 69.4%	15.5 - 16.3%	14.2 - 18.3%	100.0%

Payouts under the Annual Incentive Compensation plan are generally made in cash, although they may be made in stock, and long-term incentive compensation awards are normally in the form of restricted stock and/or stock options.

#### 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 and scope of operation, 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 enlisted the assistance of an independent compensation consultant. 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 the individual executive. Base salaries are adjusted annually and are in effect for the period January 1 through December 31.

During 2014, the Corporation engaged Mosteller & Associates 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: Arrow Financial Corp.; Berkshire Hills Bancorp, Inc.; Bryn Mawr Bank Corporation; Camden National Corporation; Chemung Financial Corporation; Financial Institutions, Inc.; First Defiance Financial Corp.; Independent Bank Corp.; Park National Corporation; Peoples Bancorp, Inc.; S&T Bancorp, Inc.; Sandy Spring Bancorp, Inc.; Tompkins Financial Corporation; TowneBank; TrustCo Bank, NY; Union First Market Bankshares Corporation; Washington Trust Bancorp, Inc.; and WSFS Financial Corporation.

In November 2014, the Compensation Committee met and reviewed the performance of the named executive officers with the Chief Executive Officer to determine increases in base salary compensation for 2015. The Committee also met in executive session without the Chief Executive Officer to discuss his base salary for 2015. Increases in base salary compensation for 2015 were based on individual performance and the selected peer group compensation review along with market analysis, which provides a broader view of compensation practices than the more limited peer group represented by the proxy study performed by the Corporation's independent compensation consultants.

Below outlines the increases in base salary compensation for 2015 approved by the Compensation Committee:

Executive	2015 Base Salary	2014 Base Salary	% Increase	
Jeffrey M. Schweitzer	\$ 510,000	\$ 450,000	13.33	%
K. Leon Moyer <sup>(1)</sup>	N/A	335,000	N/A	
Michael S. Keim	300,000	270,000	11.11	%
Duane J. Brobst	220,000	200,000	10.00	%
Philip C. Jackson	260,000	250,000	4.00	%

<sup>(1)</sup> Mr. Moyer retired as an employee of the Corporation and of the Bank effective January 1, 2015.

The increase for Mr. Schweitzer was determined based on merit, along with the goal of getting Mr. Schweitzer's base salary to the median (50%) level over a three-year period as a result of his promotion to chief executive officer on January 1, 2014. The increases for the other named executive officers are due to merit along with each individual assuming additional responsibilities as a result of Mr. Moyer's retirement.

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 achieving annual financial objectives. The weighted financial measures and related targets for the plan are set 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, 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.

For the year-ended December 31, 2014, based on the projected performance goals, the Threshold was set at a 40% payout, the Target was established at a 100% payout and Optimum was established at a 150% payout; if the projected performance goals are less than the established threshold amounts, there is no payout. For example, if the incentive reward is established at 50% of the executive's annual base salary: the Threshold payout would be 40% of that incentive or 20%; the Target payout would be 100% of that incentive or 50%; and the Optimum payout would be 150% of that incentive or 75%. Understanding that actual results will not equal the Target, Threshold or Optimum goals exactly, the payout under the Annual Incentive Compensation plan will be interpolated based on actual results compared to Threshold, Target and Optimum. Performance above Optimum will be interpolated using one-half the rate of increase used for Target to Optimum.

The Annual Incentive Compensation plan provides for ladderized payouts based on actual results compared to Target and by Officer Category as detailed in the table below:

	Threshold	Target	Optimum
Category 1	20.0%	50.0%	75.0%
Category 2	16.0%	40.0%	60.0%
Category 3	14.0%	35.0%	52.5%
Category 4	10.0%	25.0%	37.5%

Note: Above percentages are a percent of base salary.

The payout under the Annual Incentive Compensation plan will occur during February of each year for which a payout is made. The payout for all named executives except Mr. Jackson is based 25% on the performance of the individual and their contribution to the Corporation in the particular year and 75% on the achievement of Corporation performance targets for the year. Each individual performance metric will have a None, Threshold, Target and Optimum component. Mr. Jackson's Annual Incentive Compensation plan is based 50% on the achievement of the Corporation's performance targets for the year (equally weighted) and 50% based on achievement of the pre-tax income goal for the Bank's Corporate Banking business. Similar to the Corporation's financial targets, the Corporate Banking goals have a Threshold, Target and Optimum component

The Corporate performance metrics measured in 2014 each had a 33.3% weighting and were comprised as follows:

- Net Income
- Return on average assets
- Efficiency ratio

Recognizing that unforeseen events in the economy could have an impact on yearly performance of the Corporation, but still result in the Corporation, through focused and disciplined management, exceeding the performance of its Select Peer Group, as determined by the Board of Directors, which consists of all publicly traded Mid-Atlantic (defined as Pennsylvania, New York, New Jersey, Delaware, Maryland and the District of Columbia) banks, thrifts and savings institutions between \$1 billion and \$5 billion in total assets, the Annual Incentive Compensation Plan also has a Peer Performance Lever. The Compensation Committee has the discretion to pay out at the Threshold level, even if the Corporation's performance does not meet Threshold levels, if the Corporation's performance exceeds 50%

of the Select Peer Group performance with respect to Return on Average Assets. Additionally, the Compensation Committee has the discretion to pay out at the Target level, even if the Corporation's performance does not meet Target levels, if the Corporation's performance exceeds 80% of the Select Peer Group performance with respect to Return on Average Assets. Finally, the Compensation Committee has the discretion to not pay out the Annual Incentive Compensation if the Corporation's performance does not exceed 40% of the Select Peer Group performance with respect to Return on Average Assets.

The Corporation's financial targets set by the Compensation Committee for 2014 for the Annual Incentive Compensation component of executive compensation were as follows:

Performance Metric	Threshold	Target (Plan)	Optimum
Net Income (000's)	\$18,810	\$23,513	\$28,216
Return on Average Assets	0.82%	1.03%	1.24%
Efficiency Ratio	68.25%	65.75%	63.25%

In January 2015, the Compensation Committee reviewed the Corporation's performance compared to the targets established for 2014. Univest recorded net income, adjusted for one-time acquisition costs, of \$23.2 million, which was between the Threshold and Target levels; return on average assets (adjusted for one-time acquisitions costs) of 1.05%, which was between the Target and Optimum levels; and an efficiency ratio (adjusted for one-time acquisitions costs and the income statement impact of the Girard Partners and Sterner Insurance acquisitions) of 66.87%, which was between the Threshold and Target levels. Corporate Banking's pre-tax income came in between the Threshold and Target levels. As a result, an aggregate cash bonus was paid to the named executive officers of the Corporation for 2014 at 92.32% of the targeted payout level.

## LONG-TERM INCENTIVES

### Stock-Based Compensation

The long-term incentive program consists primarily of stock options and restricted stock grants, which are granted based on the Corporation's performance compared to its selected peers with respect to certain financial measures. The purpose of the program is to align management's interests with those of our shareholders, promote employee retention and also to ensure management's focus on the long-term stability and performance of the Corporation. The Corporation's target is to pay out incentive compensation, both short-term and long-term, at the median (50%) level of our peer group.

At the Annual Meeting in 2003, the shareholders approved the Univest 2003 Long-Term Incentive Plan; at the Annual Meeting in 2008, the shareholders approved the Amended and Restated Univest 2003 Long-term Incentive Plan. The 2003 Long-Term Incentive Plan expired in April 2013. At the Annual Meeting in 2013, the shareholders approved the Univest 2013 Long-Term Incentive Plan. The purpose of the plan is to enable employees and non-employee directors of the Corporation to: (i) own shares of stock in the Corporation, (ii) participate in the shareholder value which has been created, (iii) have a mutuality of interest with other shareholders and (iv) enable the Corporation to attract, retain and motivate key employees of particular merit. Participation in the 2013 Long-Term Incentive Plan is determined by the Compensation Committee. The plan authorizes the Committee to grant both stock and/or cash-based awards through incentive and non-qualified stock options, stock appreciation rights, restricted stock, and/or long-term performance awards to participants. With respect to these grants, 2,000,000 shares were initially set aside for these long-term incentives. The number of shares of common stock available for issuance under the plan is subject to adjustment, as described in the plan. This includes, in the event of any merger, reorganization, consolidation, recapitalization, stock dividend, or other change in corporate structure affecting the stock, substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the plan, in the number and option price of shares subject to outstanding options granted under the plan and in the number and price of shares subject to other awards, as described in the plan. As a result of the acquisition and merger of Valley Green Bank into Univest Bank and Trust Co., 473,483 additional shares are now available for distribution under the 2013 Long-Term Incentive Plan. At the time of an award grant, the Committee will determine the type of award to be made and the specific conditions upon which an award will be granted (i.e. term, vesting, performance criteria, etc.).

Upon a change in control: any stock appreciation rights outstanding for at least six months and any stock options awarded which have been held for at least six months shall become fully vested and exercisable; restrictions applicable to any restricted stock award shall lapse and such shares shall be deemed fully vested; the value of all outstanding stock options, stock appreciation rights and restricted stock awards shall be cashed out on the basis of their fair market value; and any outstanding long-term performance awards shall be vested and paid out based on the prorated target results for the performance periods in question.

Long-term incentive compensation consists of a combination of stock options and performance-based restricted stock. The granting of options is anticipated to occur annually, at the discretion of the Compensation Committee, on January 31 and is not contingent on the achievement of annual targets described under Annual Incentive Compensation. The number of options to be granted each year will be determined by the Compensation Committee.



On January 31, 2015, the Compensation Committee approved the granting of stock options to the following named executives:

Executive	Stock Options Granted	
Jeffrey M. Schweitzer	9,000	shares
Duane J. Brobst	4,500	shares
Philip C. Jackson	4,500	shares
Michael S. Keim	4,500	shares

Performance-based restricted stock grants are anticipated to be granted each year on January 31 based on the Top Quintile performance as detailed in the chart below. The performance-based restricted stock will vest on February 15<sup>th</sup> after three years of performance (i.e. restricted stock granted on January 31, 2015 will vest on February 15, 2018) based on the Corporation's performance compared to its Select Peer Group with respect to three-year average Return on Average Assets.

	Top Quintile 80% - 100%	2nd Quintile 60% - 80%	3rd Quintile 40% - 60%
Category 1	7,500	5,000	2,500
Category 2	5,625	3,750	1,875
Category 3	3,750	2,500	1,250
Category 4	2,250	1,500	750

On January 31, 2015, the Compensation Committee approved the granting of performance-based restricted stock to the following named executives:

Executive	Shares of Restricted Shares Granted	
Jeffrey M. Schweitzer	7,500	shares
Duane J. Brobst	3,750	shares
Philip C. Jackson	3,750	shares
Michael S. Keim	3,750	shares

#### Post-Retirement Plans

Univest provides a qualified pension plan to all employees hired prior to December 7, 2009, and non-qualified pension plans for certain executive officers. The Defined Benefit Pension Plan (DBPP) is a nondiscriminatory retirement plan which qualifies under the Internal Revenue Code. The DBPP is a noncontributory defined benefit retirement plan covering substantially all employees of the Corporation and its wholly owned subsidiaries. To be eligible for the DBPP, employees must complete one year of service (defined as working more than 1,000 hours) and attain age 21. The DBPP is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The DBPP is administered by a Pension Committee appointed by the Board of Directors of the Corporation. The Pension Committee has appointed Univest Bank and Trust Co., a wholly owned subsidiary of the Corporation, as trustee of the DBPP. Employer contributions are based on amounts required to be funded under the provisions of ERISA. No contributions are required or permitted by the participants. Entrance into the DBPP was frozen to new entrants as of December 7, 2009.

On June 24, 2009, the Compensation Committee of the Board of Directors of the Corporation resolved that effective December 31, 2009, the benefits under the DBPP, in its current form, would be frozen and the current plan would be amended and converted to a cash balance plan under which employees would continue to receive future benefits in accordance with the provisions of the cash balance plan.

The normal retirement date is the first day of the month in which the participant's 65th birthday occurs and he/she has completed five years of credited service. Prior to December 31, 2009, the normal annual retirement benefit amount accrued was 1.5% of average earnings for each year of credited service up to 20 years plus 0.5% of average earnings for each year of credited service in excess of 20, plus 0.25% of average earnings in excess of the average Social Security wage base for each year of credited service up to 35 years.

Benefits under the cash balance plan are credited to the employees' account based on the following formula:

Years of Service	Annual Benefit Credited
0 - 10	3% of salary
11- 20	5% of salary
21 +	7% of salary

Additionally, annually the employees' accounts are credited with a guaranteed return of the ten year Treasury note rate plus 1% not to exceed the 30 year Treasury note rate. To not penalize long-term employees of the Corporation, for employees over the age of 55 with over 20 years of service on December 31, 2009, the annual retirement benefit is guaranteed to be the higher of the benefit attributable to the formula under the DBBP or the new cash benefit account. Each participant who has at least 10 years of service and who has attained age 55 may elect to retire early within the 10-year period immediately prior to the participant's normal retirement age. These participants who elect and qualify for early retirement are considered fully vested by the DBPP. Prior to the cash balance plan conversion, the early retirement benefit was based on credited service and average earnings at the early retirement date without reduction on the date when the participant's age plus years of service equal 85, but not before age 62 or after age 65. Benefits are reduced from that retirement date by 1/15th per year for the first five years and 1/30th per year thereafter to age 55. Participants were not vested in the benefits accrued up to December 31, 2009 until they completed five years of service, at which time they become fully vested in the benefits accrued up to December 31, 2009 in the DBPP. Participants are not vested in the benefits accrued after December 31, 2009, under the cash balance portion of the plan, until they have completed three years of service, at which time they become fully vested in the benefits accrued under the cash balance portion of the plan.

A vested participant who dies before the annuity starting date and who has a surviving spouse shall have the death benefit paid to the surviving spouse in the form of a pre-retirement survivor annuity and may have the death benefit distributed to his/her beneficiaries within five years after death.

While the Corporation has not expressed any intent to do so, the DBPP/cash balance plan may be discontinued at any time, subject to the provisions of ERISA. In the event such discontinuance results in termination of the DBPP/cash balance plan, the DBPP/cash balance plan provides that the net assets of the plan shall be allocated among the participants in the order provided for in ERISA. To the extent there are unfunded vested benefits other than benefits becoming vested by virtue of termination of the DBPP/cash balance plan, ERISA provides that such benefits are payable to participants by the Pension Benefit Guaranty Corporation (PBGC) up to specified limitations.

Should the DBPP/cash balance plan terminate at some future time, its assets generally may not be available on a pro rata basis to provide participants' benefits. Whether a particular participant's accumulated plan benefits will be paid depends on both the priority of those benefits and the level of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the then-existing assets and the PBGC guaranty while other benefits may not be provided for at all.

The non-qualified plans include a Supplemental Retirement Plan and a Supplemental Non-Qualified Pension Plan inclusive of a Medical Reimbursement Plan and Split-Dollar Life Insurance. These non-qualified plans generally provide an additional retirement benefit paid to the employee beginning at age 65 for a term between 10 and 15 years, plus death benefits. An employee, upon attaining the age of 60, may elect early retirement and be entitled to receive this benefit based upon the employee's accrual balance as of the early retirement date.

The Supplemental Retirement Plan (SERP) was established in 1994 for employees whose date of hire was prior to January 1, 1994, were a current participant in the qualified pension plan for at least five years and whose benefit under the qualified pension plan was affected by the changes made to the Internal Revenue Code Section 401(a)(17) as enacted in the Omnibus Budget Reconciliation Act of 1993. The SERP establishes a payment to the participant that equates to the difference between: the payment amount of the qualified plan retirement benefit to which the participant would have been entitled under the qualified plan if such benefit were computed subject to Code Section 401(a)(17) as in effect prior to the effective date of the Omnibus Budget Reconciliation Act of 1993; and the amount of the qualified plan retirement benefit actually payable to the participant. Under a change in control, no termination of the SERP shall

directly or indirectly deprive any current or former participant or surviving spouse of all or any portion of the SERP benefit which has commenced prior to the effective date of such change in control.

The Supplemental Non-Qualified Pension Plan (SNQPP) was established in 1981 for employees who have served for several years, with ability and distinction, in one of the primary policy-making senior level positions at Univest, with the understanding that the future growth and continued success of Univest's business may well reflect the continued services to be rendered by these employees and Univest's desire to be reasonably assured that these employees will continue to serve and realizing that if these employees would enter into competition with Univest, it would suffer severe financial loss. The SNQPP was established prior to the existence of a 401K Deferred Savings Plan, the Employee Stock Purchase Plan and the Long-Term Incentive Plans and therefore is not actively offered to new participants. At the age of 65 years, covered employees will receive annual payments equivalent to fifty percent of their annual salary at their retirement date, adjusted annually thereafter by a percentage of the change in the Consumer Price Index (CPI). Between the ages of 60 and 65, covered employees may choose early retirement and receive payments under the SNQPP based on the employee's accrual balance, adjusted annually thereafter by a percentage of the change in the CPI. The benefit period is a maximum of fifteen years. Benefits will continue to be paid to the employee's beneficiary upon the employee's death for the remainder of the benefit period. Payments under the SNQPP are capped each year and adjusted annually by a percentage of the change in the CPI. In 2014 the maximum benefit payable was \$118,272. Upon a change in control, the covered employee is entitled to a lump sum benefit equal to the present value of the employee's accrued balance using the ten-year Treasury yield. Upon a change in control where Univest is not the surviving company, the SNQPP is not automatically terminated and the obligations under the SNQPP become the obligations of the surviving company. The SNQPP contains a non-compete clause under which payments will be forfeited by those covered retirees and employees who compete with Univest.

The SNQPP also includes a Medical Reimbursement Plan providing covered employees, who maintain a medical insurance policy during retirement, reimbursements for uncovered medical expenses up to \$5,000 per annum during the benefit period.

During 2000, Univest purchased Bank Owned Life Insurance (BOLI) to offset the funding needs of future obligations under these non-qualified pension plans. The SNQPP includes a Split-Dollar Agreement which provides the covered employee's beneficiary a fixed dollar amount of \$200,000 of the death proceeds under the BOLI.

Income tax regulations require the inclusion of nonqualified deferred compensation benefits as wages for Social Security and Medicare tax purposes. The non-qualified plan benefits and vesting provisions are reviewed annually, the covered employees' Social Security and Medicare wages reflect includable nonqualified deferred compensation, and appropriate taxes are withheld.

On an optional basis, all officers and employees who have attained the age of 18 and have completed one month of continuous service may participate in the Deferred Salary Savings Plan (DSSP). In the year 2014, participants could defer up to a maximum of \$17,500 if under age 50 and \$23,000 if at least age 50 by December 31. After employees complete 6 months of service, the Corporation or its subsidiaries will make a matching contribution of 50% of the first 6% of the participant's salary. All contributions are invested via a trust. The Corporation's matching contributions for 2014, 2013 and 2012, amounted to \$836,007, \$765,400 and \$666,521, respectively. The matching contributions are vested at 50% at the end of two years, 75% at the end of three years, and 100% at the end of four years. Benefit payments normally are made in connection with a participant's retirement. The DSSP permits early withdrawal of the money under certain circumstances. Under current Internal Revenue Service regulations, the amount contributed to the plan and the earnings on those contributions are not subject to Federal income tax until they are withdrawn from the plan.

#### OTHER PERQUISITES

Certain named executive officers receive expense allowances, a car allowance and/or country club membership dues. These perquisites are determined by the Compensation Committee under the same methodologies for and in

conjunction with base salary compensation. Univest also provides certain named executive officers with personal tax preparation services; these services are provided by a Certified Public Accounting firm other than Univest's Independent Registered Public Accounting Firm, KPMG LLP.

#### FUTURE COMPENSATION DETERMINATION

The Committee will continue to reassess Univest's executive compensation program in order to ensure that it promotes the long-term objectives of Univest, encourages growth in shareholder value, provides the opportunity for management investment in the Corporation, and attracts and retains top-level executives who will manage strategically in 2015 and beyond.

## TAX CONSIDERATIONS

Internal Revenue Code Section 162(m) imposes a limitation on the deduction for certain executive officers' compensation unless certain requirements are met. The Corporation and the Compensation Committee have carefully considered the impact of these tax laws and have taken certain actions intended to preserve the Corporation's tax deduction with respect to any affected compensation.

## CONCLUSION

Through the programs described above, a significant portion of the Corporation's executive compensation is linked directly to individual and corporate performance and growth in shareholder value. The Committee intends to continue the policy of linking executive compensation to individual and corporate performance and growth in shareholder value, recognizing that the business cycle from time to time may result in an imbalance for a particular period.

The Summary Compensation Table, which is shown on Page 17 and is mandated by SEC rules, contains a mix of earned and target pay, and several items that are driven by accounting and actuarial assumptions. Earned amounts shown under stock and option awards are determined at grant date fair values, which may be worth more, less, or even nothing when vested or paid. Therefore, the Corporation is including the following table which sets forth for the fiscal years ended December 31, 2014, 2013 and 2012, the compensation which the Corporation and its subsidiaries' principal executive officer, principal financial officer and three other named executive officers realized. These realized amounts equate to the amount reported as Gross Pay on the named executive officer's Form W-2 less the portion of nonqualified deferred compensation benefits, which under income tax regulations are required to be included as wages for Social Security and Medicare tax purposes only. This table is not intended to be a substitute for the Summary Compensation Table that follows and should be read in conjunction with the "Compensation Discussion and Analysis" section of this Proxy Statement.

## REALIZED COMPENSATION TABLE

Name and Principal Position	Year	Salary (a)	Bonus	Stock Awards (b)	Option Awards (c)	Non-Equity Incentive Plan Compensation (d)	All Other Compensation (e)	Total
Jeffrey M. Schweitzer, President and CEO of the Corporation and Senior Executive Vice President of the Bank	2014	\$467,308	\$-0-	\$56,718	\$-0-	\$132,094	\$32,009	\$688,129
	2013	320,000	-0-	30,025	-0-	77,809	23,652	451,486
	2012	275,000	-0-	36,734	-0-	119,411	21,257	452,402
K. Leon Moyer, Vice Chairman of the Corporation and President and CEO of the Bank	2014	347,885	-0-	115,131	-0-	134,158	37,737	634,911
	2013	325,000	-0-	85,170	-0-	100,242	31,273	541,685
	2012	310,000	-0-	93,943	-0-	167,105	40,415	611,463
Michael S. Keim, CPA Senior Executive Vice President and Chief Financial Officer of the Corporation and the Bank	2014	280,385	-0-	-0-	-0-	61,919	11,326	353,630
	2013	240,000	-0-	-0-	-0-	299,500	7,403	546,903
Duane J. Brobst, Senior Executive Vice President and Chief Risk Officer of the Corporation and of the Bank	2014	207,692	-0-	30,018	-0-	48,762	11,582	298,054
	2013	189,000	-0-	24,741	-0-	37,389	11,803	262,933
	2012	185,000	-0-	35,145	-0-	57,040	14,155	291,340
Philip C. Jackson, President-Corporate Banking of the Bank	2014	259,616	-0-	35,510	-0-	65,444	19,368	379,938

(a) Salaries in 2014 include one extra pay period of two weeks.

(b) The intrinsic value of stock awards that vested during the year based on the market value of the common stock underlying such awards on the vesting date.

(c) The intrinsic value of stock options exercised during the year based on the difference between the market value of the common stock and the exercise price of such options on the exercise date.

(d) The non-equity incentives paid during the year (awards for a given year are usually paid during the first quarter of the following year). Mr. Keim's award paid in 2013 was based on his 2012 performance plan as Senior Vice President of Mortgage Banking.

(e) Other compensation differs from the Summary of Compensation Table due to amounts contributed by the Corporation as Deferred Salary Savings Plan (401(k)) matches and premiums on life and disability insurance, which are benefits provided to all employees.



The following tables set forth for the fiscal years ended December 31, 2014, 2013 and 2012, the compensation which the Corporation and its subsidiaries' principal executive officer, principal financial officer and three other named executive officers earned. These tables should be read in conjunction with the "Compensation Discussion and Analysis" section of this Proxy Statement.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards (a)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings (b)	All Other Compensation (c)	Total
Jeffrey M. Schweitzer, President and CEO of the Corporation and Senior Executive Vice President of the Bank	2014	\$450,000	\$-0-	\$140,850	58,795	\$211,112	\$14,924	\$38,111	\$913,792
	2013	320,000	-0-	111,940	37,260	132,094	2,302	28,677	632,273
	2012	275,000	-0-	72,490	19,621	77,809	31,845	25,555	502,320
K. Leon Moyer, Vice Chairman of the Corporation and President and CEO of the Bank	2014	335,000	-0-	105,638	45,730	125,729	239,664	49,052	900,813
	2013	325,000	-0-	145,068	37,260	134,158	203,926	42,448	887,860
	2012	310,000	-0-	166,794	30,522	100,242	534,258	51,441	1,193,257
Michael S. Keim, CPA Senior Executive Vice President and Chief Financial Officer of the Corporation and the Bank	2014	270,000	-0-	42,255	13,066	63,334	8,659	20,003	417,317
	2013	240,000	-0-	37,980	10,646	61,919	4,728	15,499	370,772
Duane J. Brobst, Senior Executive Vice President and Chief Risk Officer of the Corporation and of the Bank	2014	200,000	-0-	42,255	13,066	46,914	65,770	17,335	385,340
	2013	189,000	-0-	37,980	10,646	48,762	(9,089)	17,172	294,471
	2012	185,000	-0-	33,300	8,721	37,289	67,722	19,504	351,536
Philip C. Jackson President-Corporate Banking of the Bank	2014	250,000	-0-	70,425	29,398	73,571	30,940	22,522	476,856

Represents the fair value for all stock options granted during 2014, 2013 and 2012, respectively. Assumptions used (a) in calculating the fair value on these stock options are set forth in Note 11 to the Financial Statements included in Univest's Form 10-K for the year ended December 31, 2014.

(b) 2013 Changes in Pension Value and Non-qualified Deferred Compensation Earnings was primarily due to an average increase in the Citicorp Pension Liability yields used of approximately 89 basis points.

(c) Includes Deferred Salary Savings Plan (401(k)) company matching contributions, dividends on unvested restricted stock awards, life insurance premiums, imputed income on split dollar life insurance plans, expense allowance,

personal tax preparation services, service awards, and country club membership dues. No individual item in 2014, 2013 or 2012 exceeded \$25,000.

## GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Possible Future Payouts Under Non-equity Incentive Plan Awards (a)			Estimated Future Payouts Under Equity Incentive Plan Awards (a)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Jeffrey M. Schweitzer	1/31/2014	\$102,000	\$255,000	\$382,500	N/A	N/A	N/A	7,500(b)	9,000	\$ 18.78	\$ 199,645
	2/6/2014							3,638(c)	-0-	N/A	66,030
K. Leon Moyer	1/31/2014	N/A	N/A	N/A	N/A	N/A	N/A	5,625(b)	7,000	18.78	151,367
	2/6/2014							3,695(c)	-0-	N/A	67,064
Michael S. Keim	1/31/2014	42,000	75,000	112,500	N/A	N/A	N/A	2,250(b)	2,000	18.78	55,321
	2/6/2014							1,377(c)	-0-	N/A	24,993
Duane J. Brobst	1/31/2014	30,800	55,000	82,500	N/A	N/A	N/A	2,250(b)	2,000	18.78	55,321
	2/6/2013							275(c)	-0-	N/A	4,991
Philip C. Jackson	1/31/2014	38,500	96,250	144,375	N/A	N/A	N/A	3,750(b)	4,500	18.78	99,823
	2/6/2014							1,802(b)	-0-	N/A	32,706

The named executive officers may elect to receive up to 50% of their annual incentive compensation (listed under “Estimated Possible Future Payouts Under Non-equity Incentive Plan Awards”) in the form of the Corporation’s stock (a) which will be matched by the Corporation in the form of a restricted stock grant which will vest ratably over a five-year period. For presentation purposes, it is assumed that the named executive officers will not make an election to take any incentive compensation in stock.

These are performance-based awards which will vest based upon the Corporation’s performance against its peers over the next three years. Actual shares that vest may change from the above table based on performance. (b) Dividends are paid on the shares but must be invested in the dividend reinvestment plan and are not eligible for cash payout. The shares granted are eligible for voting.

The named executive officers elected to receive up to 50% of their 2014 annual incentive compensation in the form (c) of the Corporation’s stock which was matched by the Corporation in the form of a restricted stock grant which will vest ratably over a five-year period.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards (a)				Stock Awards					
	Option Award Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units that have not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights that have not Vested (#)
Jeffrey M. Schweitzer (a)	12/31/2020	0	0	0	\$21.11	12/31/2021	10,081	\$1,376	-0-	\$-0-
	1/31/2021	1,000	0	1,500	17.24	1/31/2021	2,002	-0-	3,750	75,900
	1/31/2021	500	0	3,000	14.80	1/31/2022	9,206	12,792	-0-	-0-
	1/31/2021	0	0	7,000	16.88	1/31/2023	3,200	-0-	5,625	113,850
	1/31/2021	0	0	9,000	18.78	1/31/2024	7,208	16,779	-0-	-0-
K. Leon Moyer (a)						1/31/2024	2,004	-0-	7,500	151,800
						2/6/2023	3,638	73,633	-0-	-0-
	12/30/2020	500	0	0	24.27	12/30/2021	5,100	21,940	-0-	-0-
	12/31/2020	7,500	0	0	21.11	12/31/2021	7,200	-0-	5,625	113,850
	1/31/2021	9,444	0	556	22.90	1/31/2019	9,203	62,825	-0-	-0-
	1/31/2021	4,667	0	2,333	17.24	1/31/2021	3,200	-0-	5,625	113,850
	1/31/2022	3,334	0	4,666	14.80	1/31/2022	7,203	49,487	-0-	-0-
Michael S. Keim	1/31/2021	0	0	7,000	16.88	1/31/2023	3,200	-0-	5,625	113,850
	1/31/2021	0	0	7,000	18.78	1/31/2024	4,695	74,787	-0-	-0-
	1/31/2021	500	0	0	17.58	1/31/2020	3,200	-0-	2,250	45,540
	1/31/2021	1,000	0	500	17.24	1/31/2021	3,200	-0-	2,250	45,540
	1/31/2021	500	0	1,000	14.80	1/31/2022	6,201	27,870	-0-	-0-
Duane J. Brobst	1/31/2021	0	0	2,000	16.88	1/31/2023	2,000	-0-	-0-	-0-
	1/31/2021	0	0	2,000	18.78	1/31/2023	2,000	-0-	-0-	-0-
	12/30/2020	0	0	0	24.27	12/30/2021	5,100	-0-	2,250	45,540
	12/31/2020	0	0	0	21.11	12/31/2021	7,200	-0-	2,250	45,540
	1/31/2021	1,333	0	667	17.24	1/31/2021	3,200	-0-	2,250	45,540
	1/31/2021	667	0	1,333	14.80	1/31/2022	6,204	5,566	-0-	-0-
	12/30/2020	0	0	0	24.27	12/30/2021	5,100	-0-	2,250	45,540

Philip C.  
Jackson

12/31/2000	-0-	-0-	21.11	12/31/2017/2018	16,779	-0-	-0-
1/31/2013	-0-	667	17.24	1/31/2021/31/2014	-0-	3750	75900
1/31/2017	-0-	1,333	14.80	1/31/2022/6/2018	36,472	-0-	-0-
1/31/2018	-0-	4,500	16.88	1/31/2023			
1/31/2019	-0-	4,500	18.78	1/31/2024			

(a) Includes both non-qualified and incentive stock options.

## OPTIONS AWARDS VESTING SCHEDULE

Grant Date	Vesting Schedule
12/30/2005	33.3334% Vested in 2007; 33.3333% Vested in 2008; and 33.3333% Vested in 2009
12/31/2007	33.3334% Vested in 2009; 33.3333% Vested in 2010; and 33.3333% Vested in 2011
1/31/2009	33.3334% Vested in 2011; 33.3333% Vested in 2012; and 33.3333% Vested in 2013
1/31/2010	33.3334% Vested in 2012; 33.3333% Vested in 2013; and 33.3333% Vested in 2014
1/31/2011	33.3334% Vested in 2013; 33.3333% Vested in 2014; and 33.3333% Vests in 2015
1/31/2012	33.3334% Vested in 2014; 33.3333% Vests in 2015; and 33.3333% Vests in 2016
1/31/2013	33.3334% Vests in 2015; 33.3333% Vests in 2016; and 33.3333% Vests in 2017
1/31/2014	33.3334% Vests in 2016; 33.3333% Vests in 2017; and 33.3333% Vests in 2018

## STOCK AWARDS VESTING SCHEDULE

Grant Date	Vesting Schedule
2/10/2011	20% Vested in 2012; 20% Vested in 2013; 20% Vested in 2014; 20% Vests in 2015; and 20% Vests in 2016
1/31/2012	100% or less vests on 2/15/2015 based on the Corporation's performance against its peers
2/09/2012	20% Vested in 2013; 20% Vested in 2014; 20% Vests in 2015; 20% Vests in 2016; and 20% Vests in 2017
1/31/2013	100% or less vests on 2/15/2016 based on the Corporation's performance against its peers
2/07/2013	20% Vested in 2014; 20% Vests in 2015; 20% Vests in 2016; 20% Vests in 2017; and 20% Vests in 2018
1/31/2014	100% or less vests on 2/15/2017 based on the Corporation's performance against its peers
2/06/2014	20% Vests in 2015; 20% Vests in 2016; 20% Vests in 2017; 20% Vests in 2018; and 20% Vests in 2019

## OPTIONS EXERCISED AND STOCK VESTING TABLE

Name	Options Awards (a)		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized (b) on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Jeffrey M. Schweitzer	-0-	\$-0-	3,017	\$56,718
K. Leon Moyer	-0-	-0-	6,171	115,131
Michael S. Keim	-0-	-0-	-0-	-0-
Duane J. Brobst	-0-	-0-	1,588	30,018
Philip C. Jackson	-0-	-0-	1,893	35,510

The Corporation has a stock-for-stock-option exchange (or cashless exercise) program in place, whereby optionees can exchange the value of the spread of in-the-money options for Corporation stock having an equivalent value.

(a) This brokerage-assisted exchange allows the executives to exercise their options on a net basis without having to pay the exercise price or related expense in cash. However, it will result in the executives acquiring fewer shares than the number of options exercised.

"Value Realized" is calculated by subtracting the exercise price from the Fair Market Value as of the exercise date.

(b) Fair Market Value is the closing price of the Corporation's common stock as reported by the NASDAQ Stock Market.

## PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$) (a)	Payments During Last Fiscal Year (\$)
Jeffrey M. Schweitzer	Defined Benefit Pension Plan	7.25	\$64,430	\$-0-
	Supplemental Retirement Plan	N/A	N/A	N/A
	Supplemental Non-Qualified Pension Plan	N/A	N/A	N/A
K. Leon Moyer	Defined Benefit Pension Plan	43.95	1,598,406	-0-
	Supplemental Retirement Plan	43.95	447,097	-0-
	Supplemental Non-Qualified Pension Plan		1,347,567	-0-
Michael S. Keim	Defined Benefit Pension Plan	6.00	26,659	-0-
	Supplemental Retirement Plan	N/A	N/A	N/A
	Supplemental Non-Qualified Pension Plan	N/A	N/A	N/A
Duane J. Brobst	Defined Benefit Pension Plan	22.61	449,164	-0-
	Supplemental Retirement Plan	N/A	N/A	N/A
	Supplemental Non-Qualified Pension Plan	N/A	N/A	N/A
Philip C. Jackson	Defined Benefit Pension Plan	10.00	205,380	-0-
	Supplemental Retirement Plan	N/A	N/A	N/A
	Supplemental Non-Qualified Pension Plan	N/A	N/A	N/A

Univest's pension plans are described in the Compensation Discussion and Analysis under the heading (a) "Post-Retirement Plans." Assumptions used in calculating the present value of the accumulated benefit are set forth in Note 10 to the Financial Statements included in Univest's Form 10-K for the year ended December 31, 2014.

## NONQUALIFIED DEFERRED COMPENSATION

Univest does not currently have any non-qualified contributory deferred compensation plans available to the named executive officers.

## OTHER POTENTIAL POST-EMPLOYMENT PAYMENTS

Certain triggering events could potentially affect the amounts of compensation reported in the previous tables. Triggering events would include retirement, early-retirement, termination by reason of disability, death or cause, or a change in control of the Corporation. None of the named executive officers in the previous tables above is a party to an individual change in control or employment agreement, but provisions for these triggering events are addressed within the 2003 Long-Term Incentive Plan, the 2013 Long-term Incentive Plan, the Defined Benefit Pension Plan (DBPP), the Supplemental Retirement Plan (SERP) and the Supplemental Non-Qualified Pension Plan (SNQPP).

## 2003 and 2013 Long-term Incentive Plans

Upon a change in control, stock options and restricted stock awards which have been held for at least six months shall become fully vested. Upon retirement, early-retirement or termination by reason of disability, the Compensation Committee may elect to accelerate the vesting period to allow all stock options to become fully vested and exercisable up to a period of two years after the date of such retirement, early-retirement or disability date and may elect to accelerate the vesting period of all restricted stock awards. Upon termination by death, the Compensation Committee may elect to accelerate the vesting period to allow all stock option awards to become fully vested, and exercisable by the legal representative of such employee's estate or legatee of such employee's will for a period of one year from the date of death, and may elect to accelerate the vesting period of all restricted stock awards. There are no acceleration provisions for the willful termination of employment or termination of employment for cause. Upon the willful

termination of employment, the optionee would have the lesser of three-months or the remaining term to exercise any vested stock options. Upon termination of employment for cause, all vested and unvested stock options will immediately terminate.



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The following table demonstrates the impact under different triggering events if such event occurred on December 31, 2014:

Name	Triggering Event	Option Awards			Expiration Date	Restricted Stock Awards	
		Number of Options that could be Accelerated and Become Exercisable (#)	Average Option Exercise Price of Accelerated Options (\$)	Aggregate Intrinsic Value of Accelerated Options (\$)		Number of Awards that could be Accelerated and Become Vested (#)	Aggregate Intrinsic Value of Accelerated Awards (\$)
Jeffrey M. Schweitzer	Retirement, Early-retirement or Termination due to Disability	20,500	\$17.44	\$57,488	12/31/2016	22,042	\$446,130
	Termination by Death	20,500	17.44	57,488	12/31/2015	22,042	446,130
	Change in Control	20,500	17.44	57,488	3/31/2015	22,042	446,130
K. Leon Moyer	Retirement, Early-retirement or Termination due to Disability	21,555	17.24	66,134	12/31/2016	27,203	550,589
	Termination by Death	21,555	17.24	66,134	12/31/2015	27,203	550,589
	Change in Control	21,555	17.24	66,134	3/31/2015	27,203	550,589
Michael S. Keim	Retirement, Early-retirement or Termination due to Disability	5,500	17.23	16,583	12/31/2016	5,877	118,950
	Termination by Death	5,500	17.23	16,583	12/31/2015	5,877	118,950
	Change in Control	5,500	17.23	16,583	3/31/2015	5,877	118,950
Duane J. Brobst	Retirement, Early-retirement or Termination due to Disability	6,000	17.09	18,896	12/31/2016	7,025	142,186
	Termination by Death	6,000	17.09	18,896	12/31/2015	7,025	142,186
	Change in Control	6,000	17.09	18,896	3/31/2015	7,025	142,186
Philip Jackson	Retirement, Early-retirement or Termination due to Disability	11,000	17.43	30,946	12/31/2016	12,938	261,865
	Termination by Death	11,000	17.43	30,946	12/31/2015	12,938	261,865
	Change in Control	11,000	17.43	30,946	3/31/2015	12,938	261,865

Defined Benefit Pension Plan (DBPP)

Each participant who has at least 10 years of service and who has attained age 55 may elect to retire early within the 10-year period immediately prior to the participant's normal retirement age. These participants who elect and qualify for early retirement are considered fully vested by the DBPP. Prior to the cash balance plan conversion, the early

retirement benefit is based on credited service and average earnings at the early retirement date without reduction on the date when the participant's age plus years of service equal 85, but not before age 62 or after age 65. Benefits are reduced from that retirement date by 1/15th per year for the first five years and 1/30th per year thereafter to age 55. A vested participant who dies before the annuity starting date and who has a surviving spouse shall have the death benefit paid to the surviving spouse in the form of a pre-retirement survivor annuity and may have the death benefit distributed to his/her beneficiaries within five years after death. None of the triggering events would impact the vested balance of a named executive officer's benefit under the DBPP.

#### Supplemental Retirement Plan (SERP)

Under a change in control, no termination of the SERP shall directly or indirectly deprive any current or former participant or surviving spouse of all or any portion of the SERP benefit which has commenced prior to the effective date of such change in control. None of the triggering events would impact the vested balance of a named executive officer's benefit under the SERP.

#### Supplemental Non-Qualified Pension Plan (SNQPP)

Upon a change in control where Univest is not the surviving company, the SNQPP is not automatically terminated and the obligations under the SNQPP become the obligations of the surviving company. Upon a change in control or death of the covered employee prior to their retirement date, the covered employee, or the employee's designated beneficiary, is entitled to a lump sum benefit equal to the present value of the employee's accrued balance using the ten-year Treasury yield. The "accrued balance" is the projected lump sum of the employee's retirement benefit payable upon the employee's attainment of age 65. Upon early-retirement, which is obtainable at the age of sixty, the employee is entitled to the accrual balance payable over fifteen years, adjusted annually thereafter by a percentage of the change in the Consumer Price Index (CPI). Upon termination of employment due to disability, the employee is entitled to the accrual balance payable, commencing at age 65, provided that the amount of the retirement benefit shall be based on the accrual balance on the date of termination due to disability, increased by an interest factor equal to the interest factor used in determining the accrual balance. If an employee terminated due to disability, and a change of control occurs prior to this employee reaching the age of 65, the employee is entitled to a lump sum benefit equal to the present value of the employee's accrued balance using the ten-year Treasury yield. The SNQPP contains a non-compete clause under which payments will be forfeited by those covered retirees and employees who compete with Univest. If the employee is terminated

for a reason other than death, retirement, early-retirement, disability, or a change in control, the benefits under the SNQPP are forfeited by the employee. The only named executive officer who is a participant in the SNQPP is K. Leon Moyer. If at December 31, 2014, the participant's employment was terminated for a reason other than death, retirement, early-retirement, disability, or a change in control, the benefit shown in the Pension Benefits table would be forfeited. If a change in control had occurred at or prior to December 31, 2014, the participant would benefit from a lump sum payment equal to their present value of accumulated benefit, in the Pension Benefits table above.

## DIRECTOR COMPENSATION

The following table illustrates compensation received by non-employee directors not covered in the Summary Compensation Table for the year ended December 31, 2014:

Name	Fees Earned or Paid in Cash (\$) (a)	Stock Awards (\$) (b)	Option Awards (\$) (c)	Non-equity Incentive Plan Compensation (\$) (d)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (e)	All Other Compensation (\$) (f)	Total (\$) (g)
William S. Aichele	\$ 180,000	\$ 18,780	\$-0-	\$-0-	\$-0-	\$ 10,000	\$ 208,780
Douglas C. Clemens	35,300	18,780	-0-	-0-	-0-	-0-	54,080
R. Lee Delp	62,200	18,780	-0-	-0-	-0-	-0-	80,980
H. Paul Lewis	53,750	18,780	-0-	-0-	-0-	-0-	72,530
William G. Morral	50,950	18,780	-0-	-0-	-0-	-0-	69,730
Thomas Scannapieco	25,200	18,780	-0-	-0-	-0-	-0-	43,980
Mark A. Schlosser	53,450	18,780	-0-	-0-	-0-	-0-	72,230
P. Gregory Shelly	57,450	18,780	-0-	-0-	-0-	-0-	76,230
Margaret K. Zook	29,400	18,780	-0-	-0-	-0-	-0-	48,180

(a) Includes annual retainer fees, Board meeting fees and other committee fees as described below.

The accumulated values under the Corporation's Director Fee Deferral Plan, as described below, were as follows:

(b) for Douglas C. Clemens, \$173,482; for William G. Morral, \$462,582; for P. Gregory Shelly, \$212,456; and for Margaret K. Zook, \$186,959. There are no pension benefits listed in this table.

### Director Fees

For the year ended December 31, 2014, each non-employee Director was paid an annual retainer fee of \$18,000. Additionally, the chair of the Audit Committee received an additional annual retainer fee of \$8,000, the chair of the Compensation Committee received an additional annual retainer fee of \$5,000, and the chair of the Nominating and Governance Committee received an additional annual retainer fee of \$4,000. Each non-employee Director received a fee of \$900 for each Board Meeting of Univest Corporation of Pennsylvania or Univest Bank and Trust Co. which he/she attends. Only one fee was paid to the Director if these Boards meet on a concurrent basis. Non-employee Directors who attend committee meetings of the Board received a fee ranging from \$275 to \$800 for each meeting attended.

The Corporation offers a Director Fee Deferral Plan under which the directors can voluntarily contribute all or a portion of their director fees. These deferred fees accumulate value either based on the Bank's average cost of total time deposits and purchased funds or the Corporation's stock index, as elected by the director. The deferred fees

remain the property of the Corporation until it is contractually obligated to pay such fees to the director upon death or after the director's termination in accordance with the director's irrevocable election.

Stock-Based Compensation

Under the Univest 2013 Long-Term Incentive Plan, discussed previously, both employees and non-employee directors are eligible to be granted Awards under the Plan.

Name	Option Awards				Stock Awards						
	Option Award Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights that have not Vested (\$)
William S. Aichele (a)	12/30/2011	5,000	-0-	-0-	\$24.27	12/30/2013	3/10/2011	2,081	\$42,119	-	\$ -0-
	12/31/2011	7,000	-0-	-0-	21.11	12/31/2017	7/31/2012	12	-0-	7,500	151,800
	1/31/2013	3,000	-0-	3,000	17.24	1/31/2021	12/9/2011	249	120,400	-	-0-
	1/31/2013	3,000	-0-	6,000	14.80	1/31/2022	21/31/2013	13	-0-	7,500	151,800
	1/31/2013	-	-0-	9,000	16.88	1/31/2023	2/7/2011	583	94,784	-	-0-
							1/31/2011	1,000	20,240	-	-0-
Douglas C. Clemens	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
R. Lee Delp	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
H. Paul Lewis	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
William G. Morral	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
Thomas Scannapieco	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
Mark A. Schlosser	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
P. Gregory Shelly	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-
Margaret K. Zook	N/A	N/A	N/A	N/A	N/A	N/A	1/31/2011	1,000	20,240	-	-0-

(a) All Option Awards and Stock Awards from 2011 through 2013 were granted while director was an employee; all option awards are non-qualified. Vesting schedules for these Option and Stock Awards can be found on [Page 20](#).

Grant Date: 1/31/2014  
 Vesting Schedule: 100% Vested in 2016



On January 31, 2015, the Compensation Committee granted restricted stock awards to the following non-employee directors, which will vest 100% on the earlier of January 31, 2017 or upon the mandatory retirement of the non-employee director:

Non-Employee Director	Restricted Stock Awards	
William S. Aichele	1,000	shares
Douglas C. Clemens	1,000	shares
R. Lee Delp	1,000	shares
H. Paul Lewis	1,000	shares
William G. Morral	1,000	shares
K. Leon Moyer	1,000	shares
Thomas Scannapieco	1,000	shares
Mark A. Schlosser	1,000	shares
P. Gregory Shelly	1,000	shares
Michael L. Turner	1,000	shares
Margaret K. Zook	1,000	shares

#### RELATED-PARTY TRANSACTIONS

During 2014, some of the directors and executive officers, including their immediate family members and affiliated organizations, had lending relationships and other banking transactions with the Corporation as customers of the Bank. In management's opinion, the loans were made in the ordinary course of business and on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable loans with persons not related to the Bank; they did not involve more than normal collection risk and do not present other unfavorable features. Other banking transactions were also undertaken in the ordinary course of business. It is anticipated that similar transactions will occur in the future.

These transactions were made in compliance with applicable law, including Section 13(k) of the Securities and Exchange Act of 1934 and Federal Reserve Board Regulation O. As of December 31, 2014, loans to executive officers, directors, and their affiliates represented 10.8% of total shareholders' equity in Univest Corporation.

The Corporation's Audit Committee Charter provides for the review of related party transactions, including the independent status of all Audit Committee members. The Nominating and Governance Committee reviews the independence of directors annually.

#### COMPENSATION COMMITTEE OF THE BOARD

The Compensation Committee of the Board (Committee) for the fiscal year ended December 31, 2014 was comprised of four independent directors appointed by the Board: R. Lee Delp, William G. Morral, Mark A. Schlosser, and P. Gregory Shelly. Each member of the Committee is independent as defined in the listing standard rules of the NASDAQ Stock Market and applicable SEC regulations.

The Committee's responsibilities include reviewing and approving corporate goals and objectives, including financial performance and shareholder return, relevant to approving the annual compensation of the Corporation's CEO, executive officers, and other key management personnel through consultation with management and the Corporation's independent professional compensation consultants. Recommendations are made to the Board with respect to overall incentive-based compensation plans, including equity based plans, which includes a review of the Corporation's management development and succession plans. In addition, the Committee will review and recommend changes to the annual retainer and committee fee structure for non-employee directors on the Board. The Committee's charter is

available at the Corporation's website on the internet; [www.univest.net](http://www.univest.net) in the "INVESTORS RELATIONS" section under Governance Documents.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee (i) was, during 2014, or had previously been an officer or employee of the Corporation or our subsidiaries nor (ii) had any direct or indirect material interest in a transaction of the Corporation or a business relationship with the Corporation, in each case that would require disclosure under the applicable rules of the SEC. No interlocking relationship existed between any member of the Compensation Committee or an executive officer of the Corporation, on the one



hand, and any member of the Compensation Committee (or committee performing equivalent functions, or the full board of directors) or an executive officer of any other entity, on the other hand, requiring disclosure pursuant to the applicable rules of the SEC.

Management's role in the compensation process includes: evaluating employee performance; establishing corporate goals and objectives; and recommending the salary levels and option awards for all employees other than the named executive officers. The Committee may retain an outside consultant to assist in the evaluation of any individual executive compensation, incentive programs, or any other matter deemed appropriate by the Committee and provide for the appropriate funding of such consulting or advisory firm. During 2014, the Committee retained Mosteller & Associates to provide comparative data concerning the Corporation's peer group listed in the Compensation Discussion and Analysis.

#### COMPENSATION COMMITTEE REPORT

The Compensation Committee (Committee) met six (6) times during 2014. The Committee has reviewed and discussed the Compensation Discussion and Analysis for the year ended December 31, 2014 with the Corporation's management.

Based on the Committee's review and discussions noted above, the Committee recommended to the Board that the Corporation's Compensation Discussion and Analysis be included in this Proxy Statement.

Univest Compensation Committee Members:

R. Lee Delp, Chairman  
William G. Morral  
Mark A. Schlosser  
P. Gregory Shelly

#### CORPORATE GOVERNANCE DISCLOSURE

##### CODE OF CONDUCT

The Corporation has adopted a Code of Conduct for all directors and a Code of Conduct for all officers and employees including the CEO and senior financial officers. It is the responsibility of every Univest director, officer and employee to maintain a commitment to high standards of ethical conduct and to avoid any potential conflicts of interest. The Codes are designed not only to promote clear and objective standards for compliance with laws and accurate financial reporting - they also contain an accountability mechanism that ensures consistent enforcement of the Codes and protection for persons reporting questionable behavior, including a fair process for determining possible violations. The Codes of Conduct are available on our website at [www.univest.net](http://www.univest.net) in the "INVESTOR RELATIONS" section under Governance Documents, or by requesting a copy in writing from the Secretary of the Corporation.

Any waiver of the Codes of Conduct for directors or executive officers must be approved by the Board or a committee of the Board and disclosed on Form 8-K within four business days. Any waivers would also be posted on our website within four business days. The waiver reporting requirement process was established in 2003, and there have been no waivers.

#### NOMINATING AND GOVERNANCE COMMITTEE OF THE BOARD

The Nominating and Governance Committee met two (2) times during the fiscal year ended December 31, 2014. All members of the Committee are independent as defined by the listing standard rules of the NASDAQ Stock Market and applicable SEC Regulations. The primary purpose of the Committee is to identify individuals for nomination as members of the Board and Board committees as appropriate for the Corporation to discharge its duties and operate in an effective manner to further enhance shareholder value.

The Nominating and Governance Committee charter is available for shareholder review on the internet at [www.univest.net](http://www.univest.net) in the "INVESTOR RELATIONS" section under Governance Documents, or by requesting a copy in writing from the Secretary of the Corporation. Members of the Committee at December 31, 2014 were: R. Lee Delp, Chairman; H. Paul Lewis; Mark A. Schlosser; and P. Gregory Shelly.

The Nominating and Governance Committee recommended to the Board the slate of nominees included in this Proxy Statement for election to the Board of Directors at the annual meeting of shareholders.

Univest currently does not have any Alternate Directors. Alternate Directors would be elected annually by the Corporation's shareholders and serve for a one-year term. The Alternate Director position provides an avenue for the Corporation to nurture future directors that the Board of Directors has determined would qualify as a nominee for the Board of Directors. The Alternate Director, by attending board meetings on a regular basis without a vote, would stay informed of the activities and conditions of the Corporation and stay abreast of general industry trends and any statutory or regulatory developments. The pace of change in today's financial industry makes it imperative that the Corporation maintain a fully informed Board. Unlike members of the Board of Directors, an Alternate Director would not participate in independent director meetings or vote on matters coming before the Board of Directors.

The Nominating and Governance Committee is responsible for identifying and evaluating individuals qualified to become Board members and to recommend such individuals to the Board for nomination. The Nominating and Governance Committee does not specifically consider diversity of gender or ethnicity in fulfilling its responsibilities to select qualified and appropriate director candidates, instead the Committee will seek to balance the existing skill sets of current board members with the need for other diverse skills and qualities that will complement the Corporation's strategic vision. All director candidates are evaluated based on general characteristics and specific talents and skills needed to increase the Board's effectiveness. Additionally, all candidates must possess an unquestionable commitment to high ethical standards and have a demonstrated reputation for integrity. Other facts to be considered include an individual's business experience, education, civic and community activities, knowledge and experience with respect to the issues impacting the financial services industry and public companies, as well as the ability of the individual to devote the necessary time to serve as a Director. A majority of the Directors on the Board must meet the criteria for "independence" established by the NASDAQ Stock Market, and the Committee will consider any conflicts of interest that might impair their independence.

Annually, the Nominating and Governance Committee assesses the composition of the Board along with the particular skills and qualities individual Board members possess to determine that individual Board members continue to possess the skills and qualities necessary to complement the Corporation's strategic vision. Based on this, the Nominating and Governance Committee recommends nominees for election to the Board of Directors based on the Class of Directors up for nomination in a particular year.

The Corporation believes the individuals below possess the required experience, qualifications and skills to continue as members of the Board of Directors:

William S. Aichele - Mr. Aichele served as the Corporation's Chief Executive Officer from 1999 until his retirement on January 1, 2014 and has over forty years of experience in the financial services industry with the Corporation. Additionally, Mr. Aichele serves on numerous non-profit boards in addition to being on the board of a local hospital, providing Mr. Aichele the necessary knowledge of the local economy.

Douglas C. Clemens - Mr. Clemens is President of Clemens Food Group, an industry leader in pork solutions. As President of Clemens Food Group, Mr. Clemens has significant experience in the food processing industry, which is an industry with significant operations in the markets the Corporation serves. Additionally, Mr. Clemens has extensive knowledge of commodities markets, analyzing financial performance and also strategic planning.

R. Lee Delp - Mr. Delp is Principal of R. L. Delp & Company. Mr. Delp serves on the boards of five other local corporations. Mr. Delp has held senior management positions, including Chief Executive Officer, in companies for over thirty years, providing Mr. Delp with significant experience with respect to leadership, marketing and

strategic direction. Additionally, Mr. Delp has served on the boards of a number of non-profit organizations over the years.

H. Paul Lewis - Mr. Lewis is a retired Executive Vice President of the Bank and currently is Vice President/Sales Agent for Bucks County Commercial Realty, Inc. Mr. Lewis has over forty years of experience in the commercial banking industry, including the roles of President and Chief Executive Officer of a publicly traded bank holding company. In his current position, Mr. Lewis has experience and insight into the local commercial real estate market. In addition, Mr. Lewis serves on a number of local non-profit boards.

Jay R. Goldstein - Mr. Goldstein is President of the Valley Green Bank Division of the Bank. Mr. Goldstein was a founder of Valley Green Bank and served as its President and Chief Executive Officer and a member of the Board of Directors since 2005. Mr. Goldstein was formerly a partner in the law firm of Kleinbard, Bell & Brecker LLP, concentrating in

mergers and acquisitions, public and private finance, and real estate with particular expertise in emerging businesses and economic development. In addition, Mr. Goldstein has been active in the local community. He has served as President of the Board of Directors of Mt. Airy USA, a community development corporation, a board member of the Mt. Airy Business Improvement District and the Treasurer of Mastery Charter Foundation, a non-profit corporation focused on funding for Philadelphia's Mastery Charter Schools.

William G. Morral, CPA - Mr. Morral is a financial consultant and former Chief Financial Officer of Moyer Packing Company, which provided rendering and other services to the food processing industry. Additionally, Mr. Morral has experience in the public accounting field as a former partner at Arthur Young and Co. (now Ernst & Young LLP). Mr. Morral is also the former Executive Director of the North Penn United Way. Mr. Morral has significant experience in the food processing industry, which is an industry with significant operations in the markets the Corporation serves. Additionally, Mr. Morral has significant experience in financial analysis and internal controls.

K. Leon Moyer - Mr. Moyer most recently served as Vice Chairman of the Corporation and President and Chief Executive Officer of the Bank prior to his retirement on January 1, 2015. Mr. Moyer has over forty years of experience in the financial services industry with the Corporation. Additionally, Mr. Moyer serves on numerous non-profit boards and committees contributing to professional and community organizations throughout the Corporation's market, providing Mr. Moyer with the necessary knowledge of the local economy and needs of the community.

Thomas Scannapieco - Mr. Scannapieco is the President and CEO of Scannapieco Development Corporation (real estate.) Mr. Scannapieco's experience as President and CEO of Scannapieco Development provides him with significant knowledge of the local real estate market (both commercial and residential.) He has also served as a member and a past chairman of the New Hope Borough Planning Commission and was a founding board member of New Hope Arts. Mr. Scannapieco currently serves on a number of non-profit boards and committees.

Mark A. Schlosser - Mr. Schlosser is the current treasurer and former president of Schlosser Steel, Inc. (steel manufacturing) and current president of Schlosser Steel Buildings, Inc. Through his roles at Schlosser Steel and Schlosser Steel Buildings, Mr. Schlosser has experience analyzing financial performance, real estate development and asset and property management. Mr. Schlosser is also a former adjunct professor in real estate investment at the University of Denver. Additionally, Mr. Schlosser serves on non-profit boards and the board of a local hospital.

Jeffrey M. Schweitzer - Mr. Schweitzer serves as President and Chief Executive Officer of the Corporation and has over nineteen years of experience in the financial services industry. Mr. Schweitzer formerly served as the Corporation's Chief Financial Officer since 2007 before his promotion to President and Chief Operating Officer on January 1, 2013 and to Chief Executive Officer on January 1, 2014. Additionally, Mr. Schweitzer serves on non-profit boards in the Corporation's market, providing Mr. Schweitzer the necessary knowledge of the local economy and needs of the community.

P. Gregory Shelly - Mr. Shelly is President of Shellys US LBM LLC (building materials). Mr. Shelly's experience as President of Shelly Enterprises, Inc. provides him with significant knowledge of the local economy, including the housing industry. Additionally, Mr. Shelly has significant experience with respect to financial management and strategic direction. Mr. Shelly serves on non-profit boards and the board of a local hospital.

Michael L. Turner - Mr. Turner was a founder of Valley Green Bank and served on its board of directors since 2005. He is a partner in Marshall, Dennehey, Warner, Coleman & Goggin since 2007. Previously, Mr. Turner was a founder and managing partner of the Philadelphia law firm Kelly Jasons McGuire & Spinelli from 1989 to 2007. Mr. Turner specializes in the preparation and trial of complex personal injury, product liability and criminal cases. Before entering into private practice, Mr. Turner was an Assistant District Attorney for the City of Philadelphia from

1981-1986. Mr. Turner is a member of the Pennsylvania Bar and serves on the Hearing Committee of the Disciplinary Board of the Supreme Court of Pennsylvania. He is also a member of the Board of the Center City Crime Victim Services Association, and on the Board of the Central High School of Philadelphia Alumni Association.

Margaret K. Zook - Ms. Zook is the Director of Church and Community Relations for Living Branches (retirement communities of Dock Meadows, Souderton Mennonite Homes and Dock Woods) and the current Board Chair of The Penn Foundation (behavioral health services). Ms. Zook provides consulting services for non-profit organizations. Ms. Zook's experience has provided her with significant knowledge of the non-profit industry and retirement communities, which are two areas where the Corporation has a significant number of customers.

The structure of the Corporation's Board of Directors consists of: a Chairman of the Board; one director who currently is also the President and Chief Executive Officer of the Corporation; one director who currently is also the President of the Valley Green Bank Division of the Bank; and individual directors. The Board of Directors does not currently have a Lead Director. The Corporation and the Board of Directors believe this structure is appropriate for the Corporation as the Board consists predominately of outside, independent directors, with management representation constituting only two of the thirteen members of the Board of Directors. The Independent Directors of the Board meet separately twice a year without management present. Additionally, the Corporation has an active Board Committee structure in which members of the Board of Directors attend and actively participate in the following Committees: Audit Committee, Compensation Committee, Executive Committee, Enterprise-Wide Risk Management Committee, Investment/Asset & Liability Management Committee, Loan Policy Committee, Nominating and Governance Committee, Community Reinvestment Act Committee, Deferred Salary Savings Plan Committee, Deferred Salary Savings Plan Trustee Committee, Employee Stock Purchase Plan Committee, Payment Systems Risk Committee, Pension Committee, Security Committee and Trust Committee. The active participation in these Committees in addition to the Board of Directors' meetings provides the independent members of the Board the necessary insight into the daily operations of the Corporation.

All nominees to the Board of Directors will be evaluated in the same manner, regardless of whether they are recommended by the Nominating and Governance Committee or recommended by a shareholder.

#### Risk Management

Risk Management is the cornerstone of banking and integral to the daily operations of the Corporation. The Board of Directors oversees the Risk Management functions of the Corporation through the Enterprise-Wide Risk Management Committee, which consists of eight members of management, including the President and Chief Executive Officer of the Corporation, along with the Chairman of the Corporation and three independent directors of the Board. In addition to this committee, there is also an Enterprise-Wide Risk Management Working Committee, which meets three times a year, consisting of twenty-two members of management representing each line of business and area of support tasked with identifying and addressing the risks of the Corporation. Minutes from these meetings along with the minutes from the Board attended Enterprise- Wide Risk Management Committee are reported to the full Board of Directors. The Enterprise-Wide Risk Management Committee meets four times a year and is chaired by the Chief Risk Officer. The Chief Risk Officer reports directly to the Audit Committee with a dotted line to the President and Chief Executive Officer of the Corporation. The Chief Risk Officer also attends each Board of Directors meeting, Audit Committee meeting, Loan Policy Committee meeting and Investment/Asset Liability Management Committee meeting to better understand the differing risks the Corporation is encountering and also to provide perspective with respect to Enterprise-Wide Risk Management to the members of the Board of Directors attending these meetings. The Chief Risk Officer also has an executive session with the Audit Committee on a quarterly basis.

## Shareholder Nominations

Article II, Section 17 of the Corporation's Bylaws governs the process of nominations for election to the Board of Directors. Nominations made by shareholders entitled to vote for the election of Directors shall be made by notice, in writing, delivered or mailed by registered return receipt mail, postage prepaid, to the Secretary of the Corporation, not less than fifty (50) days prior to any meeting of the shareholders called for the election of Directors provided, however, that if less than twenty-one (21) days' notice of the meeting is given to shareholders, such a nomination shall be delivered or mailed to the Secretary of the Corporation not later than the close of business on the seventh (7<sup>th</sup>) day following the date on which the notice of the meeting was mailed to the shareholders.

Such notification shall contain the following information to the extent known to the shareholder intending to nominate any candidate for election to the Board of Directors:

- a. The name, age and resident address of each of the proposed nominees;
- b. The principal occupation or employment and business address of each proposed nominee;
- c. The total number of shares of the Corporation that, to the knowledge of the notifying shareholders, will be voted for each of the proposed nominees;
- d. The name and resident address of the notifying shareholder; and
- e. The number of shares owned by the notifying shareholder.

The nomination for a Director who has not previously served as a Director shall be made from and among the then serving Alternate Director(s) except with the execution by the Corporation of a definitive acquisition or merger agreement. Nomination for Alternate Directors shall be made in the same manner as Directors and in accordance with the then applicable provisions of the Bylaws for such nominations. Any nomination for Director or Alternate Director made by a shareholder that is not made in accordance with the Bylaws may be disregarded by the Nominating and Governance Committee of the Board, if there be one, or, if not, by the Secretary of the meeting, and the votes cast for such nominee may be disregarded by the judges of election.



## PROPOSALS

### Proposal 1 - Election of Directors

The election of five Class I directors, each for a three-year term expiring in 2018 and until their successors are elected and qualified. The nominees for Class I Director are: William S. Aichele

Jay R. Goldstein

H. Paul Lewis

Thomas Scannapieco

Mark A. Schlosser

The Board of Directors recommends a vote "FOR" each of the listed nominees .

### Proposal 2 - Ratification of KPMG LLP as independent registered public accounting firm for 2015

The Board of Directors recommends a vote "FOR" Proposal 2.

Proposal 3 - An advisory vote to approve named executive officer compensation as presented in this Proxy Statement. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are requesting shareholder approval, on an advisory basis, of the compensation of our Named Executive Officers as presented in the Compensation Discussion and Analysis (CD&A) beginning on Page 8 and the compensation tables included in the discussion of Executive Compensation beginning on Page 16, including the narrative disclosure thereto.

As stated in the CD&A, our executive compensation program has been designed to attract and retain employees in leadership positions by recognizing their importance in carrying out the Corporation's Mission Statement, Core Values and Vision Statement. Focusing on these three elements is critical to meeting the Corporation's short-term and long-term goals and growth in shareholder value.

Highlights of our program include:

A three-part mixture of salary and incentive compensation (base salary, annual incentive and long-term incentive compensation); with approximately 50% paid in annual base salary and 50% paid in the form of annual incentive and long-term incentive compensation based on individual and group performance factors;

Measurement of individual and group performance factors by the Corporation's Compensation Committee fully considers decision-making responsibilities, experience, work performance and achievement of key goals, including performance compared to peers;

Assessment of Univest's executive compensation program by the Corporation's Compensation Committee to ensure the program promotes the long-term objectives of the Corporation, encourages growth in shareholder value, provides the opportunity for management investment in the Corporation, and attracts top-level executives to strategically manage the Corporation; and

The requirement that executives acquire substantial levels of ownership of the Corporation's stock to better align the executives' interests with those of the shareholders.

As an advisory vote, this proposal is not binding upon us as a corporation. However, our Compensation Committee, which is responsible for the design and administration of our executive compensation practices, values the opinions of our shareholders expressed through your vote on this proposal. The Compensation Committee will consider the outcome of this vote in making future compensation decisions for our Named Executive Officers.

Accordingly, we will present the following resolution for vote at the 2015 Annual Meeting of Shareholders:

“RESOLVED, that the shareholders approve, on an advisory (non-binding) basis, the compensation of the Corporation’s named executive officers, as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and any related narrative disclosure in the Proxy Statement.”

The Board of Directors recommends that you vote “FOR” Proposal 3.

Proposal 4 - Amendment to the articles of incorporation to add a provision authorizing the issuance of uncertificated shares

The Board of Directors has approved an amendment to the Corporation's articles of incorporation to add a provision authorizing that shares issued of the Corporation be in the form of uncertificated shares, and directed that such amendment be submitted to shareholders of the Corporation for approval.

Section 1528 of the Pennsylvania Business Corporation Law generally provides that every record holder of shares of a Pennsylvania business corporation, such as the Corporation, is entitled to a share certificate representing the shares owned by the shareholder. The Pennsylvania Business Corporation Law also provides, however, that a corporation's articles of incorporation may provide that any or all classes and series of shares, or any part thereof, may consist of uncertificated shares. The uncertificated form of registered ownership allows a shareholder to own shares without holding the actual stock certificates. Uncertificated shares are recorded on the corporation's books and have exactly the same rights and benefits as certificated shares. From a corporation's perspective, the ability to issue uncertificated shares is beneficial because it significantly decreases the corporation's administrative costs of handling physical stock certificates, including in connection with transfers of shares. From a shareholder's perspective, the ability to issue uncertificated shares can be beneficial because it eliminates the risks of certificate theft, loss or misplacement.

If approved by shareholders, the proposed amendment would not require current shareholders to take any affirmative action. The provisions relating to uncertificated shares do not apply to any shares currently represented by a certificate until the certificate is surrendered to the Corporation. As required by the Pennsylvania Business Corporation Law, within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation will send the registered owner of the shares a written notice containing the information required to be included on a share certificate, including the name of the person to whom issued and the number and class of shares represented by the certificate. The rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series are identical. The issuance by the Corporation of uncertificated shares will not have any effect on a shareholders ability to transfer shares or to receive dividends on shares.

Under the Pennsylvania Business Corporation Law, an amendment to a Pennsylvania corporation's articles of incorporation to permit the issuance of shares in uncertificated form can generally be accomplished by action of the Board of Directors without shareholder approval. Article 12 of the Corporation's articles of incorporation, however, requires that any amendment, alteration, change or repeal of any provision of the articles of incorporation approved by a majority vote of the members of the Board of Directors also requires the affirmative vote of a majority of the shares of the Corporation issued, outstanding and entitled to vote. Accordingly, the Board of Directors has approved the following amendment to the Corporation's articles of incorporation to add a new Article 14 to provide the Corporation's ability to issue uncertificated shares. If shareholders approve the proposed amendment, a new Article 14 will be added to the Corporation's articles of incorporation to read in its entirety as follows:

“14. Any or all classes and series of shares of the Corporation, or any part thereof, may be uncertificated shares to the extent determined by the Board of Directors from time to time; provided, however, that in no event shall any shares represented by a certificate be deemed uncertificated until the certificate is surrendered to the Corporation.”

The affirmative vote of a majority of the shares of the Corporation issued, outstanding and entitled to vote is required to approve Proposal 4.

The Board of Directors recommends a vote “FOR” Proposal 4.



## SHAREHOLDER PROPOSALS

Any shareholder who desires to submit a proposal to be considered for inclusion in the proxy materials relating to the Corporation's 2016 Annual Meeting in accordance with the rules of the SEC must submit such proposal to the Corporation at its principal executive offices, 14 North Main Street, P.O. Box 197, Souderton, Pennsylvania 18964, no later than November 27, 2015.

A shareholder proposal submitted after November 27, 2015, or which does not otherwise meet the requirements of the SEC, will not be included in the Corporation's Proxy Statement for the annual meeting to be held in 2016, but may nevertheless be presented at the annual meeting. Under the Corporation's bylaws, to present a proposal at the annual meeting in 2016, a shareholder must have submitted such proposal in writing to the Chairman at the principal executive offices of the Corporation at least 120 days prior to the date of such meeting and the proposal must be, under law, an appropriate subject for shareholder action. Based upon a scheduled meeting date for the 2016 Annual Meeting of April 19, 2016, a proposal submitted pursuant to the Corporation's bylaws must be received at the principal executive offices no later than December 17, 2015.

## OTHER BUSINESS

The Board and Management do not intend to present any business at the meeting other than as stated above. They know of no other business which may be presented to the meeting. If any matter other than those included in this Proxy Statement is presented to the meeting, the person named in the accompanying proxy will have discretionary authority to vote all proxies in accordance with his or her best judgment.

**SHAREHOLDERS ARE URGED TO VOTE.** 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, solicited on behalf of the Board of Directors, and return it at once in the postage-paid envelope we have provided. The proxy does not affect the right to vote in person at the meeting and may be revoked prior to the call for a vote.

Souderton, Pennsylvania  
March 19, 2015

By Order of the Board of Directors

/s/ William S. Aichele  
WILLIAM S. AICHELE, Chairman

/s/ Karen E. Tejkl  
KAREN E. TEJKL, Secretary