

FIRST UNITED CORP/MD/  
Form DEF 14A  
March 23, 2007

**SCHEDULE 14A**  
**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

First United Corporation  
(Name of Registrant as Specified in Its Charter)

N/A  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: N/A
- (2) Aggregate number of securities to which transaction applies: N/A
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): N/A
- (4) Proposed maximum aggregate value of transaction: N/A
- (5) Total fee paid: N/A

Fee paid previously with preliminary materials: N/A

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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FIRST UNITED CORPORATION

March 23, 2007

To Our Shareholders:

On behalf of the Board of Directors and the whole First United Team, I cordially invite you to attend the Annual Meeting of Shareholders to be held on Tuesday, April 24, 2007, at 3:00 p.m., at the Wisp at Deep Creek Mountain Resort, McHenry, Maryland 21541. The notice of meeting and proxy statement accompanying this letter describe the specific business to be acted upon.

In addition to the specific matters to be acted upon, there will be a report on the progress of your Corporation.

It is important that your shares be represented at the meeting. Whether or not you plan to attend in person, we would ask that you mark, sign, date and promptly return the enclosed proxy in the envelope provided.

There will be a reception with light refreshments immediately following the meeting for all registered shareholders. I look forward to seeing you there.

Sincerely  
yours,

WILLIAM  
B.  
GRANT  
Chairman  
of the  
Board &  
Chief  
Executive  
Officer

P.O. Box 9 Oakland, MD 21550-0009 Telephone 888-692-2654

**FIRST UNITED CORPORATION**  
**19 South Second Street**  
**P.O. Box 9**  
**Oakland, Maryland 21550-0009**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

March 23, 2007

To Shareholders of First United Corporation:

Notice is hereby given that the Annual Meeting of the Shareholders of First United Corporation (the "Corporation") will be held at the Wisp at Deep Creek Mountain Resort, McHenry, Maryland 21541. The meeting is scheduled for:

**TUESDAY, APRIL 24, 2007, at 3:00 p.m.**

The purposes of the meeting are:

1. To elect six (6) Class III Directors to serve until the 2010 Annual Meeting and until the election and qualification of their successors.
2. To approve the First United Corporation Omnibus Equity Compensation Plan.
3. To transact such other business as may be properly brought before the meeting or any adjournment thereof.

**WE HOPE THAT YOU WILL ATTEND THE MEETING. HOWEVER, WHETHER OR NOT YOU CONTEMPLATE ATTENDING THE MEETING, PLEASE SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON, IF YOU SO DESIRE. ALL SHAREHOLDERS OF RECORD AT THE CLOSE OF BUSINESS ON FEBRUARY 9, 2007, ARE ENTITLED TO VOTE AT THIS MEETING.**

Anyone acting as proxy agent for a shareholder must present a proxy properly executed by the shareholder authorizing the agent in form and substance satisfactory to the judges of election, and otherwise in accordance with the Corporation's Amended and Restated Bylaws.

By order of the Board of Directors

ROBERT W. KURTZ  
*Secretary*

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**FIRST UNITED CORPORATION**

19 South Second Street  
P.O. Box 9  
Oakland, Maryland 21550-0009

**March 23, 2007**

**PROXY STATEMENT**

The enclosed proxy is solicited by the Board of Directors of First United Corporation (the "Corporation") in connection with the Annual Meeting of Shareholders to be held on April 24, 2007, at 3:00 p.m. at the Wisp at Deep Creek Mountain Resort, McHenry, Maryland 21541, and any adjournment or postponements thereof. The cost of soliciting proxies will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by officers, Directors and regular employees of the Corporation personally or by telephone, telegraph or facsimile. No additional remuneration will be paid to officers, Directors or regular employees who solicit proxies. The Corporation may reimburse brokers, banks, custodians, nominees and other fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to their principals. The approximate date on which this proxy statement and form of proxy will be mailed to shareholders is March 23, 2007.

**OUTSTANDING SHARES AND VOTING RIGHTS**

Shareholders of record at the close of business on February 9, 2007 (the "Record Date") of issued and outstanding shares of the Corporation's common stock, par value \$.01 per share ("Common Stock"), are entitled to notice of and to vote at the Annual Meeting. As of the Record Date, the number of issued and outstanding shares of Common Stock entitled to vote is 6,146,443, each of which is entitled to one vote.

The presence, in person or by proxy, of stockholders entitled to cast a majority of all votes entitled to be cast at the Annual Meeting shall constitute a quorum. All matters to be acted upon by shareholders are decided by a majority of all votes cast at the Annual Meeting on that matter. The withholding of a vote for a Director nominee will constitute a vote against that nominee. A broker non-vote with respect to the election of Directors will have no impact on the outcome of that vote. Abstentions and broker non-votes with respect to any other matter will have no impact on the outcome of the vote. A withheld vote, an abstention and a broker non-vote will all be counted for purposes of determining whether a quorum is present for the transaction of business.

All properly executed proxies received pursuant to this solicitation will be voted as directed by the shareholder on the proxy card. If no direction is given, the proxy will be voted **FOR ALL NOMINEES** named in Proposal 1, **FOR** approval of the First United Corporation Omnibus Equity Compensation Plan discussed in Proposal 2, and in the discretion of the proxies as to any other matters that may properly come before the meeting.

Please complete and sign the enclosed proxy and return it promptly to our transfer agent, Mellon Investor Services. Your proxy may be revoked at any time prior to its use by signing and delivering another proxy bearing a later date or by delivering written notice of the revocation to Robert W. Kurtz, Secretary, First United Corporation, P.O. Box 9, Oakland, Maryland 21550-0009. Should you attend the meeting and desire to vote in person, you may withdraw your proxy prior to its use by written request delivered to the Secretary of the Corporation at the meeting.

**BENEFICIAL OWNERSHIP OF COMMON STOCK BY  
PRINCIPAL SHAREHOLDERS AND MANAGEMENT**

The following table sets forth information as of the Record Date relating to the beneficial ownership of the Common Stock by (i) each person or group known by the Corporation to own beneficially more than five percent (5%) of the outstanding shares of Common Stock; (ii) each of the Corporation's Directors, Director nominees and named executive officers (as defined below under "REMUNERATION OF EXECUTIVE OFFICERS"); and (iii) all Directors, Director nominees and executive officers of the Corporation as a group. Generally, a person "beneficially owns" shares if he or she has or shares with others the right to vote those shares or to invest (or dispose of) those shares, or if he or she has the right to acquire such voting or investment rights, within 60 days of the Record Date (such as by exercising stock options or similar rights). Except as otherwise noted, the address of each person named below is the address of the Corporation.

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	Common Stock Beneficially Owned	Percent of Outstanding Common Stock
<b>Directors, Nominees and Executive Officers:</b>		
David J. Beachy	6,627 (1)	.11%
M. Kathryn Burkey	2,366 (2)	.04%
Faye E. Cannon	2,122	.03%
Paul Cox, Jr.	1,908	.03%
William B. Grant	9,328 (3)	.15%
Eugene D. Helbig, Jr.	2,867 (4)	.05%
Raymond F. Hinkle	5,684 (5)	.09%
Robert W. Kurtz	3,568 (6)	.06%
Steven M. Lantz	1,576 (7)	.03%
John W. McCullough	5,086	.08%
Elaine L. McDonald	5,396 (8)	.09%
Donald E. Moran	135,164 (9)	2.20%
Karen F. Myers	8,503 (10)	.14%
Carissa L. Rodeheaver	1,045 (11)	.02%
Gary R. Ruddell	1,394 (12)	.02%
I. Robert Rudy	31,727 (13)	.51%
Richard G. Stanton	14,018 (14)	.23%
Robert G. Stuck	3,395	.05%
H. Andrew Walls, III	50	.00%
Directors & Executive Officers as a Group (22 persons)	260,379	4.24%
<b>5% Beneficial Owners:</b>		
Firstoak & Corporation P.O. Box 557 Oakland, Maryland 21550	432,954 (15)	7.04%

(1) Includes 21 shares owned by spouse.

(2) Includes 239 shares owned by spouse.

(3) Includes 5,836 shares owned jointly with spouse, 200 shares owned by son, 11 shares owned by daughter, 2,425 shares held in a 401(k) plan account, 346 shares owned by spouse's IRA, and 186 shares owned by spouse and daughter.

(4) Includes 380 shares owned jointly with spouse, 275 shares owned by an IRA, and 2,212 shares held in a 401(k) plan account.

(5) Includes 5,584 shares owned jointly with spouse.

(6) Includes 2,295 shares held in a 401(k) plan account.

(7) Includes 50 shares owned jointly with spouse, 5 shares owned by son and 1,130 shares held in a 401(k) plan account.

(8) Includes 230 shares held by spouse's IRA and includes 1,000 shares held by Grantor Trust of which Ms. McDonald is trustee and beneficiary, which shares are pledged to secure a line of credit.

(9) Includes 86,593 shares owned by daughters over which Mr. Moran has shared investment discretion and 25,000 shares owned by spouse.

(10) Includes 1,000 shares held by Grantor Trust of which Ms. Myers is a beneficiary and trustee.

(11) Includes 240 shares held jointly with spouse, 15 shares held by spouse for benefit of a minor child and 790 shares held in a 401(k) plan account.



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- (12) Includes 36 shares owned jointly with spouse.
- (13) Includes 767 shares owned jointly with spouse, 5,775 shares owned by spouse, 3,828 shares owned by daughters, 15,575 shares owned by I.R. Rudy's, Inc. of which Mr. Rudy is owner.
- (14) Includes 1,484 shares held in spouse's IRA.
- (15) Shares held in the name of Firstoak & Corporation, a nominee, are administered by the Trust Department of First United Bank & Trust in a fiduciary capacity. Firstoak & Corporation disclaims beneficial ownership of such shares.

**ELECTION OF DIRECTORS (PROPOSAL 1)**

The number of Directors constituting the Board of Directors is currently set at 16. Directors are divided into three classes, as nearly equal in number as possible, with respect to the time for which the Directors may hold office. Each Director is elected to hold office for a term of three years, and the terms of one class of Directors expire each year. The terms of Class III Directors expire this year, the terms of Class I Directors expire in 2008, and the term of Class II Directors expire in 2009. In all cases, Directors are elected until their successors are duly elected and qualify.

Stockholders are being asked to vote for a total of six (6) Director nominees at this year's Annual Meeting. Each of the current Class III Directors is standing for re-election. Except for H. Andrew Walls, III, all Class III Directors were previously elected by shareholders. Mr. Walls was elected in October 2006 by the Board as permitted in the Corporation's Bylaws after being recommended by a non-management Director.

No Director or nominee holds any directorship in any other public company. All current Directors and Director nominees serve on the board of directors of First United Bank & Trust, the Corporation's wholly-owned subsidiary (the "Bank"). The Corporation's Chief Executive Officer ("CEO") is a Class I Director, and the Corporation's President and Chief Risk Officer ("CRO") is a Class II Director.

The following tables provide information about the Director nominees, including their ages as of the Record Date, their principal occupations and business experience, and certain other information. In the event a nominee declines or is unable to serve as a Director, which is not anticipated, the proxies will vote in their discretion with respect to a substitute nominee named by the Board.

**Nominees for Class III** (term expires in 2010):

<b>Name</b>	<b>Age</b>	<b>Occupation During Past Five Years</b>	<b>Director Since</b>
M. Kathryn Burkey	56	Certified Public Accountant, Owner, M. Kathryn Burkey, CPA	2005
Karen F. Myers	55	President, Mountaineer Log & Siding Co., Inc. President, Recreational Industries Inc.; Member, DC Development LLC; Real Estate Broker, Wisp Resort Development, Inc.	1991
I. Robert Rudy	54	President, Rudy's Inc., Retail Apparel and Sporting Goods.	1992
Richard G. Stanton	67	Retired. Served as Chairman, President and Chief Executive Officer of First United Corporation and First United Bank & Trust until 1996.	1985
Robert G. Stuck	60	Vice President, Oakview Motors, Inc. - Retired. Realtor, Long & Foster Real Estate, Inc.	1995
H. Andrew Walls, III	46	President, Morgantown Printing & Binding;	2006

Member, MEGBA, LLC.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL NOMINEES.**

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Information about the Directors whose terms do not expire in 2007, including their ages as of the Record Date, and their principal occupations and business experience for the past five years is listed in the tables below.

**Class I Directors** (term expires in 2008):

Name	Age	Occupation Director During Past Five Years	Since
David J. Beachy	66	Fred E. Beachy Lumber Co., Inc. Building Supplies - Retired.	1985
Faye E. Cannon	57	Consultant, Director of Dan Ryan Builders, Inc; Former Chief Executive Officer and President of F & M Bancorp, Frederick, Maryland - Retired.	2004
Paul Cox, Jr.	67	Owner, Professional Tax Service.	1993
William B. Grant	53	Chairman of the Board, CEO First United Corporation and First United Bank & Trust.	1995
John W. McCullough	57	Certified Public	2004

Accountant.  
Retired in  
1999  
as Partner of  
Ernst &  
Young, LLP.

**Class II Directors** (term expires in 2009):

**Occupation Director  
During Past  
Name Age Five Years Since**

Raymond F. Hinkle 70 Tax  
Consultant. 1996

Robert W. Kurtz 60 President,  
CRO,  
Secretary,  
and  
Treasurer, 1990  
First United  
Corporation  
and  
First United  
Bank &  
Trust.

Elaine L. McDonald 58 Realtor,  
Long &  
Foster  
Realtors. 1995

Donald E. Moran 76 Acting  
President,  
General  
Manager,  
Secretary 1988  
and  
Treasurer,  
Moran Coal  
Corporation.

Gary R. Ruddell 58 President,  
Hobby  
House Press,  
Inc., dba 2004  
Total Biz  
Fulfillment,  
provides  
business

services;  
Member,  
Gary R.  
Ruddell  
LLC,  
commercial  
real estate;  
Member,  
MSG  
Glendale  
Properties  
LLC,  
residential  
real  
estate;  
Secretary,  
and  
Treasurer  
Hansa Toys  
USA, Inc.

#### **Family Relationships Among Directors, Nominees and Executive Officers**

Director nominee I. Robert Rudy and Senior Vice President Jeannette R. Fitzwater are siblings.

#### **Committees of the Board of Directors**

The Board of Directors has an Audit Committee, an Asset and Liability Management Committee, an Executive Committee, a Strategic Planning Committee, a Compensation Committee, and a Nominating and Governance Committee (the “Nominating Committee”). These committees are discussed below.

*Audit Committee* - The Audit Committee is established pursuant to Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and consists of David J. Beachy, M. Kathryn Burkey, Faye E. Cannon, Paul Cox, Jr., Raymond F. Hinkle, John W. McCullough, Richard G. Stanton, and Robert G. Stuck. Ms. Faye E. Cannon was appointed to the Committee in June 2006. The committee is responsible for the hiring, compensation and oversight of the Corporation's independent auditors, and it also assists the Board in monitoring the integrity of the financial statements, in monitoring the performance of the Corporation's internal audit function, and in monitoring the Corporation's compliance with legal and regulatory requirements. The Board has determined that all audit committee members are financially literate and that Ms. Burkey, Ms. Cannon, and Messrs. McCullough and Stanton each qualify as an "audit committee financial expert" as that term is defined by Item 401(h) of the SEC's Regulation S-K. This committee met nine times in 2006, with three meetings called for the purpose of reviewing and approving loans from the Bank to insiders in fulfillment of the Audit Committee's duties under Nasdaq Rule 4350(h). The Board of Directors has adopted a written charter for the Audit Committee, a copy of which was attached as Appendix A to the definitive proxy statement filed in respect of the 2005 Annual Meeting of Shareholders. A copy of the charter is also available on the Corporation's website at [www.mybankfirstunited.com](http://www.mybankfirstunited.com).

*Asset and Liability Management Committee* - The Asset and Liability Management Committee consists of David J. Beachy, Paul Cox, Jr., William B. Grant, Raymond F. Hinkle, Robert W. Kurtz, John W. McCullough, Elaine L. McDonald, Gary R. Ruddell, I. Robert Rudy, Richard G. Stanton, and Robert G. Stuck. The committee reviews and recommends changes to the Corporation's Asset and Liability, Investment, Liquidity, and Capital Plans. This committee met three times in 2006.

*Executive Committee* - The Executive Committee consists of Paul Cox, Jr., William B. Grant, Robert W. Kurtz, Donald E. Moran, I. Robert Rudy, Richard G. Stanton, and Robert G. Stuck. The committee is responsible for reviewing and recommending changes to the Corporation's Insurance Program, overseeing compliance with the Corporation's Bylaws and Articles of Incorporation, monitoring the performance of the Corporation and its subsidiaries, and recommending changes to the personnel policies of the Corporation and of its subsidiaries. The Executive Committee is empowered to act on behalf of the full Board between meetings of the Board. This committee met two times in 2006.

*Strategic Planning Committee* - The Strategic Planning Committee consists of Faye E. Cannon, Paul Cox, Jr., William B. Grant, Raymond F. Hinkle, Robert W. Kurtz, Elaine L. McDonald, Donald E. Moran, Gary R. Ruddell, I. Robert Rudy, and Richard G. Stanton. The committee focuses on long-term planning to insure that management's decisions take into account the future operating environment, the development of corporate statements of policy, and review of management's internal and external information and communications systems. This committee did not meet in 2006.

*Compensation Committee* - The Compensation Committee, which met six times in 2006, consists of M. Kathryn Burkey, Faye E. Cannon, Raymond F. Hinkle, Elaine L. McDonald, Richard G. Stanton, and Robert G. Stuck. The committee is responsible for recommending to the Board a compensation policy for the executive officers and directors of the Corporation and its subsidiaries, overseeing the Corporation's various compensation plans, and recommending changes for executive and director compensation. The committee determines executive compensation pursuant to the principles discussed below under "Compensation Disclosure and Analysis" and determines director compensation by reviewing peer group comparison reports prepared by compensation consultants. The Board passes on and, where appropriate, approves or ratifies all committee recommendations. The Compensation Committee has adopted a written charter, a copy of which is attached as Appendix A to this definitive proxy statement. A copy of the charter is also available on the Corporation's website at [www.mybankfirstunited.com](http://www.mybankfirstunited.com).

*Nominating and Governance Committee* - The Nominating Committee consists of David J. Beachy, M. Kathryn Burkey, Faye E. Cannon, Paul Cox, Jr., John W. McCullough, Elaine L. McDonald, Donald E. Moran, and Richard G. Stanton. Ms. Faye E. Cannon was appointed to the Committee in May 2006. The committee is responsible for

developing qualification criteria for Directors, reviewing Director candidates recommended by shareholders (see “Director Recommendations and Nominations” below), actively seeking, interviewing and screening individuals qualified to become Directors, recommending to the Board those candidates who should be nominated to serve as Directors, and developing and recommending to the Board the Corporate Governance Guidelines applicable to the Corporation and its subsidiaries. This Committee met one time in 2006. The Nominating Committee has a written charter, a copy of which was attached as Appendix B to the definitive proxy statement filed in respect of the 2005 Annual Meeting of Shareholders. A copy of the charter is also available on the Corporation’s website at [www.mybankfirstunited.com](http://www.mybankfirstunited.com).



## Director Independence

Pursuant to Rule 4350(c) of The Nasdaq Stock Market's listing standards (the "Nasdaq Listing Standards"), a majority of the Corporation's Directors must be "independent directors" as that term is defined by Nasdaq Listing Standards Rule 4200(a)(15). The Corporation's Board of Directors has determined that David J. Beachy, M. Kathryn Burkey, Faye E. Cannon, Paul Cox, Jr., Raymond F. Hinkle, John W. McCullough, Elaine L. McDonald, Donald E. Moran, Karen F. Myers, Gary R. Ruddell, Richard G. Stanton, Robert G. Stuck, and H. Andrew Walls, III, are "independent directors", and these independent Directors constitute a majority of the Corporation's Board of Directors. The members of the Compensation Committee and of the Nominating Committee are each an "independent director". Each member of the Audit Committee satisfies the independence requirements of Rule 4350(d)(2) of the Nasdaq Listing Standards. In making these independence determinations, the Board, in addition to the transactions described below under "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" considered the following categories of transactions : for Ms. Burkey, the Bank's purchase of goods from an affiliated retailer; and for Ms. Myers, the Corporation's rental of meeting space and purchase of food products in connection with training seminars, the 2006 Annual Meeting of Shareholders, and the Corporation's annual holiday party from an affiliated facility, and the purchase of phone services from an affiliated provider.

## Director Compensation

The following table provides information about compensation paid to or earned by the Corporation's Directors during 2006 who were not named executive officers (as defined below). Messrs. Grant and Kurtz do not receive director compensation.

Name	DIRECTOR COMPENSATION				Total (\$)
	Fees earned or paid in cash (\$)	Change in pension value and nonqualified deferred compensation earnings (\$)	All other compensation (\$)(1)		
David J. Beachy	\$ 25,800	--	--	\$ 25,800	
M. Kathryn Burkey	23,800	--	\$ 400	24,200	
Faye E. Cannon	25,000	--	600	25,600	
Paul Cox, Jr.	26,400	--	750	27,150	
Raymond F. Hinkle	23,800	--	550	24,350	
John W. McCullough	27,500	--	--	27,500	
Elaine L. McDonald	29,038	--	--	29,038	
Donald E. Moran	19,138	--	225	19,363	
Karen F. Myers	19,800	--	--	19,800	
Gary R. Ruddell	22,800	--	--	22,800	
I. Robert Rudy	22,200	--	--	22,200	
Richard G. Stanton	27,138	--	--	27,138	
Robert G. Stuck	26,200	--	--	26,200	
H. Andrew Walls, III	9,383	--	50	9,433	

(1) Certain Directors are required to travel significantly greater distances than others to attend Board and committee meetings. The amounts shown include a travel allowance paid to these Directors.



### *Corporation Director Compensation*

Directors who are not employees of the Corporation or the Bank receive \$400 for attending each meeting of the Corporation's Board and \$200 for attending each meeting of a committee on which the director serves. Outside Directors also receive an annual retainer fee of \$10,000. The Chairperson of each of the Audit Committee (Mr. McCullough), Compensation Committee (Ms. McDonald) and Nominating Committee (Mr. Moran) receives an additional annual retainer of \$2,500. Effective May 1, 2007, the annual retainer fee will increase to \$11,000, the fee for attending an Audit or Compensation Committee meeting will increase to \$400, and \$300 will be paid for attendance at all other committee meetings.

All directors of the Corporation and its subsidiaries are permitted to participate in the Corporation's non-qualified Executive and Director Deferred Compensation Plan (the "Deferred Compensation Plan"). A discussion of the material terms of the Deferred Compensation Plan follows the table entitled "Non-Qualified Deferred Compensation" that appears below in the section entitled "REMUNERATION OF EXECUTIVE OFFICERS".

### *Bank Director Compensation*

All Directors also serve on the Board of Directors of the Bank. Outside Directors of the Bank receive \$400 for attending each meeting of the Bank's Board and \$200 for attending each meeting of a Board committee on which the Director serves. Effective May 1, 2007, the fee for attending a committee meeting will increase to \$300.

### **Attendance at Board Meetings**

The Board of Directors held ten Board meetings in 2006. Each Director who served as such during 2006 attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors (held during the period served) and (ii) the total number of meetings held by all committees of the Board on which that person served (held during the period served).

### **Director Recommendations and Nominations**

The Nominating Committee will from time to time review and consider candidates recommended by shareholders. Shareholder recommendations should be labeled "Recommendation of Director Candidate" and be submitted in writing to: Robert W. Kurtz, Corporate Secretary, First United Corporation, P.O. Box 9, Oakland, Maryland 21550; and must specify (i) the recommending shareholder's contact information, (ii) the class and number of shares of the Corporation's capital stock beneficially owned by the recommending shareholder, (iii) the name, address and credentials of the candidate for nomination, (v) the number of shares of the Corporation's capital stock beneficially owned by the candidate; and (iv) the candidate's written consent to be considered as a candidate. Such recommendation must be received by the Corporate Secretary no less than 150 days nor more than 180 days before the date of the Annual Meeting of Shareholders for which the candidate is being recommended. For purposes of this requirement, the date of the meeting shall be deemed to be on the same day and month as the Annual Meeting of Shareholders for the preceding year.

Candidates may come to the attention of the Nominating Committee from current Directors, executive officers, shareholders, or other persons. The Nominating Committee periodically reviews its list of candidates available to fill Board vacancies and researches the talent, skills, expertise, and general background of these candidates. In evaluating candidates for nomination, the Nominating Committee uses a variety of methods and regularly assesses the size of the Board, whether any vacancies are expected due to retirement or otherwise, and the need for particular expertise on the Board.

In 2003, the Corporation created an “advisory council” consisting of local business owners in each of the geographic regions that we serve. The primary purpose of the advisory council is to tap the knowledge and experience of the advisory council members to better market in, expand into and serve our market areas. From time to time, promising Director candidates come to the attention of the Nominating Committee through their service on the advisory council, although such service is not a requirement of being considered for nomination. A person is typically appointed to the advisory council by the Board after being nominated by a Director, a member of our management team, or another advisory council member.

Whether recommended by a shareholder or another third party, or recommended independently by the Nominating Committee, a candidate will be selected for nomination based on his or her talents and the needs of the Board. The Nominating Committee’s goal in selecting nominees is to identify persons that possess complimentary skills and that can work well together with existing Board members at the highest level of integrity and effectiveness. A candidate, whether recommended by a Corporation shareholder or otherwise, will not be considered for nomination unless he or she maintains strong professional and personal ethics and values, has relevant management experience, and is committed to enhancing financial performance. Certain Board positions, such as Audit Committee membership, may require other special skills, expertise or independence from the Corporation.

It should be noted that a shareholder recommendation is not a nomination, and there is no guarantee that a candidate recommended by a shareholder will be approved by the Nominating Committee or nominated by the Board of Directors. A shareholder who is entitled to vote for the election of Directors and who desires to nominate a candidate for election to be voted on at a Meeting of Shareholders may do so only in accordance with Article II, Section 4, of the Corporation's Amended and Restated Bylaws, which provides that a shareholder may nominate a Director candidate by written notice to the Chairman of the Board or the President not less than 150 days nor more than 180 days prior to the date of the meeting of shareholders called for the election of Directors which, for purposes of this requirement, shall be deemed to be on the same day and month as the Annual Meeting of Shareholders for the preceding year. Such notice shall contain the following information to the extent known by the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the Corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the Corporation owned by the notifying shareholder; (f) the consent in writing of the proposed nominee as to the proposed nominee's name being placed in nomination for Director; and (g) all information relating to such proposed nominee that would be required to be disclosed by Regulation 14A under the Exchange Act and Rule 14a-11 promulgated thereunder, assuming such provisions would be applicable to the solicitation of proxies for such proposed nominee.

#### **Shareholder Communications with the Board of Directors**

Shareholders may communicate with the Board of Directors, including the outside Directors, by sending a letter to First United Corporation Board of Directors, c/o Robert W. Kurtz, Corporate Secretary, First United Corporation, P.O. Box 9, Oakland, Maryland, 21550. The Corporate Secretary will deliver all shareholder communications directly to the Board of Directors.

The Corporation believes that the Annual Meeting of Shareholders is an opportunity for shareholders to communicate directly with Directors and, accordingly, expects that all Directors will attend each Annual Meeting of Shareholders. If you would like an opportunity to discuss issues directly with our Directors, please consider attending this year's Annual Meeting of Shareholders. The 2006 Annual Meeting of Shareholders was attended by 13 persons who served on the Board of Directors as of the date of that meeting.

### **AUDIT COMMITTEE REPORT**

The Audit Committee has (i) reviewed and discussed the Corporation's consolidated audited financial statements for the year ended December 31, 2006, with Corporation management; (ii) discussed with bmc, the Corporation's independent auditors, all matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU § 380), as modified or supplemented; and (iii) received the written disclosures and the letter from bmc required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as modified or supplemented, and has discussed with the auditors the auditors' independence. The Committee meets with the internal and independent auditors, with and without management present, to discuss the overall scope and plans for their respective audits, the results of their examinations, their evaluations of the Corporation's internal controls, and the overall quality of the Corporation's financial reporting. Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the consolidated audited financial statements for the year ended December 31, 2006, be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.

By: AUDIT COMMITTEE

David J. Beachy  
M. Kathryn Burkey  
Faye E. Cannon  
Paul Cox, Jr.  
Raymond F. Hinkle  
John W. McCullough  
Richard G. Stanton  
Robert G. Stuck

### **EXECUTIVE OFFICERS**

Informa terminate the Plan. In the event of termination of the Plan, participants would become fully vested in their account balances.

#### **(h) Investment Options**

Participants in the Plan may direct their individual contributions into any of the investment options offered by the Plan. The Plan provides that the Corporation's matching and profit sharing contributions are automatically invested in the Corporation's common stock which is held by the American Woodmark Corporation Stock Fund (the Stock Fund). The Plan allows participants to diversify their matching and profit sharing contributions out of the Stock Fund at any time.

#### **(i) Administrative Expenses**

The Corporation pays for all recordkeeping services less any reimbursements to the Plan from the participating mutual funds, trustee and custodial fees for the Corporation's common stock, and prior to January 1, 2013 the trustee fee for

preparing loan or distribution checks. All other expenses are paid by the Plan.

(2) Summary of Significant Accounting Policies Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting.

AMERICAN WOODMARK CORPORATION  
INVESTMENT SAVINGS STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2013 and 2012

(b) Investment Valuation and Income Recognition

Investments are stated at fair value. The fair value of mutual funds is based on quoted market prices on the last business day of the plan year. The fair value of the Corporation's common stock within the Stock Fund is based on the closing price on the last business day of the Plan year. The collective funds are valued by applying each plan's ownership percentage in the fund to the fund's net assets at fair value at the valuation date. Money market fund balances are valued based on redemption values on the last business day of the Plan year.

The Stock Fund consists of the Plan's investment in the Corporation's common stock and a money market fund.

In accordance with the Plan's policy of stating investments at fair value, the amount reflected as the net appreciation in fair value of investments represents the change in fair value as compared to cost and realized gains and losses, with cost determined using the average cost method. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex dividend date.

The Plan's investments, in general, are exposed to various risks, including interest rate, credit, and overall market volatility risks. In addition, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

(c) Notes receivable from participants

Notes receivable from participants (loans) are carried at their unpaid principal plus accrued and unpaid interest.

(d) Benefit Payments

Benefit payments are recorded upon distribution.



(e) Use of Estimates

The preparation of the Plan's financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

(3) Fair Value Measurements

The Plan's investments are carried at fair value using a three-level valuation hierarchy for fair value measurement. These levels are described below:

Level 1 – Investments with quoted prices for identical assets or liabilities in active markets.

Level 2 – Investments with observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Investments with unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

AMERICAN WOODMARK CORPORATION  
INVESTMENT SAVINGS STOCK OWNERSHIP PLAN

## Notes to Financial Statements

December 31, 2013 and 2012

Financial assets and liabilities measured at fair value on a recurring basis are as follows:

	Fair Value Measurements as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 6,375	\$ --	\$ --	\$ 6,375
Collective fund	--	1,853,276	--	1,853,276
Mutual funds:				
Intermediate Bond	993,387	--	--	993,387
Small Value	708,848	--	--	708,848
Small Growth	739,187	--	--	739,187
Large Value	384,010	--	--	384,010
Large Growth	810,898	--	--	810,898
International	796,388	--	--	796,388
Emerging Markets	364,784	--	--	364,784
Global Bond	179,606	--	--	179,606
LifeCycle	49,205,152	--	--	49,205,152
Specialty – REIT	165,309	--	--	165,309
Market CRSP	1,300,598	--	--	1,300,598
Total mutual funds	55,648,167	--	--	55,648,167
American Woodmark Corporation stock fund:				
Money market fund	--	502,201	--	502,201
American Woodmark Corporation common stock	--	29,726,362	--	29,726,362
Total American Woodmark Corporation stock fund	--	30,228,563	--	30,228,563
Total assets at fair value	\$ 55,654,542	\$ 32,081,839	\$ --	\$ 87,736,381

	Fair Value Measurements as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 141,568	\$ --	\$ --	\$ 141,568
Mutual funds:				

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Intermediate Bond funds	14,136	--	--	14,136
Balanced funds	10,977	--	--	10,977
Total mutual funds	25,113	--	--	25,113
American Woodmark Corporation stock fund:				
Money market fund	--	399,141	--	399,141
American Woodmark Corporation common stock	--	20,449,953	--	20,449,953
Total American Woodmark Corporation stock fund	--	20,849,094	--	20,849,094
Total assets at fair value	\$ 166,681	\$ 20,849,094	\$ --	\$ 21,015,775

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AMERICAN WOODMARK CORPORATION  
INVESTMENT SAVINGS STOCK OWNERSHIP PLAN

## Notes to Financial Statements

December 31, 2013 and 2012

## (4) Investments

Investments that represent 5% or more of fair value of the Plan's net assets are as follows:

	December 31,	
	2013	2012
American Woodmark Corporation common stock	\$ 29,726,362	\$ 20,449,953
Vanguard Target Retirement 2025	10,518,875	--
Vanguard Target Retirement 2030	9,987,408	--
Vanguard Target Retirement 2020	8,586,740	--
Vanguard Target Retirement 2035	5,575,242	--
Vanguard Target Retirement 2015	5,294,332	--

During the years ended December 31, 2013 and 2012, the Plan's investments purchased, sold, as well as held during the year appreciated in fair value as follows:

	December 31,	
	2013	2012
American Woodmark Corporation common stock	\$ 8,962,992	\$ 11,154,587
Mutual funds	6,962,133	4,333,407
	\$ 15,925,125	\$ 15,487,994

## (5) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

December 31,

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	2013	2012
Net assets available for benefits per the financial statements	\$ 90,552,042	\$ 69,581,471
Less amounts allocated to withdrawing participants	(344,377)	(384,359)
Net assets available for benefits per the Form 5500	\$ 90,207,665	\$ 69,197,112

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 for the years ended December 31, 2013 and 2012:

	December 31,	
	2013	2012
Benefits paid to participant per the financial statements	\$ 4,972,659	\$ 14,035,744
Plus amounts allocated on Form 5500 to withdrawing participants and benefit payments pending distribution at end of the year	344,377	384,359
Less amounts allocated on Form 5500 to withdrawing participants and benefit payments pending distribution at beginning of the year	(384,359)	(458,615)
Benefits paid to participants per the Form 5500	\$ 4,932,677	\$ 13,961,488

AMERICAN WOODMARK CORPORATION  
INVESTMENT SAVINGS STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2013 and 2012

Amounts allocated to withdrawing participants and benefit payments pending distribution are recorded on the Form 5500 for benefit claims that have been processed and approved for payment by the Corporation prior to December 31 but not yet paid as of that date.

(6) Related-Party Transactions

Certain plan assets are invested in common stock of the Corporation. Transactions involving these investments are considered to be party-in-interest transactions. During 2013 and 2012, the Plan received no dividends from the Corporation.

Certain administrative services are provided by the Corporation without cost to the Plan; while all out-of-pocket administrative expenses are paid by the Plan.

(7) Federal Income Taxes

The Plan adopted a prototype plan maintained by the Newport Group for which an opinion letter dated June 3, 2004 was received stating the prototype plan qualifies under the applicable provisions of the Internal Revenue Code (IRC). The Company has not requested a separate determination letter from the IRS, but rather is relying on the letter received by the Newport Group in accordance with Announcement 2001-77. The plan administrator believes the Plan is being operated in accordance with the prototype plan document and in compliance with the appropriate requirements of the Code. Therefore, the plan administrator believes that the Plan is qualified and the related trust is tax exempt.

U.S. generally accepted accounting principles require management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would be sustained upon examination by taxing authorities. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to tax examinations for years prior to 2009.

AMERICAN WOODMARK CORPORATION  
INVESTMENT STOCK OWNERSHIP PLAN

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)  
December 31, 2013

Identity of issuer, borrower, lessor, or similar party	Description of investment	Number of shares or units, Par or face amount, rate of interest	Current value
Cash:			
M&T Investment Group	Non-Interest Bearing Cash	406,847	\$ 406,847
		101,729 shares of money market fund, pays interest at	
*Wilmington Funds	Wilmington Prime Money Market	0.02%	101,729
	Total	508,576	508,576
*Wilmington Collective Funds	Wilmington Trust Retirement and Institutional Services Company Collective Investment Trust	109,646	1,853,276
Mutual Funds:			
Vanguard Funds	Vanguard Target Retirement 2060	2,036	54,438
Vanguard Funds	Vanguard Reit Index	6,761	165,309
Legg Mason Funds	Legg Mason Global Asset Management Trust	16,523	179,606
Vanguard Funds	Vanguard Target Retirement 2055	6,709	203,622
Vanguard Funds	Vanguard Target Retirement 2010	8,486	217,250
American Funds	EuroPacific Growth	5,645	276,786
Vanguard Funds	Vanguard Target Retire Income	23,284	291,055
Oppenheimer Funds	Oppenheimer Developing Markets	9,712	364,784
Blackrock Funds	Blackrock Equity Dividend	15,829	384,010
Pimco Funds	Pimco Total Return	44,165	472,120
Vanguard Funds	Vanguard Total International Stock	15,464	519,602
Vanguard Funds	Vanguard Total Bond Market	49,362	521,267
Fidelity Funds	Fidelity Small Cap Value	35,372	708,848
Vanguard Funds	Vanguard Small Cap Growth	17,198	739,187
JP Morgan funds	JP Morgan Large Cap Growth	25,364	810,898
Vanguard Funds	Vanguard Target Retirement 2050	37,385	1,053,889
Vanguard Funds	Vanguard Total Stock Market Retirement 2045	28,864	1,300,598
Vanguard Funds	Vanguard Target Retirement 2045	176,695	3,138,106
Vanguard Funds	Vanguard Target Retirement 2040	151,278	4,284,195
Vanguard Funds	Vanguard Target Retirement 2015	358,452	5,294,332
Vanguard Funds	Vanguard Target Retirement 2035	328,342	5,575,242
Vanguard Funds	Vanguard Target Retirement 2020	316,737	8,586,740
Vanguard Funds	Vanguard Target Retirement 2030	361,339	9,987,408
Vanguard Funds	Vanguard Target Retirement 2025	667,865	10,518,875
	Total	2,708,867	55,648,167

*American Woodmark Corporation	Common Stock	751,995	29,726,362
	Notes receivable from participants	Rates of interest ranging from 5.25% to 6.00%	2,278,892
	Total		\$ 90,015,273

\* Party-in-interest

See accompanying report of independent registered public accounting firm.



SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator of the American Woodmark Corporation Investment Savings Stock Ownership Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WOODMARK CORPORATION  
INVESTMENT SAVINGS STOCK OWNERSHIP PLAN

Date: June 9, 2014 By: /s/ Glenn E. Eanes  
Glenn E. Eanes  
Vice President and Treasurer  
Chairman of Pension Committee

EXHIBIT INDEX

Exhibit

Number Description

23.1 Consent of KPMG LLP (Filed herewith)

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