

FIRST UNITED CORP/MD/  
Form DEF 14A  
March 20, 2018

**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 Rule 14a-12

**First United Corporation**

(Name of Registrant as Specified in Its Charter)

N/A

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(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:



**FIRST UNITED CORPORATION**

**19 South Second Street**

**Oakland, Maryland 21550-0009**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

March 26, 2018

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 Resort, 296 Marsh Hill Road, McHenry, Maryland 21541. The meeting is scheduled for:

**THURSDAY, MAY 17, 2018, at 10:00 a.m.**

The purposes of the meeting are:

To vote on the election of the four (4) nominees named in the attached Proxy Statement and form of Proxy to serve

1. on the Board of Directors until the 2021 annual meeting of shareholders and until their successors are elected and qualified;

2. To approve the First United Corporation 2018 Equity Compensation Plan;

3. To approve, by a non-binding advisory vote, the compensation paid to the Corporation’s named executive officers for 2017;

- 4.

To ratify the appointment of Baker Tilly Virchow Krause, LLP as the Corporation's independent registered public accounting firm for 2018; and

5. To transact such other business as may be properly brought before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed February 28, 2018 as the record date for purposes of determining shareholders who are entitled to notice of and to vote at the Annual Meeting of Shareholders.

Anyone acting as proxy agent for a shareholder must present a Proxy Card that has been properly executed by the shareholder, that authorizes the agent to so act, and that is in form and substance satisfactory to the judges of election and consistent with the Corporation's Amended and Restated Bylaws, as amended.

By order of the Board of Directors

TONYA K. STURM

*Secretary*

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**FIRST UNITED CORPORATION**

19 South Second Street

Oakland, Maryland 21550-0009

(800) 470-4356

**PROXY STATEMENT**

This Proxy Statement and the accompanying Proxy Card are being furnished in connection with the solicitation by the Board of Directors of First United Corporation (the “Corporation”) of proxies to be voted at the Annual Meeting of Shareholders to be held on May 17, 2018, at 10:00 a.m. at The Wisp Resort, 296 Marsh Hill Road, 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, electronic mail and/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 Proxy Card will be sent or given to shareholders is March 26, 2018.

As used in this Proxy Statement, the terms “the Corporation”, “we”, “us”, and “our” refer to First United Corporation and, unless the context clearly requires otherwise, its consolidated subsidiaries.

**OUTSTANDING SHARES; VOTING RIGHTS; QUORUM AND REQUIRED VOTE**

Shareholders of record as of the close of business on February 28, 2018 (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, 7,067,425 shares of the Common Stock were issued and outstanding. Each share is entitled to one vote on each matter submitted to shareholders.

The presence, in person or by proxy, of shareholders entitled to cast a majority of all votes entitled to be cast at the Annual Meeting shall constitute a quorum. Withheld votes (in the case of the election of directors), abstentions and broker non-votes will all be counted for purposes of determining whether a quorum is present.

Directors are elected by the affirmative vote of a majority of all shares of Common Stock voted at the Annual Meeting. Accordingly, the withholding of a vote for a director nominee, as described in Proposal 1, will constitute a vote against that nominee, but a broker non-vote with respect to the election of directors will have no impact on the outcome of that vote. The approval of the First United Corporation 2018 Equity Compensation Plan (the "Equity Plan"), as described in Proposal 2, the adoption of the non-binding advisory resolution approving the compensation paid to the Corporation's named executive officers for 2017, as described in Proposal 3, and the ratification of the appointment of the Corporation's independent registered public accounting firm, as described in Proposal 4, each require the affirmative vote of a majority of all shares of Common Stock voted at the Annual Meeting. Accordingly, an abstention or a broker non-vote with respect to Proposal 2, Proposal 3 or Proposal 4 will have no impact on the outcome of those proposals. Except in cases of certain extraordinary matters for which the Corporation's governing instruments or applicable law require a different proportion, the affirmative vote of a majority of all shares of Common Stock voted at the Annual Meeting is sufficient to approve any motion that comes before the meeting pursuant to Proposal 5, as described in this Proxy Statement. Abstentions and broker non-votes with respect to any motion that comes before the meeting pursuant to Proposal 5 (other than certain extraordinary matters as discussed above) will have no impact on the outcome of the vote on such motion.

All properly executed Proxy Cards received pursuant to this solicitation will be voted as directed by the shareholders in their Proxy Cards. If no direction is given in your Proxy Card, then, subject to the procedures governing broker non-votes (see "Methods of Voting" below), your shares will be voted FOR each of the nominees named in Proposal 1, FOR the approval of the Equity Plan in Proposal 2, FOR adoption of the non-binding advisory resolution approving the compensation paid to the Corporation's named executive officers for 2017 as described in Proposal 3, and FOR ratification of the appointment of the Corporation's independent registered public accounting firm named in Proposal 4. In the event a matter is properly presented pursuant to Proposal 5, then your shares will be voted in the discretion of the proxies.



Proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by: (i) the execution of a later dated Proxy Card; (ii) the execution of a later casted Internet or telephone vote with regard to the same shares; (iii) giving written notice to Tonya K. Sturm, Secretary, First United Corporation, 19 S. Second Street, Oakland, Maryland 21550-0009; or (iv) giving written notice to the Secretary in person at the 2018 Annual Meeting. Any shareholder who attends the 2018 Annual Meeting and revokes his/her proxy may vote in person. However, attendance by a shareholder at the 2018 Annual Meeting alone will not have the effect of revoking that shareholder's validly executed Proxy.

### **Methods of Voting**

Shareholders may vote on matters that are properly presented at the 2018 Annual Meeting in four ways:

- By completing the accompanying Proxy Card and returning it to the Corporation at the address noted on the Proxy Card;
- By submitting your vote telephonically;
- By submitting your vote electronically via the Internet; or
  - By attending the 2018 Annual Meeting and casting your vote in person.

The Corporation is offering registered shareholders the opportunity to vote their shares electronically through the Internet or by telephone, in addition to following the traditional method of completing a paper Proxy Card and returning it by mail. Shareholders may vote by telephone or via the Internet by following the procedures described on the Proxy Card. To vote via telephone or the Internet, please have the Proxy Card in hand, and call the number or go to the website listed on the Proxy Card and follow the instructions. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers.

Please note that if you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), your broker, bank or other nominee will not vote your shares of Common Stock (a "broker non-vote") unless you provide voting instructions to your broker, bank or other nominee. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee when it sends this proxy statement to you. You may not vote shares held in street name by returning a Proxy Card directly to the Corporation or by voting in person at your annual meeting unless you provide a "legal proxy", which you must obtain from your bank, broker or nominee.

**No Dissenters' Rights of Appraisal**

Shareholders do not have dissenters' rights of appraisal or similar rights with respect to any of the proposals to be presented at the 2018 Annual Meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 17, 2018**

This Proxy Statement, the accompanying Proxy Card, and the Corporation's Annual Report to Shareholders (including its Annual Report on Form 10-K for the year ended December 31, 2017) are available at <http://www.edocumentview.com/FUNC>. Information on this website, other than this Proxy Statement, is not a part of this Proxy Statement.

**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 beneficially own 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). The percentages shown for 2018 were calculated based on 7,067,425 issued and outstanding shares of Common Stock, plus, for each named person, any shares that such person may acquire within 60 days of the Record Date. Except as otherwise noted, the address of each person named below is the address of the Corporation. So that shareholders can see how beneficial ownership has changed, the table also provides beneficial ownership as of February 27, 2017, which was the record date for the 2017 annual meeting of shareholders, and was taken from the proxy statement for that meeting.

	<b>2018</b>		<b>2017</b>
	<b>Common</b>		<b>Common</b>
	<b>Stock</b>		<b>Stock</b>
	<b>Beneficially</b>	<b>Percent of</b>	<b>Beneficially</b>
	<b>Owned</b>	<b>Outstanding</b>	<b>Owned as of</b>
	<b>as of</b>	<b>Common</b>	<b>Owned as of</b>
	<b>02-28-2018</b>	<b>Stock</b>	<b>02-27-2017</b>
Directors, Nominees and Named Executive Officers:			
John F. Barr	15,063	*	9,221
Brian R. Boal	5,791	*	3,645
M. Kathryn Burkey	40,160 (1)	*	33,034
Robert L. Fisher, II	6,512 (2)	*	5,751
Robert W. Kurtz	10,441 (3)	*	11,221
John W. McCullough	31,370	*	21,293
Elaine L. McDonald	31,147 (4)	*	25,782
Carissa L. Rodeheaver	9,138 (5)	*	6,215
Gary R. Ruddell	14,260 (6)	*	11,583
I. Robert Rudy	41,262 (7)	*	47,767
Jason B. Rush	10,709 (8)	*	9,253
Marisa A. Shockley	12,575	*	4,599
Robert G. Stuck	13,021	*	11,121
H. Andrew Walls	52,453 (9)	*	50,763
<b>Directors, Nominees &amp; Executive Officers as a group (14 persons)</b>	<b>293,902</b>	<b>4.2</b>	<b>% 251,248</b>

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M3 Partners, L.P.	700,158(10)	9.9	%	471,272
Jeffrey L. Gendell	558,063(11)	7.9	%	350,693

**Total**

Notes:

\*Less than 1.0%.

(1) Includes 247 shares owned by spouse.

Includes 1,125 shares of phantom stock held in a deferred compensation plan account (“Phantom Stock”). Each share of Phantom Stock represents a deemed investment of deferred compensation funds in one share of Common Stock (2) and gives the officer the right to receive one share of Common Stock or the cash value thereof following the officer’s separation from service with the Corporation. The officer may transfer the funds held in the plan account into an alternative deemed investment option at any time.

(3) Includes 3,027 shares owned jointly with spouse.

Includes 230 shares held by spouse’s IRA, 5,001 shares held in trust of which Mrs. McDonald is a beneficiary, and (4) 1,000 shares held by grantor trust of which Mrs. McDonald is trustee and beneficiary, which shares are pledged to secure a line of credit.

- (5) Includes 283 shares held jointly with spouse, 17 shares held by spouse for benefit of a minor child, and 790 shares held in a 401(k) plan account. 5,000 shares are pledged to secure a loan.
- (6) Includes 520 shares owned by Ruddell, LLC of which Mr. Ruddell is owner.
- (7) Includes 905 shares owned jointly with spouse, 6,815 shares owned by spouse, 4,229 shares owned by daughters, and 2,000 shares of Phantom Stock in a deferred compensation plan account.
- (8) Includes 125 shares owned jointly with spouse.
- (9) Includes 14,715 shares owned by Morgantown Printing and Binding, Inc. of which Mr. Walls is owner.

The information is based on the reporting person's most recent beneficial ownership reports filed with the SEC, which was a Schedule 13G/A filed on February 9, 2018 by M3 Funds, LLC, M3 Partners, L.P. ("M3P"), M3F, Inc., Jason A. Stock and William C. Waller. All of the reported shares are owned by M3P. M3 Funds, LLC is the general partner of MP3 and M3F, Inc. is MP3's investment adviser; as a result, each could be deemed to also beneficially own the shares held in the name of MP3. Messrs. Stock and Waller serve as the managers of M3 Funds, LLC and as the managing directors of M3F, Inc.; as a result, each could be deemed to also beneficially own the shares held in the name of MP3. The address of all of the foregoing persons is 10 Exchange Place, Suite 510, Salt Lake City, Utah 84111.
- (10) The information is based on the reporting person's most recent beneficial ownership reports filed with the SEC, which was a Schedule 13G/A filed on February 9, 2018 by Tontine Financial Partners, L.P., Tontine Management, L.L.C., Tontine Asset Associates, LLC and Mr. Gendell, with an address at 1 Sound Shore Drive, Suite 304, Greenwich, CT 06830.
- (11)

## **ELECTION OF DIRECTORS (Proposal 1)**

The number of Directors who shall serve on the Board is set at 12, and 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 II Directors expire this year, the terms of Class III Directors expire in 2019, and the terms of Class I Directors expire in 2020. In all cases, Directors serve until their successors are duly elected and qualify.

At this year's Annual Meeting, shareholders will be asked to vote on the election of Robert W. Kurtz, Elaine L. McDonald, Gary R. Ruddell and Carissa L. Rodeheaver to serve as Class II Directors until the 2021 annual meeting of shareholders and until their successors are duly elected and qualify. Each of the foregoing was elected by shareholders at the 2015 annual meeting of shareholders and is standing for re-election. 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. Proxies cannot be voted for a greater number of persons than the four (4) nominees named in this Proxy Statement and on the Proxy Card.

Information about the principal occupations, business experience and qualifications of these nominees is provided below under the heading "QUALIFICATIONS OF DIRECTOR NOMINEES AND CONTINUING DIRECTORS".

**The Board of Directors recommends that shareholders vote FOR each of the Director nominees named above.**

**Nominees for Class II Directors**

**(Terms expire in 2021)**

<b>Name</b>	<b>Age</b>
Robert W. Kurtz	71
Elaine L. McDonald	69
Gary R. Ruddell	70
Carissa L. Rodeheaver	52

## CONTINUING DIRECTORS

The following tables identify each Director of the Corporation whose term does not expire in 2018. Information about the principal occupations, business experience and qualifications of these continuing Directors is provided below under the heading “QUALIFICATIONS OF DIRECTOR NOMINEES AND CONTINUING DIRECTORS”.

### Class III Directors

(Terms expire in 2019)

<b>Name</b>	<b>Age</b>
M. Kathryn Burkey	67
I. Robert Rudy	65
Robert G. Stuck	71
H. Andrew Walls, III	57

### Class I Directors

(Terms expire in 2020)

<b>Name</b>	<b>Age</b>
John F. Barr	64
Brian R. Boal	45
John W. McCullough	68
Marisa A. Shockley	53

## QUALIFICATIONS OF DIRECTOR NOMINEES AND CURRENT DIRECTORS

In addition to bringing extensive knowledge of the communities served by the Corporation through their involvement with their communities, as business partners and volunteers, the Nominating Committee believes that all Director nominees and continuing Directors possesses a diverse balance of skills, business experience and expertise necessary to provide leadership to the Corporation. The following discussion sets forth the specific experience, qualifications, other attributes and skills of each Director nominee and continuing Director that led the Nominating Committee to determine that such person should serve on the Board of Directors. All current Directors also serve on the board of directors of First United Bank & Trust (the “Bank”), the Corporation’s wholly-owned subsidiary.

**John F. Barr** possesses board of director experience from his service of five years as a member of the Corporation's Advisory Council before being elected to the Board in 2014. Mr. Barr has a vast amount of business experience as the President and sole stockholder of Ellsworth Electric, Inc. which provides comprehensive electrical contractor and insulation services for residential, industrial and commercial customers throughout Maryland, Pennsylvania, Virginia, and West Virginia. He is very active in the Washington County, Maryland community, serving as a member of the Washington County Maryland Board of County Commissioners, member of the Maryland Association of Counties, being the immediate past president; serves on 10 county boards as County Commissioner Representative and is a member of the Washington County Economic Development Council.

**Brian R. Boal** served as a member of the Corporation's Advisory Council for four years prior to his election to the Board in 2014. He has a vast amount of accounting and business experience through his education, his certification as a Certified Public Accountant, and his ownership and operation for the past 16 years of Boal and Associates, PC, *Certified Public Accountants*. Mr. Boal serves as a member of the American Institute of Certified Public Accountants and the Maryland Association of Certified Public Accountants. He serves as the Treasurer of many local organizations in his community of Garrett County.



**M. Kathryn Burkey** possesses substantial accounting and business experience gained through her education, her certification as a Certified Public Accountant, and her ownership and operation for the past 29 years of M. Kathryn Burkey, CPA, an accounting firm. She has gained director experience through her service as past Chairman of the Board of Western Maryland Health System, where she also served on its Compensation Committee, Audit Committee, and Finance Committee, and through her service as a Director of the Corporation and the Bank since 2005. She is also the past president of Maryland Association of Certified Public Accountants.

**Robert W. Kurtz** has 37 years of banking experience through his service as past President, Chief Risk Officer, and Chief Financial Officer of the Corporation and its affiliates, as well as through his service as a Director of the Corporation and the Bank since 1990.

**John W. McCullough**, a retired partner of Ernst & Young, LLP, possesses substantial accounting and auditing experience. He is a Certified Public Accountant and obtained his B.S. degree in accounting from the University of Maryland. Mr. McCullough has served as a Director of the Corporation and the Bank since 2004 and Lead Director of the Corporation and the Bank.

**Elaine L. McDonald** brings valuable knowledge of the local real estate industry to the Board that she gained as a realtor with Long and Foster and Taylor-Made Realtors. She also possesses substantial business experience gained through her ownership and operation for 25 years of Alpine Village, Inc., a successful motel and restaurant. She also has knowledge with fundraising activities for national and community based non-profits. Mrs. McDonald has served as a Director of the Corporation and the Bank since 1995.

**Carissa L. Rodeheaver**, Class II Director, age 52. Mrs. Rodeheaver is the Chairman of the Board, President and Chief Executive Officer. She has served as President since November 2012 and as Chairman and Chief Executive Officer (“CEO”) since January 1, 2016 upon the retirement of William B. Grant from those positions. Prior to these appointments, Mrs. Rodeheaver served as the Chief Financial Officer (the “CFO”) of the Corporation and the Bank starting in January 2006 until May 2015 and as Secretary and Treasurer of the Corporation and the Bank starting in December 2009. She has been employed by the Corporation since 2004 and by the Bank since 1992. During her tenure at First United and prior to her current appointments, she has served as Trust Officer of the Bank, Assistant Vice President and Trust Officer of the Bank, Vice President and Trust Sales Officer of the Bank, Vice President and Trust Department Sales Manager of the Bank, Vice President and Assistant Chief Financial Officer of the Corporation and the Bank and Executive Vice President and Chief Financial Officer of the Corporation and the Bank. She has served as a director of the Corporation and the Bank since November 2012. Mrs. Rodeheaver is a Certified Public Accountant and a member of the Maryland Association of Certified Public Accountants, and she is a graduate of the Cannon Trust School, the Northwestern University Graduate Trust School, the Executive Development Institute for Community Banks and the Maryland Bankers School. She is currently serving in her second term on the board of directors of the Maryland Bankers Association, where she currently serves a Vice Chair, Government Relations Council Chair, and also serves on the Advisory Council of Professional Women in Banking and Finance. In addition, she serves on the American Bankers Association BankPAC Committee. Locally, Mrs. Rodeheaver serves as Vice

Chair on the Board of the Garrett College Foundation, the Board of the Garrett Development Corporation, the Board of Western Maryland Health Systems, and she attends the Oak Grove Church of the Brethren. She continues her education and professional development by attending various conferences and workshops focused on strategic planning, regulations and management for the banking industry. In addition to her service with the Corporation and the Bank, Mrs. Rodeheaver owns and operates Rodeheaver Rentals, an unincorporated entity that owns and leases commercial and residential property, and several residential apartments that she leases to tenants.

**Gary R. Ruddell** obtained a B.A. degree in marketing from the University of Maryland and has also attended a multitude of Maryland Banking sessions. His business experience includes service as the president and chief executive officer of Total Biz Fulfillment, a successful logistical and back-office support services business. Mr. Ruddell is involved in his community and holds director positions with various community organizations. He has served as a Director of the Corporation and the Bank since 2004.

**I. Robert Rudy** has served as a Director of the Corporation and the Bank since 1992. His education includes a Bachelor of Business Administration degree from Ohio University. His vast business experience has been gained through his ownership and operation of I. R. Rudy's, Inc., a retail apparel and sporting goods store. His director experience includes Chairman of the Board of Sports Specialists, Ltd, a national retail buying group, and as trustee of The Ohio University Foundation. He holds the office of Vice Chairman of the Foundation and is a member of the Executive Committee. He chairs the Foundation's Real Estate Committee and the Vice Chair of the Finance Committee. Other boards associated with Ohio University include: Russ Holdings LLC, Russ North Valley Road LLC, Russ Research Center LLC all located in Dayton, Ohio and Housing for Ohio/Courtyard Apartments, Athens, Ohio. Mr. Rudy is President of the Board of The Ohio University Inn and Conference Center located in Athens, Ohio. He also has leadership experience gained from and involvement with various societies, boards and commissions, including the Ohio University College of Business Society of Alumni and Friends from 2003 to 2006, Ohio University College of Business Executive Advisory Board since 2006, Ohio University College of Business Global Competitive Program during 2008 through 2010 in Hungary and 2013 in Greece, Ohio University President's CEO Roundtable, Maryland Fire Prevention Commission – Commissioner, Certified Level II Instructor for the Maryland Fire and Rescue Institute from 1978 to 1990, and Chairman of Oakland Planning and Zoning Commission. Mr. Rudy is also a retired Chief of the Oakland Volunteer Fire Department with 35 years of service. Although he is retired from the department, he continues to serve the OVFD as an apparatus driver.

**Marisa A. Shockley** served as a member of the Corporation's Advisory Council for two years before she was elected to the Board in 2014. She has significant business experience through her service as the owner of Shockley, Inc. in Frederick, MD, an automobile dealership. She has served as the President of the Maryland School for the Deaf Foundation since 2004 and was the Chairman for the Maryland Auto Dealers' Association from 2011 to 2013. She was also recognized as a TIME Quality Award regional finalist.

**Robert G. Stuck** has many years of business experience gained through his ownership and operation of Oakview Motors, Inc., an automobile dealership. He also brings local real estate knowledge to the Board through his service as a real estate agent for Taylor-Made Realtors. Mr. Stuck has served as a Director of the Corporation and the Bank since 1995.

**H. Andrew Walls, III** has significant business experience gained as the owner and operator of Morgantown Printing & Binding, a large printing company, for 23 years. He is active in the Monongalia County, West Virginia community, one of the Corporation's market areas. In addition to serving as a Director of the Corporation and the Bank since 2006, Mr. Walls has acquired director experience through his service on the boards of directors of the United Way, the Public Theatre, the Red Cross, and the Salvation Army.

## **CORPORATE GOVERNANCE MATTERS**

## **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, a Nominating and Governance Committee, and a Directors' Risk and Compliance Committee. These committees are discussed below.

*Audit Committee* – The Audit Committee is separately-designated standing committee established pursuant to Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and consists of Brian R. Boal (Chairperson), M. Kathryn Burkey, Robert W. Kurtz, John W. McCullough, Elaine L. McDonald, and Robert G. Stuck. The committee is responsible for the hiring, setting of compensation and oversight of the Corporation’s independent registered public accounting firm, 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. In carrying out its duties, 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. The Board has determined that all audit committee members are financially literate and that Mrs. Burkey and Messrs. Boal, Kurtz and McCullough each qualify as an “audit committee financial expert” as that term is defined by the Securities Exchange Commission (the “SEC”) in Item 407 of Regulation S-K. This committee met nine times in 2017. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on the Corporation’s website at [www.mybank.com](http://www.mybank.com).

*Asset and Liability Management Committee* – The Asset and Liability Management Committee consists of John F. Barr, Brian R. Boal, John W. McCullough, Carissa L. Rodeheaver, Gary R. Ruddell, I. Robert Rudy, Marisa A. Shockley, 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 four times in 2017.

*Strategic Planning Committee* – The Strategic Planning Committee consists of John F. Barr, Brian R. Boal, M. Kathryn Burkey, Robert W. Kurtz, John W. McCullough, Elaine L. McDonald, Carissa L. Rodeheaver, Gary R. Ruddell, I. Robert Rudy, Marisa A. Shockley, Robert G. Stuck and H. Andrew Walls, III. 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 through its Enterprise Risk Management framework. This committee met two times in 2017.

*Compensation Committee* – The Compensation Committee, which met five times in 2017, consists of M. Kathryn Burkey (Chairman), Robert W. Kurtz, John W. McCullough, Elaine L. McDonald, Marisa A. Shockley, Robert G. Stuck and H. Andrew Walls, III. The committee is responsible for developing a compensation policy for the executive officers and for recommending to the Board a compensation policy for the Directors of the Corporation and its subsidiaries, overseeing the Corporation’s various compensation plans, and managing changes for executive compensation and recommending changes for Director compensation. The committee determines executive compensation pursuant to the principles discussed below under the heading “REMUNERATION OF EXECUTIVE OFFICERS”. The Board reviews and, where appropriate, approves or ratifies committee recommendations. The Compensation Committee has adopted a written charter, a copy of which is available on the Corporation’s website at [www.mybank.com](http://www.mybank.com).

*Nominating and Governance Committee* – The Nominating Committee consists of John F. Barr, Brian R. Boal, John W. McCullough, Elaine L. McDonald, Marisa A. Shockley, and Robert G. Stuck.. 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 2017. The Nominating Committee has a written charter, a copy of which is available on the Corporation’s website at [www.mybank.com](http://www.mybank.com).

*Directors’ Risk and Compliance Committee.* The Directors Risk and Compliance Committee consists of John F. Barr, Brian R. Boal, M. Kathryn Burkey, Robert W. Kurtz, John W. McCullough, Carissa L. Rodeheaver, Gary R. Ruddell, I. Robert Rudy, H. Andrew Walls, III and is responsible for reviewing the Bank’s overall risk profile including classified credits and management’s plans for those credits. The Committee is also responsible for reviewing outstanding audit issues and compliance recommendations as identified by various internal or external parties, approving operational risk programs such as the Bank Protection Act Program, the Business Continuity Planning Program, Cybersecurity Program, the Information Security Program, Privacy Program, Identification Theft/Red Flag

Program and Bank Secrecy Act Program. The Committee is responsible for the annual review of any significant vendor relationships, litigation or consumer complaints as well as the adequacy and effectiveness of the Compliance Program, and the Corporation's insurance programs and policies in place. This Committee met six times during 2017.

### **Director Independence**

Pursuant to Rule 5605(b)(1) of The NASDAQ Stock Market Rules (the "NASDAQ Rules"), a majority of the Corporation's Directors must be "independent directors" as that term is defined by NASDAQ Rule 5605(a)(2). The Corporation's Board of Directors has determined that each of John F. Barr, Brian R. Boal, M. Kathryn Burkey, Robert W. Kurtz, John W. McCullough, Elaine L. McDonald, Gary R. Ruddell, Marisa A. Shockley, Robert G. Stuck and H. Andrew Walls, III is an "independent director", and these independent Directors constitute a majority of the Corporation's Board of Directors. Each of the members of the Compensation Committee and of the Nominating Committee is an "independent director". Each member of the Audit Committee satisfies the independence requirements of NASDAQ Rule 5605(c)(2)(A). In making these independence determinations, the Board, in addition to the transactions described below under "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS", considered the fact that Mr. Kurtz previously served as an executive officer of the Corporation and the Bank.

## **Board Leadership and Role in Risk Oversight**

The Corporation is a one-bank holding company and the parent of the Bank, a \$1.3 billion community bank serving four counties in Maryland and four counties in West Virginia. Since its inception in 1984, the Corporation has had four CEOs, and each of these CEOs also served as Chairman of the Board. The Corporation's predecessor, First United Bank of Oakland, also employed this form of governance for a number of years.

In 2010, to help strengthen the Board's oversight of corporate governance issues, the Board determined to appoint a Lead Director who is responsible for facilitating the resolution of issues relating to the performance of the Chairman and CEO and other members of management, or any other issue that a Director, an officer or an employee believes should be addressed by someone other than the Chairman and CEO. Because the Nominating Committee is charged with overseeing corporate governance matters, the Board believes that it would be most appropriate to appoint the Chairman of the Nominating Committee as the Lead Director. John McCullough is the current Chairman of the Nominating Committee and, thus, the Lead Director.

The Corporation has a well-developed and well-seasoned Board of Directors, comprised of the Chairman/CEO and 11 additional Directors, 10 of whom are "independent directors" as defined by the NASDAQ Rules.

The Board believes that the Corporation has been well-served by this form of leadership. By having one person serve as both Chairman and CEO, the Board believes that the Corporation demonstrates to shareholders, customers, employees, vendors, regulators, and other stakeholders that we are under strong leadership, with a single individual setting the tone and having primary responsibility for managing and leading the Corporation. The Board believes this structure reduces the potential for confusion or duplication of efforts and assures clarity of leadership.

The Board believes that such a structure is viable when reinforced with a strong, competent and independent Board of Directors and the leadership and oversight of a Lead Director, as is the case with the Corporation. As noted above, 10 of the 12 Directors are independent. The Board believes that this high percentage of independence, coupled with the fact that only one Director – Mrs. Rodeheaver (the President and CEO) – is employed by the Corporation, assures an objective and shareholder-based view of the Corporation's operations.

Of these independent directors, four members qualify as "audit committee financial experts" as defined by rules adopted by the SEC pursuant to the Sarbanes-Oxley Act of 2002. While the credentials of the entire Board are noted elsewhere, it is worth illustrating the credentials of these five members that make them eligible for this distinction:

Brian R. Boal – Mr. Boal has a vast amount of accounting and business experience through his education, his certification as a Certified Public Accountant, and his ownership and operation for the past 15 years of Boal and Associates, PC, *Certified Public Accountants*. Mr. Boal serves as a member of the American Institute of Certified Public Accountants and the Maryland Association of Certified Public Accountants. Mr. Boal serves as the chair of the Audit Committee.

M. Kathryn Burkey – Mrs. Burkey is a practicing Certified Public Accountant, with significant experience in audit. She has also served as chair of the board of Western Maryland Health System, and is the past president of the Maryland Associates of CPAs.

Robert W. Kurtz – Mr. Kurtz retired from the Corporation and the Bank in December 2009, after nearly four decades of service. For several years prior to his retirement, Mr. Kurtz served as President & Chief Risk Officer of the Corporation and the Bank.

John W. McCullough – Mr. McCullough is a retired partner of the accounting firm Ernst & Young, LLP. During a significant portion of his career, Mr. McCullough was heavily engaged in the audit of financial institutions. Mr. McCullough serves as the Lead Director of the Corporation and the Bank.



In an effort to hone their skills, and to assure their continued independence, members of the Board of Directors undertake regular training. A number of methods are employed to provide in-depth training. On frequent occasions, internal training is provided to familiarize the Board with regulatory requirements imposed on financial institutions by applicable laws such as the Bank Secrecy Act and the Community Reinvestment Act. Periodically, Directors attend seminars related to banking issues, which offer them the additional benefit of meeting with directors of other financial institutions. All Directors have direct access to the American Bankers Association which enables them to keep abreast of issues pertinent to the banking industry and to research banking materials. The FDIC also has available a specific board education program which is periodically used for director training.

The strength of the Board, and a valuable counter balance to management, is found in the risk management practices employed by the Board, directly and through its various specialized committees and the Lead Director. The Board, as part of its oversight and governance functions, regularly reviews risks and appropriate modeling of Asset Liability Management, loan concentrations, liquidity, management succession and capital planning. Consistent with this, the Corporation was one of the early institutions in its market area to name a Chief Risk Officer, having done so in 2006. Further, in 2009, the Board created a special committee focused on the Corporation's risk elements. This committee is responsible for reviewing the Bank's overall risk profile including classified credits and management's plans for those credits, reviewing and updating the Board regarding regulatory compliance matters for both the Corporation and the Bank. The committee is also responsible for reviewing outstanding audit issues as identified by various internal or external parties, approving operational risk programs such as the Bank Protection Act Program, the Business Continuity Planning Program, Cybersecurity Program, the Information Security Program, Privacy Program, Identification Theft/Red Flag Program and Bank Secrecy Act Program. The committee is responsible for the annual review of any significant vendor relationships, litigation or consumer complaints as well as the adequacy and effectiveness of the Compliance Program, and the Corporation's insurance programs and policies in place.

To assist the Board with tracking and reviewing Board and Committee activities, all Directors have 24/7 access to all policies and reports, the minutes of every meeting of the Board and its committees over the last five years, and numerous other reports and models prepared by or for the Corporation.

To maintain a level of independence from management, the Board conducts regular executive sessions. These sessions are led by the independent Chair of the Corporation's Nominating Committee, John McCullough, who also serves as the Lead Director.

The governance of the Corporation through a combination of the Chairman and CEO is appropriate also in light of the strength and experience of the Chairman/CEO. Since its beginning, the Corporation has had very experienced individuals in this combined role. Courtney R. Tusing, the first to have the role, came to the Corporation with over 20 years of banking experience, the majority of which were with the Corporation. During his tenure, he also served as President of the Maryland Bankers Association. Richard G. Stanton held the position from 1987 to 1996. He had nearly three decades of experience prior to the position, and had served as Director for a number of years. During his tenure, he served on the Government Relations Committee of the American Bankers Association, which enabled him

to help formulate banking policy. William B. Grant held the position from 1996 through December 31, 2015. Mr. Grant had over 35 years of banking experience and was past Chairman of the Maryland Bankers Association and was on the Board of Directors of the Baltimore Branch of the Federal Reserve Bank of Richmond as well as the America's Community Bankers Council of the American Bankers Association. Effective January 1, 2016, upon Mr. Grant's retirement, Carissa L. Rodeheaver became the Chairman and CEO. Mrs. Rodeheaver has 25 years of banking experience, is a Certified Public Accountant and is also a director of the Maryland Bankers Association.

In conclusion, the Board believes that a single leader, serving as Chairman and CEO, together with an overwhelmingly independent Board and a Lead Director, is the most appropriate leadership structure for the Corporation. The Board may, from time to time, review this structure under the guidance of the Nominating Committee, reporting up to the Board of Directors

### **Attendance at Board Meetings**

The Board of Directors held 14 meetings in 2017. Each Director who served as such during 2017 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: Tonya K. Sturm, Secretary First United Corporation, 19 S. Second Street, 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 does not have a formal policy under which it considers the diversity of candidates for directorship when making nomination recommendations. 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, the need for particular expertise on the Board, and whether the Corporation’s market areas are adequately represented by Board members. In nominating director candidates, the Nominating Committee generally seeks to choose individuals that have skills, education, experience and other attributes that will complement and/or broaden the strengths of the existing directors.

In 2003, the Corporation created an “Advisory Council” consisting of local business owners in each of the geographic regions that we serve. In 2014, the Advisory Council was restructured into five separate Advisory Groups representing each of our market areas. The Advisory Groups consist of business owners and key individuals within each local market area. The purpose of these Advisory Groups is to foster open discussions that will enable us to enhance our understanding of the difference in each of these markets and the financial needs of the customer base. The meetings are led by local Market Presidents and are also attended by members of the management team. These meetings include topics of discussion such as local market analysis, changes in the market, new products and services, customer engagement and customer experiences. These meetings also provide a sounding board for our marketing and advertising plans and provide great opportunities to network with local businesses. From time to time, promising Director candidates come to the attention of the Nominating Committee through their service on these Advisory Groups, although such service is not a requirement of being considered for nomination.

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 complementary 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 Section 4 of Article II 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. Thus, for the 2019 Annual Meeting of Stockholders, a stockholder's nomination must be received no earlier than November 18, 2018 and no later than January 17, 2019. Such notice shall contain the following information to the extent known by the notifying shareholder: (i) the name and address of each proposed nominee; (ii) the principal occupation of each proposed nominee; (iii) the number of shares of capital stock of the Corporation owned by each proposed nominee; (iv) the name and residence address of the notifying shareholder; (v) the number of shares of capital stock of the Corporation owned by the notifying shareholder; (vi) the consent in writing of the proposed nominee as to the proposed nominee's name being placed in nomination for Director; and (vii) 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 non-employee Directors, by sending a letter to First United Corporation Board of Directors, c/o Tonya K. Sturm, Secretary, First United Corporation, 19 S. Second Street, Oakland, Maryland, 21550. The Secretary will deliver all shareholder communications directly to the Board of Directors for consideration.

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 2017 Annual Meeting of Shareholders was attended by 10 persons who served on the Board of Directors as of the date o