

FIRST UNITED CORP/MD/
Form DEF 14A
March 25, 2011

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:
-

March 25, 2011

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 Thursday, May 12, 2011, at 10:00 a.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 matters to be acted upon. In addition, there will be a report on the progress of your Corporation.

Your vote on the matters to be acted upon at the Annual Meeting is important, regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented. To ensure that your shares are represented, I urge you to execute and return the enclosed Proxy Card or to submit your Proxy by telephone or Internet promptly. If you attend the meeting, you may withdraw your Proxy and vote in person, if you so desire.

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

We are taking advantage of the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their shareholders on the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting.

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 25, 2011

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:

THURSDAY, MAY 12, 2011, at 10:00 a.m.

The purposes of the meeting are:

1. To vote on the election of the four (4) nominees named in the attached Proxy Statement and form of Proxy to serve on the Board of Directors until the 2014 Annual Meeting of Shareholders and until the election and qualification of their successors.
2. To ratify the appointment of ParenteBeard, LLC as the Corporation's independent auditors for fiscal year 2011.
3. To consider and approve a non-binding advisory vote on the Corporation's executive compensation program and policies.
4. To transact such other business as may be properly brought before the meeting or any adjournment thereof.

The Board of Directors has fixed February 25, 2011 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 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

CARISSA L. RODEHEAVER
Secretary

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FIRST UNITED CORPORATION
19 South Second Street
P.O. Box 9
Oakland, Maryland 21550-0009
(800) 470-4356

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of First United Corporation (the "Corporation") of the accompanying Proxy to be voted at the Annual Meeting of Shareholders to be held on May 12, 2011, at 10:00 a.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, 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 the related Proxy Card will be sent or given to shareholders is March 25, 2011.

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

OUTSTANDING SHARES; VOTING RIGHTS; QUORUM AND REQUIRED VOTE

Shareholders of record at the close of business on February 25, 2011 (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 outstanding shares of Common Stock entitled to vote is 6,166,037, each of which is entitled to one vote.

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 ratification of the appointment of the Corporation's independent registered public accounting firm, as described in Proposal 2, and the approval of the Corporation's executive compensation, as described in the non-binding advisory Proposal 3, 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 or Proposal 3 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 4, as described in this Proxy Statement. Abstentions and broker non-votes with respect to any motion that comes before the meeting pursuant to Proposal 4 (other than certain extraordinary matters as discussed above) will have no impact on the outcome of the vote on such motion.

All properly executed Proxies received pursuant to this solicitation will be voted as directed by the shareholders in their Proxies. If no direction is given in your Proxy, your shares will be voted FOR ALL NOMINEES named in Proposal 1, FOR ratification of the appointment of the Corporation's independent registered public accounting firm named in Proposal 2, FOR approval of the Corporation's executive compensation as described in the non-binding advisory Proposal 3, and in the discretion of the proxies as to any other matters that may properly come before the meeting, as described in Proposal 4.

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; (ii) the execution of a later casted Internet or telephone vote with regard to the same shares; (iii) giving written notice to Carissa L. Rodeheaver, Secretary, First United Corporation, P.O. Box 9, Oakland, Maryland 21550-0009; or (iv) giving written notice to the Secretary in person at the 2011 Annual Meeting. Any shareholder who attends the 2011 Annual Meeting and revokes his/her proxy may vote in person. However, attendance by a shareholder at the 2011 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 2011 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 2011 Annual Meeting and casting your vote in person.

For the 2011 Annual Meeting, the Corporation is offering registered shareholders the opportunity to vote their shares electronically through the Internet or by telephone. Instead of submitting the accompanying Proxy Card 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.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 12, 2011

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, 2010) are available at <http://materials.proxyvote.com/33741H>. 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 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.

	Common Stock Beneficially Owned		Percentage of Outstanding Common Stock	
Directors, Nominees and Named Executive Officers:				
David J. Beachy	8,177		.13	%
M. Kathryn Burkey	9,850	(1)	.16	%
Faye E. Cannon	4,864		.08	%
Paul Cox, Jr.	3,886		.06	%
William B. Grant	10,566	(2)	.17	%
Eugene D. Helbig, Jr.	3,192	(3)	.05	%
Robert W. Kurtz	3,493	(4)	.06	%
Steven M. Lantz	1,840	(5)	.03	%
John W. McCullough	7,632		.12	%
Elaine L. McDonald	9,509	(6)	.15	%
Donald E. Moran	74,706	(7)	1.21	%
Robin E. Murray.	725	(8)	.01	%
Carissa L. Rodeheaver	1,216	(9)	.02	%
Gary R. Ruddell	3,277		.05	%
I. Robert Rudy	37,308	(10)	.61	%
Richard G. Stanton	16,541	(11)	.27	%
Robert G. Stuck	5,641		.09	%
H. Andrew Walls, III	3,621		.06	%
Directors & Executive Officers as a Group (20 persons)	220,719		3.58	%
5% Beneficial Owners:				
Firstoak & Company P.O. Box 557 Oakland, Maryland 21550	346,216	(12)	5.61	%
United States Department of the Treasury 1500 Pennsylvania Avenue, NW Washington, D.C. 20220	326,323	(13)	5.29	%
Total	893,258		14.49	%
(1)	Includes 247 shares owned by spouse.			
(2)	Includes 6,887 shares owned jointly with spouse, 6 shares owned jointly with daughter, 236 shares owned by son, 5 shares owned by daughter, 2,425 shares held in a 401(k) plan account, 405 shares owned by spouse's IRA, and 219 shares owned by spouse and daughter.			
(3)	Includes 625 shares owned jointly with spouse and 2,213 held in a 401(k) plan account.			
(4)	Includes 1,175 shares owned jointly with spouse.			
(5)	Includes 449 shares owned jointly with spouse, 6 shares owned by son and 1,130 shares held in a 401(k) plan account.			
(6)	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.			
(7)	Includes 25,000 shares owned by spouse.			
(8)	Includes 151 shares owned jointly with spouse and 574 shares held in a 401(k) plan account.			
(9)				

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Includes 409 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.

- (10) Includes 905 shares owned jointly with spouse, 6,815 shares owned by spouse, 4,229 shares owned by daughters, 15,575 shares owned by I.R. Rudy's, Inc. of which Mr. Rudy is owner.
- (11) Includes 9,008 shares owned jointly with spouse and 1,748 shares held in spouse's IRA.
- (12) Shares held in the name of Firstoak & Company, as nominee, are administered by the Trust Department of First United Bank & Trust in a fiduciary capacity. Firstoak & Company disclaims beneficial ownership of such shares.

(13) Amount represents shares subject to an immediately exercisable common stock purchase warrant issued to Treasury in connection with the Corporation's participation in Treasury's Capital Purchase Program. This warrant is currently underwater, as the exercise price exceeds the current market price of the Corporation's common stock.

ELECTION OF DIRECTORS (PROPOSAL 1)

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 I Directors expire this year, the terms of Class II Directors expire in 2012, and the terms of Class III Directors expire in 2013. In all cases, Directors serve until their successors are duly elected and qualify.

The number of Directors constituting the Board of Directors is currently set at 14. Faye E. Cannon, who currently serves as a Class I Director, is not standing for re-election at the 2011 Annual Meeting and the Board has approved the elimination of that vacancy, to be effective as of the date of this Annual Meeting, when Ms. Cannon's term expires. Accordingly, at the close of the 2011 Annual Meeting, the number of directors constituting the Board of Directors will be 13.

At this year's Annual Meeting, shareholders will be asked to vote for the election of the four Director nominees identified in the table below. Each of the nominees is a current Class I Director, was nominated by the Nominating and Governance Committee (the "Nominating Committee") and elected by shareholders, and, if elected, will continue to serve as a Class I Director. 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.

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".

Nominees for Class I Directors (Term expires in 2014)

Name	Age
David J. Beachy	70
Paul Cox, Jr.	71
William B. Grant	57
John W. McCullough	61

The Board of Directors recommends that shareholders vote FOR ALL NOMINEES named above.

CONTINUING DIRECTORS

The following tables identify each Director of the Corporation whose term does not expire in 2011. 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 II Directors (Term expires in 2012)

Name	Age
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Robert W. Kurtz	64
Elaine L. McDonald	62
Donald E. Moran	80
Gary R. Ruddell	63

Class III Directors
(Term expires in 2013)

Name	Age
M. Kathryn Burkey	60
I. Robert Rudy	58
Richard G. Stanton	71
Robert G. Stuck	64
H. Andrew Walls, III	50

In addition to the elected Directors named above, the Board has appointed Raymond F. Hinkle to serve as an honorary director through the conclusion of the 2011 Annual Meeting of Shareholders. Mr. Hinkle is invited to attend all Board meetings and to participate in Board discussions, but he is not entitled to vote on any matter before the Board or any of its committees. As of the Record Date, Mr. Hinkle beneficially owned 7,255 shares of the Common Stock.

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 Company. 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.

David J. Beachy possesses significant Board experience obtained from his service as a director of the Corporation and the Bank since 1985. As a retired business owner of Fred E. Beachy Lumber Company, a successful building supply company, for over 40 years, he also possesses substantial business experience.