

FIRST UNITED CORP/MD/  
Form 424B3  
September 04, 2014

Filed Pursuant to Rule 424(b)(3)

Registration Statement No. 333-157562

**PROSPECTUS SUPPLEMENT NO. 1**

**(to Prospectus dated April 7, 2014)**

30,000 SHARES OF FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES A

WARRANT TO PURCHASE 326,323 SHARES OF COMMON STOCK

326,323 SHARES OF COMMON STOCK

This Prospectus Supplement No. 1 supplements and amends our Prospectus dated April 7, 2014 and includes our attached Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 that was filed with the Securities and Exchange Commission on May 12, 2014.

The Prospectus and this Prospectus Supplement No. 1 relate to the potential resale from time to time by selling security holders of some or all of the shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A, which we refer to as the "Series A Preferred Stock", a warrant to purchase 326,323 shares of common stock, which we refer to as the "warrant", and any shares of common stock issuable from time to time upon exercise of the warrant. We are not selling any securities under the Prospectus, as supplemented by this Prospectus Supplement No. 1, and we will not receive any of the proceeds from the sale of the securities by the selling security holders.

The Series A Preferred Stock is not listed on an exchange and, unless requested by the initial selling security holder, we do not intend to list the Series A Preferred Stock on any exchange. The warrant is not listed on an exchange and we do not intend to list the warrant on any exchange. Our common stock is listed on The NASDAQ Global Select Market under the symbol "FUNC". On September 3, 2014, the closing sales price of our common stock as reported on The NASDAQ Global Select Market was \$8.45 per share. You are urged to obtain current market quotations of our common stock.

This Prospectus Supplement No. 1 should be read in conjunction with the Prospectus. Any statement contained in the Prospectus shall be deemed to be modified or superseded to the extent that information in this Prospectus Supplement No. 1 modifies or supersedes such statement. Any statement that is modified or superseded shall not be deemed to constitute a part of the Prospectus except as modified or superseded by this Prospectus Supplement No. 1.

**Investing in our securities involves certain risks. You should review carefully the risks described under “Risk Factors” beginning on page 5 of the Prospectus and under similar headings in any amendments or supplements to the Prospectus.**

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**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE SECURITIES OFFERED HEREBY ARE NOT DEPOSIT OR SAVINGS ACCOUNTS OR OTHER OBLIGATIONS OF ANY BANK OR NON-BANK SUBSIDIARY OF FIRST UNITED CORPORATION, AND THEY ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY OR INSTRUMENTALITY.**

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The date of this Prospectus Supplement No. 1 is September 4, 2014.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
<sup>x</sup>1934

For quarterly period ended March 31, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-14237

First United Corporation

(Exact name of registrant as specified in its charter)

Maryland 52-1380770  
(State or other jurisdiction of (I. R. S. Employer Identification No.)  
incorporation or organization)

19 South Second Street, Oakland, Maryland 21550-0009

(Address of principal executive offices) (Zip Code)

(800) 470-4356

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer "	Accelerated filer "
Non-accelerated filer " (Do not check if a smaller reporting company)	Smaller reporting company R

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
" No R

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,210,587 shares of common stock, par value \$.01 per share, as of April 30, 2014.

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**FIRST UNITED CORPORATION**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****FIRST UNITED CORPORATION**

## Consolidated Statement of Financial Condition

(In thousands, except per share and percentage data)

	March 31, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and due from banks	\$34,521	\$ 32,895
Interest bearing deposits in banks	9,287	10,168
Cash and cash equivalents	43,808	43,063
Investment securities – available-for-sale (at fair value)	361,465	336,589
Investment securities – held to maturity (fair value \$2,444 at March 31, 2014 and \$3,590 at December 31, 2013, respectively)	2,860	3,900
Restricted investment in bank stock, at cost	7,529	7,913
Loans	814,037	810,240
Allowance for loan losses	(12,572 )	(13,594 )
Net loans	801,465	796,646
Premises and equipment, net	26,628	26,905
Goodwill and other intangible assets, net	11,004	11,004
Bank owned life insurance	32,656	32,413
Deferred tax assets	25,478	29,209
Other real estate owned	15,613	17,031
Accrued interest receivable and other assets	26,978	28,830
Total Assets	\$1,355,484	\$ 1,333,503
Liabilities and Shareholders' Equity		
Liabilities:		
Non-interest bearing deposits	\$212,187	\$ 189,500
Interest bearing deposits	788,842	787,903
Total deposits	1,001,029	977,403
Short-term borrowings	43,617	43,676
Long-term borrowings	182,656	182,672
Accrued interest payable and other liabilities	20,303	28,412
Total Liabilities	1,247,605	1,232,163
Shareholders' Equity:		

Preferred stock – no par value; Authorized 2,000 shares of which 30 shares of Series A, \$1,000 per share liquidation preference, 5% cumulative increasing to 9% cumulative on February 15, 2014, were issued and outstanding on March 31, 2014 and December 31, 2013 (discount of \$0 and \$6, respectively)	30,000	29,994
Common Stock – par value \$.01 per share; Authorized 25,000 shares; issued and outstanding 6,211 shares at March 31, 2014 and December 31, 2013	62	62
Surplus	21,684	21,661
Retained earnings	74,747	73,836
Accumulated other comprehensive loss	(18,614 )	(24,213 )
Total Shareholders' Equity	107,879	101,340
Total Liabilities and Shareholders' Equity	\$1,355,484	\$ 1,333,503

*See accompanying notes to the consolidated financial statements*



**FIRST UNITED CORPORATION**

## Consolidated Statement of Income

(In thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Interest income		
Interest and fees on loans	\$ 9,338	\$ 10,685
Interest on investment securities		
Taxable	1,988	1,142
Exempt from federal income tax	411	428
Total investment income	2,399	1,570
Other	17	33
Total interest income	11,754	12,288
Interest expense		
Interest on deposits	1,167	1,327
Interest on short-term borrowings	14	14
Interest on long-term borrowings	1,654	1,614
Total interest expense	2,835	2,955
Net interest income	8,919	9,333
Provision for loan losses	364	865
Net interest income after provision for loan losses	8,555	8,468
Other operating income		
Changes in fair value on impaired securities	4,389	1,663
Portion of gain recognized in other comprehensive income (before taxes)	(4,389 )	(1,663 )
Net securities impairment losses recognized in operations	0	0
Net (losses)/gains – other	(63 )	329
Total net (losses)/gains	(63 )	329
Service charges	709	886
Trust department	1,252	1,199
Debit card income	457	476
Bank owned life insurance	243	249
Brokerage commissions	205	162
Other	174	257
Total other income	3,040	3,229
Total other operating income	2,977	3,558
Other operating expenses		
Salaries and employee benefits	4,685	4,844
FDIC premiums	391	451
Equipment	655	642
Occupancy	655	704
Data processing	782	729

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Other Real Estate Owned	457	18
Other	2,135	2,148
Total other operating expenses	9,760	9,536
Income before income tax expense	1,772	2,490
Applicable income tax expense	414	568
Net Income	1,358	1,922
Accumulated preferred stock dividends and discount accretion	(447 )	(437 )
Net Income Available to Common Shareholders	\$911	\$1,485
Basic and diluted net income per common share	\$0.15	\$0.24
Weighted average number of basic and diluted shares outstanding	6,211	6,199

*See accompanying notes to the consolidated financial statements*

**FIRST UNITED CORPORATION**

## Consolidated Statement of Comprehensive Income

(In thousands)

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Net Income	\$ 1,358	\$ 1,922
Other comprehensive income/(loss), net of tax and reclassification adjustments:		
Net unrealized gains on investments with OTTI	2,634	995
Net unrealized gains/(losses) on all other AFS securities	3,036	(265 )
Net unrealized gains on cash flow hedges	55	60
Net unrealized (losses)/gains on Pension	(127 )	715
Net unrealized gains on SERP	1	4
Other comprehensive income, net of tax	5,599	1,509
Comprehensive income	\$ 6,957	\$ 3,431

*See accompanying notes to the consolidated financial statements*

**FIRST UNITED CORPORATION**

## Consolidated Statement of Changes in Shareholders' Equity

(In thousands, except share and per share data)

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	(unaudited)					
Balance at January 1, 2013	\$29,925	\$ 62	\$21,573	\$ 69,168	\$ (21,823)	) \$ 98,905
Net income				6,446		6,446
Other comprehensive loss					(2,390)	) (2,390)
Stock based compensation			88			88
Preferred stock discount accretion	69			(69)		0
Preferred stock dividends deferred				(1,709)		) (1,709)
Balance at December 31, 2013	29,994	62	21,661	73,836	(24,213)	) 101,340
Net income				1,358		1,358
Other comprehensive income					5,599	5,599
Stock based compensation			23			23
Preferred stock discount accretion	6			(6)		0
Preferred stock dividends deferred				(441)		) (441)
Balance at March 31, 2014	\$30,000	\$ 62	\$21,684	\$74,747	\$ (18,614)	) \$ 107,879

*See accompanying notes to the consolidated financial statements*

**FIRST UNITED CORPORATION**

## Consolidated Statement of Cash Flows

(In thousands)

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Operating activities		
Net income	\$ 1,358	\$ 1,922
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Provision for loan losses	364	865
Depreciation	505	509
Stock compensation	23	19
Gain on sales of other real estate owned	(25 )	(7 )
Write-downs of other real estate owned	371	20
Gain on loan sales	(8 )	(79 )
Loss on disposal of fixed assets	3	0
Net amortization of investment securities discounts and premiums	34	395
Loss/(gain) on sales of investment securities – available-for-sale	68	(250 )
Amortization of deferred loan fees	(75 )	(191 )
Decrease/(increase) in accrued interest receivable and other assets	1,810	(810 )
(Increase)/decrease in deferred tax benefit	(168 )	1
(Decrease)/increase in accrued interest payable and other liabilities	(8,457 )	364
Earnings on bank owned life insurance	(243 )	(249 )
Net cash (used in)/provided by operating activities	(4,440 )	2,509
Investing activities		
Proceeds from maturities/calls of investment securities available-for-sale	14,283	13,381
Proceeds from maturities/calls of investment securities held-to-maturity	1,040	0
Proceeds from sales of investment securities available-for-sale	8,585	35,136
Purchases of investment securities available-for-sale	(38,399 )	(63,611 )
Proceeds from sales of other real estate owned	1,583	1,765
Proceeds from loan sales	849	11,313
Net decrease in FHLB stock	384	496
Net (increase)/decrease in loans	(6,460 )	2,777
Purchases of premises and equipment	(231 )	(283 )
Net cash (used in)/provided by investing activities	(18,366 )	974
Financing activities		
Net increase/(decrease) in deposits	23,626	(1,084 )
Net decrease in short-term borrowings	(59 )	(624 )
Payments on long-term borrowings	(16 )	(15 )
Net cash provided by/(used in) financing activities	23,551	(1,723 )

Increase in cash and cash equivalents	745	1,760
Cash and cash equivalents at beginning of the year		