

Section 1: 8-K (FORM 8-K)

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 11, 2020

First United Corporation

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

0-14237
(Commission file number)

52-1380770
(IRS Employer
Identification No.)

19 South Second Street, Oakland, Maryland 21550
(Address of principal executive offices) (Zip Code)

(301) 334-9471
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	FUNC	Nasdaq Stock Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) Compensatory Arrangements.

On March 11, 2020, the Compensation Committee (the “Committee”) of the Board of Directors of First United Corporation (the “Corporation”) adopted a Long-Term Incentive Program (the “LTIP”) and a Short-Term Incentive Plan (the “STIP”). The material terms of the LTIP and the STIP are discussed below and are qualified in their entirety by the terms of these plans, which are attached hereto as exhibits.

First United Corporation Long-Term Incentive Program

The LTIP was adopted as a sub-plan of the Corporation’s 2018 Equity Compensation Plan (the “Equity Plan”) to reward participants for increasing shareholder value, align executive interests with those of shareholders, and serve as a retention tool for key executives. The Chief Executive Officer and certain other executive officers selected by the Committee are eligible to receive awards.

Under the LTIP, a participant will receive an award (an “LTIP Award”) of restricted stock units. An LTIP Award may vest based on performance metrics to be established by the Committee from time to time (a “Performance Award”), or may vest over a period of time (the “Time Award”). The value of an LTIP Award is a specified percentage of the participant’s salary as of the date of grant, which will be stated on an Appendix A to the LTIP. Each participant’s LTIP Award opportunity will be determined based on competitive market practice for his/her role. These opportunities will be determined so as to reflect a target total compensation package that is competitive and provides a significant percentage of pay based on performance (annual incentive + long-term incentive).

An LTIP Award represents the right to receive the aggregate value of the shares of the Corporation’s common stock subject to LTIP Award as of the date on which the LTIP Award vests. That value may be paid in shares of stock, cash, or a combination of shares and cash, as determined by the Compensation Committee at the time each LTIP Award is granted. To determine the targeted number of shares that are subject to an LTIP Award, the value of the LTIP Award will be divided by the fair market value (as that term is defined in the Equity Plan) of a share of the Corporation’s common stock as of the date of grant, rounded down to the nearest whole share (the “Target Shares”). For Performance Awards, the number of shares that could be issued (or converted into a cash payment, if the Compensation Committee were to determine to pay an LTIP Award in cash) if the threshold, target or the maximum target is met will be determined by multiplying the Target Shares by the threshold percentage, target percentage and maximum percentage, respectively. All LTIP Awards will be evidenced by an individual award agreement with the participant that details the number of shares of common stock covered by the LTIP Award, the performance metrics that will dictate whether and the extent to which the LTIP Award will vest, and other terms consistent with this Plan and the Equity Plan.

For each Performance Award, the Compensation Committee will establish one or more performance goals for a three-year performance period (the "Performance Period") and the minimum thresholds that must be met for the LTIP Award to vest, stated as a percentage of the targeted performance goals. The extent to which an LTIP Award will vest will be based on whether performance for the Performance Period meets or exceeds the threshold levels, target levels or maximum levels established for each performance metric. The Compensation Committee may assign particular weightings to each of these performance metrics. Threshold performance will cause a portion of an LTIP Award that is less than 100% to vest; target performance will cause 100% of the LTIP Award to vest; and maximum performance will cause a multiple of 100% of the LTIP Award to vest. Actual vesting amounts will be pro-rated between threshold and target levels and target and maximum levels to reward incremental improvement. The Performance Period, the applicable performance metrics, and the threshold, target and maximum levels for those metrics will be established each year by the Compensation Committee and set forth in Appendix A to the LTIP. The goals for the performance metrics will be specified in a participant's award agreement.

The vesting of a Performance Award is "all or nothing", in that the Performance Award will vest only if the Corporation achieves the threshold goals and then only if the participant is employed by the Corporation on the vesting date. All Performance Shares will lapse if the specified thresholds are not met or the participant is not employed on the vesting date. Achievement of the threshold, target or maximum levels for a Performance Award will be determined by the Compensation Committee on the date on which the Corporation files its Annual Report on Form 10-K containing audited financial statements for the last year of the Performance Period related to the LTIP Award or March 15th of the year following the end of the Performance Period, whichever occurs first. If the Corporation is not required to file a Form 10-K, then the determination will occur no later than March 15th of the year following the end of the Performance Period. Promptly thereafter, the Compensation Committee shall notify each participant in writing as to whether the threshold, target or maximum levels for the Performance Period were satisfied. In all cases, the vesting date for a Performance Award will be March 15th of the year following the end of the Performance Period for that LTIP Award.

A Time Award will vest on the date or dates specified in the related award agreement.

The LTIP calls for the forfeiture of unvested LTIP Awards if the employment of a participant is terminated prior to the vesting date other than because of death, disability, or retirement. If a participant becomes disabled and is disabled long enough to be placed on long-term disability, his/her outstanding unvested LTIP Awards may be appropriately prorated so that no LTIP Award will be earned during the period of long-term disability. If a participant's employment is terminated due to disability, the Corporation will pay an amount of shares or cash to the participant based on the pro rata portion of the LTIP Award that would have been earned by the participant had the participant remained employed through the vesting date and had the threshold goals been met. In the event of retirement or death, the Corporation will pay an amount of shares or cash to the participant or his or her estate (as the case may be) based on the pro rata portion of the LTIP Award that would have been earned by the participant had the participant remained employed through the vesting date and had the threshold goals been met. The method of determining the pro rata portion that will be deemed vested will be specified in each award agreement.

In the event of an approved leave of absence, a participant's LTIP Award may be appropriately adjusted to reflect the period of active status.

The LTIP also includes forfeiture and clawback provisions in the event of malfeasance on the part of a participant. Further, the LTIP provides that all participants will be required to forfeit vested awards if the Corporation is required to restate its financial statements to the extent awards vested based on incorrect financial statements, but this forfeiture provision has a three-year look-back period.

First United Corporation Short-Term Incentive Plan

The STIP is the Corporation's cash incentive award program that will reward executives for the Corporation's annual performance. The STIP is designed primarily to reward executives as a team, rather than focusing primarily on individual contributions. Incentive goals for the STIP are selected each year by the Committee to reflect the Corporation's core financial objectives and are expressed as a percentage of each participating executive's annual salary.

Each participant will have a target incentive opportunity based on competitive market practice for his/her role. A participant's award (an "STIP Award") will be based upon a percentage of the participant's base salary as of December 31 for the Plan year and will be calculated based on whether actual performance with respect to specified metrics meets threshold levels, target levels, or maximum levels for those metrics. The Committee may assign particular weightings to each of these performance metrics. Threshold performance will pay out a specified percentage of the target STIP Award that is less than 100%; target performance will pay out the target STIP Award; and maximum performance will pay out a specified percentage of the target STIP Award that is greater than 100%. Where actual performance does not meet the threshold level for a particular metric, no STIP Award payout will be made with respect to that metric. Actual payouts for each performance metric will be pro-rated between threshold and target levels and target and maximum levels to reward incremental improvement. The performance metrics for a particular year and the threshold, target and maximum levels for those metrics will be established each year by the Compensation Committee and set forth in Appendix A to the STIP.

The Committee may condition the activation of the STIP for a particular year on whether actual performance meets a specified threshold level for one or more performance metrics, regardless of whether actual performance with respect to other performance metrics meets or exceeds the threshold levels for those metrics. For example, the Committee could determine that no STIP Awards will be paid for a particular year unless earnings per share for that year exceed 50% of the targeted earnings per share goal established by the Committee. The performance trigger(s) for a year, if any, will be stated in Appendix A to the STIP.

At year-end, the Compensation Committee will review the Corporation's projected performance for that year and will make a determination as to whether STIP Awards are payable for the year. If so, STIP Awards will be paid as a cash bonus no later than March 15th following the end of that plan year.

Except in the case of a termination due to a participant's death, disability or retirement as discussed below, no STIP Award will be granted to any participant whose employment with the Corporation is terminated for any reason. In addition, a participant must be an active employee of the Corporation on the date the STIP Award is paid to receive his or cash bonus under that STIP Award.

If a participant is disabled by an accident or illness and is disabled long enough to be placed on long-term disability under the Corporation's long-term disability policy, then the participant's STIP Award for the plan year will be prorated so that no STIP Award will be earned during the period of long-term disability. In the event a participant's employment is terminated due to death or disability (as defined in the Corporation's long-term disability policy), the Corporation will pay to the participant's estate or to the participant (as the case may be) the pro rata portion of the STIP Award that had been earned by the participant through the date of termination. Participants who retire (as defined in the STIP) during a plan year will receive a pro-rata portion of the STIP Award based on the retirement date.

Similar to the LTIP, the STIP includes forfeiture and clawback provisions in the event of malfeasance on the part of a participant. Further, the STIP provides that all participants will be required to forfeit vested awards if the Corporation is required to restate its financial statements to the extent awards vested based on incorrect financial statements, but this forfeiture provision has a three-year look-back period.

For 2020, the performance metrics are return on average assets, efficiency ratio, average delinquencies as a percentage of total loans, and individual performance that are specific to each participant. The STIP Award opportunities and performance metrics for 2020 are detailed in [Appendix A](#) to the STIP. The following table provides information about awards that could be earned by the Corporation's principal executive officer, principal financial officer, and named executive officers in 2020 and paid in 2021 under the STIP:

GRANTS OF PLAN-BASED AWARDS

Name	Date	Estimated Possible Annual Payouts Under the EPPP (\$)		
		Threshold	Target	Maximum (Stretch)
Carissa L. Rodeheaver	2020			
Tonya K. Sturm	2020			
Robert L. Fisher, II	2020			
Jason B. Rush	2020			

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The exhibits filed or furnished with this report are listed in the following Exhibit Index:

<u>Exhibit No.</u>	<u>Description</u>
10.1	First United Corporation Long-Term Incentive Plan (filed herewith)
10.2	First United Corporation Short-Term Incentive Plan (filed herewith)*

* Portions of the exhibit have been omitted pursuant to Item 601(b)(10)(vi) of Regulation S-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST UNITED CORPORATION

Dated: March 16, 2020

By: /s/ Tonya K. Sturm
Tonya K. Sturm
Senior Vice President & CFO

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

FIRST UNITED CORPORATION LONG-TERM INCENTIVE PLAN

Introduction

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of First United Corporation (the “Corporation”) has adopted this Long-Term Incentive Plan (this “Plan”) as a sub-plan of the Corporation’s 2018 Equity Compensation Plan that was adopted at the 2018 annual meeting of shareholders (the “Equity Plan”). The purpose of this Plan is to reward participants for increasing shareholder value of the Corporation, align interests with shareholders, and serve as a retention tool for key executives.

As used in this Plan, the term “Corporation” refers to First United Corporation and, as the context requires, its subsidiaries.

Objectives for this Plan

The Plan is part of a total compensation package that includes base salary, annual incentives, long-term incentives, and benefits. Below are specific objectives for this Plan:

- Motivate and reward senior management for increasing the long-term shareholder value of the Corporation.
- Create a strong focus on pay-for-performance by providing a significant portion of total compensation at risk.
- Position the Corporation’s total compensation to be competitive with market for meeting defined performance goals.
- Enable the Corporation to attract and retain talent needed to drive its success.

Eligibility/Participation

The CEO of First United Corporation and certain other executive officers of the Corporation are eligible to participate in this Plan. The Compensation Committee designates those executive officers who are eligible to participate in this Plan and who should receive awards under this Plan. The Compensation Committee may solicit eligibility and participation recommendations from the CEO.

In order to receive an Award under this Plan, participants must be an active employee of the Corporation and in good standing at the time of grant. Employees hired after a grant date will not be eligible to participate in that grant.

Grant of Awards

The Compensation Committee believes that awards that vest based on the Corporation's performance and/or time align executive officers with shareholder interests. Accordingly, under this Plan, a participant will receive one or more awards of restricted stock units (an "Award"). An Award may vest based on performance metrics to be established by the Compensation Committee from time to time (a "Performance Award"), or may vest over a period of time (the "Time Award"). The value of an Award is a specified percentage of the participant's salary as of the date of grant, which will be stated on an Appendix A to this Plan. Each participant's Award opportunity will be determined based on competitive market practice for his/her role. These opportunities will be determined so as to reflect a target total compensation package that is competitive and provides a significant percentage of pay based on performance (annual incentive + long-term incentive).

An Award of an RSU represents the right to receive the aggregate value of the shares of the Corporation's common stock subject to Award as of the date on which the Award vests. That value may be paid in shares of stock, cash, or a combination of shares and cash, as determined by the Compensation Committee at the time each Award is granted. To determine the targeted number of shares that are subject to an Award, the value of the Award will be divided by the Fair Market Value (as that term is defined in the Equity Plan) of a share of the Corporation's common stock as of the date of grant, rounded down to the nearest whole share (the "Target Shares"). For Performance Awards, the number of shares that could be issued (or converted into a cash payment, if the Compensation Committee were to determine to pay an Award in cash) if the threshold, target or the maximum target is met will be determined by multiplying the Target Shares by the threshold percentage, target percentage and maximum percentage, respectively. All Awards will be evidenced by an individual award agreement with the participant that details the number of shares of common stock covered by the Award, the performance metrics that will dictate whether and the extent to which the Award will vest, and other terms consistent with this Plan and the Equity Plan.

Performance Goals; Performance Period; Vesting of Awards

For each Performance Award, the Compensation Committee will establish one or more performance goals for a three-year performance period (the "Performance Period") and the minimum thresholds that must be met for the Award to vest, stated as a percentage of the targeted performance goals. The extent to which an Award will vest will be based on whether performance for the Performance Period meets or exceeds the threshold levels, target levels or stretch levels established for each performance metric. The Compensation Committee may assign particular weightings to each of these performance metrics. Threshold performance will cause a portion of an Award that is less than 100% to vest; target performance will cause 100% of the Award to vest; and maximum performance will cause a multiple of 100% of the Award to vest. Actual vesting amounts will be pro-rated between threshold and target levels and target and maximum levels to reward incremental improvement. The Performance Period, the applicable performance metrics, and the threshold, target and maximum levels for those metrics will be established each year by the Compensation Committee and set forth in Appendix A to this Plan. The goals for the performance metrics will be specified in a participant's award agreement.

The vesting of a Performance Award is "all or nothing", in that the Performance Award will vest only if the Corporation achieves the threshold goals and then only if the participant is employed by the Corporation on the vesting date. All Performance Shares will lapse if the specified thresholds are not met or the participant is not employed on the vesting date. Achievement of the threshold, target or maximum levels for a Performance Award will be determined by the Compensation Committee on the date on which the Corporation files its Annual Report on Form 10-K containing audited financial statements for the last year of the Performance Period related to the Award or March 15th of the year following the end of the Performance Period, whichever occurs first. If the Corporation is not required to file a Form 10-K, then the determination will occur no later than March 15th of the year following the end of the Performance Period. Promptly thereafter, the Compensation Committee shall notify each participant in writing as to whether the threshold, target or maximum levels for the Performance Period were satisfied. In all cases, the vesting date for a Performance Award will be March 15th of the year following the end of the Performance Period for that Award.

A Time Award will vest on the date or dates specified in the related award agreement.

Long-Term Incentive Plan Subject to Equity Plan

Notwithstanding anything in this Plan to the contrary, the terms of this Plan are subject to the terms of the Equity Plan, a copy of which must be provided to each participant at the time an Award is granted.

Effective Date

The Plan is effective as of March 11, 2020. The Plan, its performance goals and its other components may be reviewed and revised annually by the Compensation Committee to ensure proper alignment with the Corporation's objectives. The Compensation Committee retains the right as described below to amend, modify or terminate this Plan at any time during the specified period.

Program Authorization and Oversight

The Compensation Committee has the sole authority to establish rules for and otherwise interpret this Plan, to designate those employees who are eligible for participation, to grant awards under this Plan, and to otherwise administer this Plan as described in the Omnibus Equity Compensation Plan. Any determination by the Compensation Committee will be final and binding.

Amendment and Termination

The Compensation Committee has developed this Plan on the basis of existing business, market and economic conditions; current philosophy and staff assignments. If substantial changes occur that affect these factors, the Compensation Committee may add to, amend, modify or discontinue any of the terms or conditions of the Program at any time. No such addition, amendment, modification or discontinuance shall adversely impact any participant who has been granted an Award without that participant's consent.

Termination of Employment; Disability, Retirement and Death; Leaves of Absence

If the employment of a participant is terminated prior to the vesting date of an outstanding Award other than because of death, disability, or retirement, all unvested awards will lapse and be forfeited.

If a participant becomes disabled and is disabled long enough to be placed on long-term disability, his/her outstanding unvested awards may be appropriately prorated so that no Award will be earned during the period of long-term disability. If a participant's employment is terminated due to disability, the Corporation will pay an amount of shares or cash to the participant based on the pro rata portion of the award that would have been earned by the participant had the participant remained employed through the vesting date and had the threshold goals been met. Such payment will be made as soon as practicable after termination.

In the event of retirement or death, the Corporation will pay an amount of shares or cash to the participant or his or her estate (as the case may be) based on the pro rata portion of the award that would have been earned by the participant had the participant remained employed through the vesting date and had the threshold goals been met. Such payment will be made as soon as practicable after death or retirement.

The method of determining the pro rata portion that shall be deemed vested in the event of termination due to disability, retirement or death shall be specified in each award agreement.

In the event of an approved leave of absence, a participant's Award may be appropriately adjusted to reflect the period of active status.

Change in Control of First United Corporation

Unless a participant has entered into an agreement under the First United Corporation Change in Control Severance Plan that provides otherwise (the "CiC Plan"), in which case the CiC Plan shall control, Section 15 of the Equity Plan shall apply to the Awards in the event there is a Change in Control (as defined in the Equity Plan).

Ethics

Any unvested Award will terminate and lapse in the event the Compensation Committee determines that a participant (i) knowingly participated in the altering, inflating, and/or inappropriate manipulation of performance or financial results of the Corporation for any fiscal year, or (ii) willfully engaged in any activity injurious to the Corporation. In addition, in the event of item (i), the participant shall forfeit and return to the Corporation all shares of common stock (or cash, to the extent the Award was paid in cash, in which case such amount shall be repaid to the Corporation) issued pursuant to a Performance Award to the extent it vested based on the altered, inflated, or manipulated financial results.

Clawback

Subject to the forfeiture provisions in the "Ethics" section above, if an Award has vested and the Corporation is thereafter required to restate its financial statements in respect of any period covered by the Performance Period for that award due to the material noncompliance with any applicable financial reporting requirements, including securities laws, the award shall be adjusted to give retroactive effect to the restatement. In such case, a participant who received a distribution under such an Award will generally be required to forfeit and return to the Corporation that portion of the award that the restatement shows should not have been earned; *provided, however*, that, notwithstanding the foregoing, no participant or former participant shall be required to return any portion of any award to the extent it was paid more than three years prior to the date the Corporation determines that a restatement is required.

Miscellaneous

Upon the vesting of an Award or the payment of cash upon termination of employment, the Corporation shall be entitled to withhold Performance Shares or cash from the award in an amount necessary to satisfy all federal, state and local taxes required to be withheld or otherwise deducted and paid with respect to such award.

Neither this Plan nor any award agreement granted hereunder will be deemed to give any participant the right to remain an employee of the Corporation, nor will this Plan or an award agreement interfere with the right of the Corporation to discharge any participant at any time. In the absence of an authorized, written employment contract, the relationship between employees and the Corporation is one of at-will employment. The Plan does not alter the relationship.

The Program and the transactions and payouts hereunder shall, in all respect, be governed by, and construed and enforced in accordance with the laws of the State of Maryland and the Omnibus Equity Compensation Plan.

Each provision of this Plan is severable. If any provision is held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not, in any way, be affected or impaired thereby.

APPENDIX A

Performance Award Opportunities – Three-Year Performance Period Beginning January 1, 2019

The Compensation Committee may grant Performance Awards in 2020 with respect to a Performance Period that will be deemed to have commenced on January 1, 2019 and that will end on December 31, 2021. The value of an Award will be equal to 10% of the participant's base salary as of December 31, 2018, and the performance metric will be earnings per share. The threshold level for vesting purposes will be 50% of the target amounts. The maximum level will be 150% of the target amount. The targeted performance goal for this Performance Period will be specified in each award agreement. If the threshold level is met, then 50% of the Performance Award will vest; if the target level is met, then 100% of the Performance Award will vest; and if the maximum level is met, then 150% of the Performance Award will vest. Actual vesting amounts will be pro-rated between threshold and target level and target and maximum levels. The targeted performance goal will be specified in each award agreement. The vesting date for these Performance Awards will be March 15, 2022, provided that (i) the participant is an employee of the Corporation in good standing on such date and (ii) the Corporation's earnings per share for the one-year period ending December 31, 2021 meet or exceed the threshold level.

Performance and Award Opportunities – Three-Year Performance Period Beginning January 1, 2020

The table below provides the Award opportunities as a percentage of base salary at December 31, 2019:

Tier	Annual Target Award Opportunity (% of Base Salary)
CEO	15%
I	15%

Tier I includes the following executive officers: Chief Financial Officer; Chief Operating Officer; Chief Revenue Officer; and Senior Trust Officer.

Two-thirds of an Award will be a Performance Award, and one-third of the Award will be a Time Award. The Time Award will vest ratably over a three-year period, beginning on the first anniversary of the grant date. A participant must be an employee in good standing on each vesting date to receive shares under a Time Award.

2020 Performance Goals for Performance Awards

The Performance Period will be deemed to have commenced on January 1, 2020 and will end on December 31, 2022. The targeted performance goals will be earnings per share and tangible book value per share. The threshold level for vesting purposes will be 50% of the target amount. The maximum level will be 150% of the target amount. Threshold performance for at least one of these performance metrics must be met for an award to vest. The targeted performance goals for this Performance Period will be specified in each award agreement. If the threshold levels are met, then 50% of the Performance Award will vest; if the target levels are met, then 100% of the Performance Award will vest; and if the maximum levels are met, then 150% of the Performance Award will vest. Actual vesting amounts will be pro-rated between threshold and target levels and target and maximum levels. The vesting date for these Performance Awards will be March 31, 2023, provided that the participant is an employee of the Corporation in good standing on such date, and either (a) the Corporation's earnings per share for the one-year period ending December 31, 2022 meets or exceeds the threshold level for that performance metric, or (b) the Corporation's tangible book value per share meets or exceeds the threshold level for that performance metric.

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Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

Portions of Appendix A to this Exhibit 10.2, identified by brackets, has been excluded from this Exhibit because it is both not material and would likely cause competitive harm to the registrant if publicly disclosed. Such information will be disclosed as, if and when required pursuant to Item 402 of Regulation S-K.

FIRST UNITED CORPORATION SHORT-TERM INCENTIVE PLAN

Introduction and Objective

The annual incentive compensation plan, known as the Short-Term Incentive Plan (the "Plan"), of First United Corporation (the "Corporation") is designed to recognize and reward certain employees of the Corporation and its affiliates for their collective contributions to the success of the Corporation. The Plan focuses on the financial measures that are critical to the Corporation's growth and profitability. This document summarizes the elements and features of the Plan.

In short, the objectives of the Incentive Plan are to:

- Align pay with performance;
- Encourage teamwork and collaboration across all areas of the Corporation and its affiliates;
- Motivate and reward the achievement of specific, measurable performance objectives;
- Position total cash compensation to be competitive with market when performance meets expectations;
- Motivate and reward employees for achieving/exceeding performance goals; and
- Enable the Corporation and its affiliates to attract and retain the talent needed to drive success.

Eligibility

The Corporation's CEO and certain other executive officers of the Corporation and its affiliates selected by the Compensation Committee (the "Compensation Committee") of the Corporation's Board of Directors (the "Board") are eligible to participate in the Plan. An employee who becomes a participant after the beginning of the Plan year, whether because he or she is a new hire or because he or she is appointed as an executive officer during a Plan year, is eligible for a prorated award for that Plan year based on the period of the Plan year during which he or she was a participant, provided that an executive must be employed by October 1 of a Plan year to be eligible for an award for that Plan year.

Participants must maintain a performance level of "Satisfactory", as determined by achieving a 3 or greater rating in the Corporation's performance review program.

Participants must be an active employee of the Corporation or one of its affiliates as of the award payout date to receive an award (other than exceptions for death, disability and retirement contained herein).

Effective Date

The Plan is effective March 11, 2020. The Plan will be reviewed annually by the Compensation Committee and by Executive Management to ensure proper alignment with the Corporation's business objectives and to revise, if necessary, the performance goals. The Corporation retains the rights as described below to amend, modify or discontinue the Plan at any time during the specified period. The Plan will remain in effect until terminated by the Compensation Committee.

Program Administration

The Plan was adopted by the Compensation Committee and reported to the Board. The Compensation Committee has the sole authority to interpret the Plan and to make or nullify any rules and procedures, as necessary, for proper administration. Any determination by the Compensation Committee will be final and binding on all participants.

Performance Period

The performance period and Plan operate on a calendar year basis (January 1 – December 31st). The first Plan year is January 1, 2020 to December 31, 2020.

Incentive Payout Opportunity

Each participant will have a target incentive opportunity based on competitive market practice for his/her role. A participant's award will be based upon a percentage of the participant's base salary as of December 31 for the Plan year and will be calculated based on whether actual performance with respect to specified metrics meets threshold levels, target levels, or maximum levels for those metrics. The Compensation Committee may assign particular weightings to each of these performance metrics. Threshold performance will pay out a specified percentage of the target award that is less than 100%; target performance will pay out the target award; and maximum performance will pay out a specified percentage of the target award that is greater than 100%. Where actual performance does not meet the threshold level for a particular metric, no award payout will be made with respect to that metric. Actual payouts for each performance metric will be pro-rated between threshold and target levels and target and maximum levels to reward incremental improvement. The performance metrics for a particular year and the threshold, target and maximum levels for those metrics will be established each year by the Compensation Committee and set forth in Appendix A to this Plan.

Plan Trigger

The Compensation Committee may condition the activation of the Plan for a particular year on whether actual performance meets a specified threshold level for one or more performance metrics, regardless of whether actual performance with respect to other performance metrics meets or exceeds the threshold levels for those metrics. For example, the Compensation Committee could determine that no awards will be paid for a particular year unless earnings per share for that year exceed 50% of the targeted earnings per share goal established by the Compensation Committee. The performance trigger(s) for a Plan year, if any, will be stated in Appendix A to this Plan.

Example

Below is an illustration for a fictional executive with a base salary of \$125,000 and an incentive target of 20% of base salary (\$25,000), where the performance metrics are return on average assets (ROA), efficiency ratio, average delinquencies as a percentage of total loans, and individual performance. Goal weight and actual performance are provided for illustration only.

Participant Goals				Performance and Payout		
Performance Metric	Performance Goal <i>threshold/target/maximum</i>	Weight	\$	Actual Performance	Payout Allocation <i>(0% - 150%)</i>	Payout (\$)
ROA	.84% / .93% / 1.02%	40%	\$10,000	Threshold	50%	\$5,000
Efficiency Ratio	70% / 68% / 66%	20%	\$5,000	Target	100%	\$5,000
Delinquencies	.58% / .53% / .48%	20%	\$5,000	Maximum	150%	\$7,500
Individual Performance – Net Interest Margin	3.31% / 3.68% / 4.05%	10%	\$5,000	Below Threshold	0%	\$0
TOTAL		100%	\$25,000	70% payout		\$17,500

Award Payouts

Awards for a Plan year will be paid as a cash bonus no later than March 15th following the end of the Plan year. Awards will be calculated based on actual performance relative to the target levels. Awards will be taxable income to participants in the year in which the award is actually paid and will be subject to withholding for required income and other applicable taxes.

Any rights accruing to a participant or his/her beneficiary under the Plan shall be solely those of an unsecured general creditor of the Corporation. Nothing contained in the Plan, and no action taken pursuant to the provisions hereof, will create or be construed to create a trust of any kind, or a pledge, or a fiduciary relationship between the Corporation and its affiliates, on the one hand, and a participant or any other person, on the other hand. Nothing herein will be construed to require the Corporation to maintain any fund or to segregate any amount for a participant's benefit.

Program Changes or Discontinuance

The Corporation has developed the Plan based on existing business, market and economic conditions. If substantial changes occur that affect these conditions, the Corporation may add to, amend, modify or discontinue any of the terms or conditions of the Plan at any time.

The Compensation Committee may also, at its sole discretion, waive, change or amend the Plan, as it deems appropriate.

No amendment, modification, discontinuance or waiver may adversely affect a participant's eligibility to receive an award if he or she has been notified of such eligibility.

Notwithstanding any other provision of this Plan to the contrary, however, the Corporation may amend, modify or terminate this Plan, without the consent of the participants, as the Corporation deems necessary or appropriate to ensure compliance with any law, rule, regulation or other regulatory pronouncement applicable to the Plan, including, without limitation, Section 409A of the Internal Revenue Code and any related regulations or other guidance promulgated with respect to Section 409A of the Code.

Promotions and Transfers

If a participant changes his/her role or is promoted during the Plan year, he/she will be eligible for the new role's target award on a prorata basis (*i.e.* the award will be determined based on the number of months employed in each position.)

Termination of Employment

Except in the case of a termination due to a participant's death, disability or retirement as discussed below, no incentive award will be granted to any participant whose employment with the Corporation or one of its affiliates is terminated for any reason. Moreover, to encourage employees to remain in the employment of the Corporation, a participant must be an active employee of the Corporation or one of its affiliates on the date the incentive is paid to receive an award.

Death, Disability or Retirement

If a participant is disabled by an accident or illness and is disabled long enough to be placed on long-term disability under the Corporation's long-term disability policy, his/her award for the Plan year shall be prorated so that no award will be earned during the period of long-term disability.

In the event a participant's employment is terminated due to death or disability (as defined in the Corporation's long-term disability policy), the Corporation will pay to the participant's estate or to the participant (as the case may be) the pro rata portion of the award that had been earned by the participant through the date of termination.

Participants who retire during the Plan year will receive a pro-rata portion of the award based on the retirement date. For purposes of the Plan, the term "retire" means a participant's voluntary termination of his or her employment (other than by reason of death or disability) after (i) reaching 60 years of age and (ii) completing 10 years of service with the Corporation.

Clawback

In the event the Corporation is required to prepare an accounting restatement due to the material noncompliance of the Corporation with any financial reporting requirement under applicable securities laws or applicable accounting principles, then each participant who received an award under the Plan will be required to return to the Corporation his or her award to the extent the accounting restatement shows that a smaller award should have been paid; *provided, however*, that, notwithstanding the foregoing, no participant or former participant will be required to return any portion of any award to the extent it was paid more than three years prior to the date the Corporation determines that a restatement is required. To the extent a participant has deferred into a deferred compensation plan of the Corporation an amount that an accounting restatement shows should not have been awarded, such participant's account under the deferred compensation plan will be adjusted to reflect such improperly-awarded amount (and earnings and losses thereon).

Ethics and Interpretation

If there is any ambiguity as to the meaning of any terms or provisions of this Plan or any questions as to the correct interpretation of any information contained herein, the Corporation's interpretation expressed by the Compensation Committee will be final and binding. It is the intent of the Corporation that this Plan and each award hereunder comply with the applicable provisions of Section 409A of the Internal Revenue Code, and the Plan shall be so interpreted and administered accordingly, including with respect to any restrictions or other limitations imposed by Section 409A of the Internal Revenue Code on the amount and timing of distributions payable under an award.

The altering, inflating, and/or inappropriate manipulation of performance/financial results or any other infraction of recognized ethical business standards by a participant will subject that participant to disciplinary action up to and including termination of employment. In addition, that participant's eligibility for an award under the Plan shall be revoked.

If it is determined (by the independent members of the Compensation Committee) that a participant has willfully engaged or is willfully engaging in any activity that was or is injurious to the Corporation or its affiliates, then the participant shall forfeit eligibility for an award for the Plan year in which such determination is made. If it is determined that such activity occurred during a Plan year for which the participant received an award under the Plan, then, subject to any provision of the Corporation's deferred compensation plan that does not permit the forfeiture of amounts deferred into such plan, the participant shall return the award to the Corporation.

Miscellaneous

The Plan will not be deemed to give any participant the right to be retained in the employ of the Corporation or any of its affiliates, nor will the Plan interfere with the right of the Corporation or an affiliate to discharge any participant at any time.

In the absence of an authorized, written employment contract, the relationship between a participant and the Corporation and its affiliates is one of at-will employment. The Plan does not alter the relationship.

This Plan and the transactions and payments hereunder shall, in all respects, be governed by, and construed and enforced in accordance with the laws of the State of Maryland.

Each provision in this Plan is severable, and if any provision is held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not, in any way, be affected or impaired thereby.

Participant Acknowledgement

As a condition to participation in the Plan and the receipt of any award, each participant shall sign and deliver to the Corporation an acknowledgement in which he or she agrees to the terms and conditions of the Plan.

Appendix A

Short-Term Incentive Plan 2020 Plan Year Targets and Goals

Incentive Targets

The incentive targets for the 2020 Plan year are set forth in the following table:

2020 Short-Term Incentive Opportunities (% of Base Salary)				
Tier	Below Threshold	Threshold (50% of Target)	Target (100%)	Maximum (150% of Target)
CEO	0%	7.5%	15%	22.5%
Tier I	0%	7.5%	15%	22.5%

Tier I includes the following executives: Chief Financial Officer (CFO); Chief Operations Officer (COO); Chief Revenue Officer (CRO); and Senior Trust Officer (STO).

Performance Goals

For Plan year 2020, the performance goals are return on average assets (ROAA), efficiency ratio, delinquencies as a percentage of total loans, and individual performance based upon the metric indicated for each position in the following table. The following table shows the performance goals at threshold, budget and maximum for Plan year 2020:

Performance Measures	Wt.	2020 Performance Metrics		
		Threshold (90% of target performance)¹	Target (100%)	Maximum (110% of target performance)
ROAA	40%	[]%	[]%	[]%
Efficiency Ratio (non-GAAP)	20%	[]%	[]%	[]%
Average Delinquencies as % of total loans	20%	[]%	[]%	[]%
Individual Performance	20%			
CEO – Corporate Net Income (millions)		\$[]	\$[]	\$[]
CFO – Corporate Net Interest Margin		[]%	[]%	[]%
COO – Non-Interest Expenses as a % of Average Assets		[]%	[]%	[]%
CRO – Corporate Operating Leverage Ratio		[]%	[]%	[]%
STO – Wealth Pre-tax Income as a % of Wealth Total Revenue		[]%	[]%	[]%

¹ Performance goals are net of incentive payouts; only way to get threshold award is if incentive awards are included. Threshold has a floor of the prior year's actual result.

Minimum Performance Trigger

For Plan year 2020, the Corporation's net income must be at least 50% of goal for that year, which is \$[], or the Plan will not pay out any awards, regardless of the performance with respect to the award metrics.

Acknowledgement

By signing below, the undersigned participant acknowledges the terms of the Executive Pay-for-Performance Plan and his or her award opportunity.

Date: _____, 2020

Name: _____

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