

FIRST UNITED CORP/MD/
Form S-1
November 07, 2016

As filed with the Office of the Securities and Exchange Commission on November 7, 2016

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

FIRST UNITED CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

52-1380770

(I.R.S. Employer Identification Number)

19 South Second Street, Oakland, Maryland 21550

(Address of Principal Executive Offices)

Carissa L. Rodeheaver

Chairman, President and Chief Executive Officer

First United Corporation

19 South Second Street, Oakland, Maryland 21550

(888) 692-2654

(Name, Address and Telephone Number of Agent for Service)

Copies to:

Andrew Bulgin, Esquire

Gordon Feinblatt LLC

The Garrett Building

233 East Redwood Street

Baltimore, Maryland 21202

(410) 576-4280

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered (1)	Proposed maximum offering price per share (2) (3)	Proposed maximum aggregate offering price (2) (3)	Amount of registration fee (2) (3)
Non-transferable Common Stock Subscription Rights	6,269,004	N/A	N/A	N/A
Common stock, par value \$.01 per share	783,626	\$ 11.93	\$ 9,348,658.18	\$ 1,083.51

(1) This registration statement relates to: (a) non-transferable subscription rights to purchase common stock of the Registrant, which subscription rights are to be issued to holders of the Registrant's common stock; and (b) the shares of common stock deliverable upon the exercise of the non-transferable subscription rights pursuant to the rights offering. This registration statement also covers any additional shares of common stock of the Registrant that may become issuable due to adjustments for changes resulting from stock dividends, stock splits, recapitalizations, mergers, reorganizations, combinations or exchanges or other similar events.

(2) The non-transferable subscription rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable with respect to the rights being offered hereby since the rights are being registered in the same registration statement as the securities to be offered pursuant thereto.

(3) The subscription price will be between \$9.00 per share and \$11.93 per share, with such price determined based on a formula at the time this registration statement is declared effective. The registration fee has been calculated in accordance with Rule 457(o) under the Securities Act of 1933, as amended, based on the maximum aggregate price at which the securities may be offered.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated November 7, 2016

Prospectus

Common Stock, Par Value \$.01 Per Share, Underlying Subscription Rights

to Purchase up to 783,626 Shares of Common Stock

We are distributing, at no charge, non-transferable subscription rights, which we sometimes refer to as a “right”, to purchase up to an aggregate of 783,626 shares of our common stock for a subscription price of \$[•] per share. Rights are being distributed to each person who held shares of our common stock as of 5:00 p.m., Eastern Standard Time, on [•], 20[•], which we refer to as the “record date”.

Each right will entitle the holder to a basic subscription privilege and an oversubscription privilege. Under the basic subscription privilege, subject to the fact that we will not issue fractional shares, each right entitles its holder to purchase 0.125 new shares for each share of our common stock held as of the record date, which is the same as one new share for each eight (8) shares held as of the record date. Under the oversubscription privilege, each holder who fully exercises its basic subscription privilege may subscribe, at the subscription price, for additional whole shares for allocation in the event that not all available shares are purchased pursuant to all shareholders’ basic subscription privilege. However, the oversubscription privilege will be offered only for an aggregate number of shares that, when combined with the number of shares purchased pursuant to all shareholders’ basic subscription privilege, does not exceed 783,626 shares. We reserve the right to accept or reject oversubscriptions for any reason. We do not intend to accept any oversubscriptions that we believe may have an unfavorable effect on our ability to preserve our net operating loss deferred tax asset. Purchases of shares pursuant to the offering are also subject to certain other limitations described in this prospectus. As noted above, we will not issue fractional shares of common stock in the offering and holders will be entitled to purchase only a whole number of shares of common stock, rounded down to the nearest whole number. Thus, a shareholder must own at least eight shares of common stock as of the record date to purchase one new share under the basic subscription privilege.

If you fully exercise your basic subscription privilege, then you will not experience any dilution in the percentage of our outstanding shares of common stock that you own immediately after the completion of the offering. If we accept your subscription pursuant to your oversubscription privilege, then in all circumstances the percentage of our outstanding shares that you own immediately after the offering will be higher than it was before the offering.

Subscription rights will expire if they are not exercised by 5:00 p.m., Eastern Standard Time, on [•], 20[•], which we refer to as the “expiration date”, unless we extend the offering period for up to 30 days until [•], 20[•]. You should carefully consider whether to exercise your subscription rights before the expiration of the offering. All exercises of subscription rights are irrevocable. Our Board of Directors is making no recommendation regarding your exercise of the subscription rights.

We reserve the right to amend the terms of or cancel the offering at any time. Computershare Inc., our subscription agent for the offering, will hold all funds it receives in an escrow account until completion of the offering. If we decide to extend, amend or modify the terms of the offering for any reason, subscriptions received prior to such extension, amendment or modification will remain irrevocable. If we cancel the offering, all subscription funds will be returned promptly, without interest or penalty.

To facilitate the offering, we have entered into Standby Purchase Agreements, which we refer to as “Standby Purchase Agreements”, with certain accredited investors, whom we refer to as the “standby investors”. Subject to certain limits and other conditions set forth in the Standby Purchase Agreements, the standby investors have agreed to purchase from us, at the subscription price, a portion of the shares of our common stock that are not purchased by shareholders in the offering. See the section of this prospectus entitled “THE STANDBY PURCHASE AGREEMENTS” for further details.

The shares are being offered directly by us without the services of an underwriter or selling agent. We will receive all of the net proceeds from shares sold in the offering. The purpose of the offering is to raise equity capital in a cost-effective manner that allows current shareholders to participate. See the section of this prospectus entitled “USE OF PROCEEDS”.

Our common stock is listed on The NASDAQ Global Select Market under the symbol “FUNC”. On November 4, 2016, the last trading day prior to the announcement of this rights offering, the closing sales price of our common stock was \$11.60 per share. The last reported sale of our common stock occurred on [•], 20[•], and the closing sales price of our common stock on that date was \$[•] per share.

The exercise of your rights for shares of our common stock involves risks. You should carefully consider the risk factors beginning on page [•] of this prospectus before exercising your rights.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits, or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Our principal executive offices are located at 19 South Second Street, Oakland, Maryland 21550 and our telephone number is (888) 692-2654.

The date of this prospectus is [•], 20[•]

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ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with any other or different information. If anyone provides you with information that is different from, or inconsistent with, the information contained or incorporated by reference in this prospectus, you should not rely on it. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, or that the information incorporated by reference herein is accurate as of any date other than the date of the relevant report or other document in which such information is contained. Our business, financial condition, results of operations and prospects may have changed since such dates.

Neither we nor any of our officers, directors, agents, or representatives make any representation to you about the legality of an investment in our common stock. You should not consider any information in this prospectus or in the documents incorporated by reference herein to be investment, legal, or tax advice. You should consult your own counsel, accountant, and other advisors for legal, tax, business, financial, and related advice regarding the purchase of our securities.

The distribution of this prospectus, the offering and the sale of shares of our common stock in certain jurisdictions may be restricted by law. This prospectus does not constitute an offer of, or a solicitation of an offer to buy, any shares of common stock in any jurisdiction in which such offer or solicitation is not permitted.

The industry and market data and other statistical information contained in this prospectus and the documents incorporated herein are based on management's own estimates, independent publications, government publications, reports by market research firms or other published independent sources and, in each case, are believed by management to be reasonable estimates. Although we believe these resources to be reliable, we have not independently verified the information.

As used in this prospectus, the terms "the Company", "we", "us" and "our" refer to First United Corporation and, unless the context clearly requires otherwise, its consolidated subsidiaries, and the term "the Bank" refers to First United Corporation's wholly-owned bank subsidiary, First United Bank & Trust.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements contained, or incorporated by reference, in this prospectus may include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Such statements constitute forward-looking statements and are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking statements are based on various factors and were derived using numerous assumptions. In some cases, you can identify forward-looking statements by words like “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “intend”, “believe”, “estimate”, “predict”, “potential”, or “continue” or the negative of those words and other comparable words. You should be aware that those statements reflect only our predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind when reading this prospectus and not place undue reliance on these forward-looking statements. Factors that might cause such differences include, but are not limited to:

- the risk that the weak national and local economies and depressed real estate and credit markets caused by the recent global recession will continue to decrease or hinder the demand for loan, deposit and other financial services and/or increase loan delinquencies and defaults;

- changes in market rates and prices may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our balance sheet;

- our liquidity requirements could be adversely affected by changes in our assets and liabilities;

- the effect of legislative or regulatory developments, including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry;

- competitive factors among financial services organizations, including product and pricing pressures and our ability to attract, develop and retain qualified banking professionals;

the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board, the Securities and Exchange Commission, which we refer to as the “Commission”, the Public Company Accounting Oversight Board and other regulatory agencies;

the effect of fiscal and governmental policies of the United States federal government; and

the risk that our shareholders will choose to not participate in the offering and/or the risk that the closing of the sales of shares contemplated by the Standby Purchase Agreements will not occur.

You should also consider carefully the statements under the heading “RISK FACTORS” on page [•], including the statements incorporated by reference into that section, and in the other sections of this prospectus, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. Also note that we provide cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses in our periodic and current reports filed with the Commission and incorporated by reference in this prospectus and in prospectus supplements and other offering materials. The risks discussed in this prospectus and in the other documents referenced above are factors that, individually or in the aggregate, management believes could cause our actual results to differ materially from expected and historical results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

QUESTIONS AND ANSWERS RELATING TO THE OFFERING

The following are examples of what we anticipate will be common questions about the offering. The answers are based on selected information from this prospectus and the documents incorporated by reference in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the offering. This prospectus and the documents incorporated by reference contain more detailed descriptions of the terms and conditions of the offering and provide additional information about us and our business, including potential risks related to the offering, our common stock, and our business.

Exercising your subscription rights and investing in our common stock involves a high degree of risk. We urge you to carefully read the section entitled “RISK FACTORS” beginning on page [•] of this prospectus, and all other information included or incorporated by reference in this prospectus in its entirety before you decide whether to exercise your rights.

What is the offering?

We are distributing to holders of our common stock as of 5:00 p.m., Eastern Standard Time, on [•], 20[•], subscription rights, on a pro rata basis and at no cost, to purchase an aggregate of 783,626 shares of our common stock at a subscription price of \$[•] per share. If you are a holder of our common stock as of the record date, then, under your basic subscription right, you will receive the right to subscribe for 0.125 shares of common stock at the subscription price for every one share of our common stock that you owned as of the record date. If you fully exercise your basic subscription privilege, then you will also be entitled to request to purchase additional shares pursuant to your oversubscription privilege, as described below. The subscription rights are evidenced by rights certificates.

Why are we conducting the offering?

We are conducting the offering to raise capital that can be used to offset the impact of our planned redemption of \$10 million of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A, which we refer to as the “Series A Preferred Stock”, and our planned repayment of \$10.8 million of our junior subordinated debentures, which we refer to as “TPS Debentures”, issued to our Delaware statutory business trust subsidiary, First United Statutory Trust III, which we refer to as “Trust III”. We intend to consummate the redemption and repayment as soon as is practicable following the closing of the offering. Our Board of Directors has chosen to raise capital through a rights offering to give our shareholders the opportunity to prevent ownership dilution by acquiring additional shares of common stock in the offering. Our Board of Directors also considered several alternative capital-raising methods prior to concluding that the offering was

the best option under the current circumstances. We believe that raising capital at this time, in this manner and for the foregoing purposes is prudent in light of current market conditions and the anticipated impact of the offering and use of proceeds on our financial condition, but our Board of Directors is making no recommendation regarding your exercise of the subscription rights. We cannot assure you that we will not need to seek additional financing or engage in additional capital raising transactions in the future.

What is the basic subscription privilege and oversubscription privilege?

Subject to the fact that we will not issue fractional shares in the offering, the basic subscription privilege entitles a holder of a right to purchase 0.125 shares of our common stock at the subscription price. For example, if you owned 80 shares of our common stock on the record date, then you would be granted 80 rights and you would have the right to purchase 10 shares of our common stock for an aggregate subscription price of \$[•]. If, however, you owned less than eight shares on the record date, then you would not be able to purchase shares in the offering. You may exercise all or any number of your rights, or you may choose to not exercise any of your rights. If you exercise less than your full basic subscription privilege, then you will not be entitled to purchase shares under your oversubscription privilege. Please note that, as noted above, we will not issue fractional shares of common stock in the offering and holders will be entitled only to purchase a whole number of shares of common stock, rounded down to the nearest whole number that a holder would otherwise be entitled to purchase, with the total subscription payment being adjusted accordingly.

If you are a record holder, your rights certificate accompanies this prospectus. If you hold your shares in street name through a broker, dealer, custodian bank, or other nominee who uses the services of The Depository Trust & Clearing Corporation (“DTC”), then you will not receive a rights certificate. Instead, DTC will issue one subscription right to your nominee for every share of our common stock you owned as of the record date. Each subscription right entitles you to purchase 0.125 shares of our common stock at the subscription price. For more information, see “What should I do if I want to participate in the offering, but my shares are held in the name of my broker, dealer, custodian bank, or other nominee?” in this section.

If you exercise your basic subscription privilege in full by purchasing one new share for every eight shares that you hold as of the record date, (*i.e.*, 0.125 shares of common stock for each share that you own), then you will not experience any dilution in the percentage of our outstanding shares of common stock that you own immediately after the completion of the offering.

Under the oversubscription privilege, each holder who fully exercises its basic subscription privilege may also subscribe to purchase, at the subscription price, additional shares to the extent they are available after the exercise of all holders' basic subscription privileges. If we receive oversubscription requests for more shares of our common stock than we have available for oversubscriptions, then each requesting holder will receive its pro rata portion of the available shares based on the number of shares requested by each holder under the oversubscription privilege. We reserve the right to accept or reject oversubscriptions for any reason. In addition, purchases pursuant to the oversubscription privilege will be limited as described under "Are there limits on the number of shares of common stock I may purchase in the offering?" in this section. We can provide no assurances that you will actually be able to purchase any shares of common stock upon the exercise of your oversubscription privilege.

To properly exercise your oversubscription privilege, you must deliver the subscription payment related to your oversubscription privilege prior to the expiration of the offering. Because we will not know the total number of unsubscribed shares prior to the expiration of the offering, if you wish to maximize the number of shares you purchase pursuant to your oversubscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares of our common stock that may be available to you (*i.e.*, assuming you fully exercise your basic subscription right and are allotted the full amount of your oversubscription as elected by you).

If oversubscription requests exceed the number of shares of common stock available for sale after purchases by all shareholders exercising their basic subscription privilege, then we will have discretion to allocate the available shares of common stock among shareholders who oversubscribed as we deem appropriate. When determining how to allocate such remaining shares, we may give priority to those oversubscription purchasers that we believe will develop future business relationships with us, refer business to us or purchase additional shares of our common stock on the open market after the closing of the offering.

To the extent the aggregate subscription price of the maximum number of unsubscribed shares allocated to you pursuant to exercise of the oversubscription privilege is less than the amount you actually paid in connection with the exercise of the oversubscription privilege, you will be allocated only the number of unsubscribed shares available to you, and any excess subscription payments received by the subscription agent will be returned to you, without interest or penalty, as soon as practicable. To the extent the amount you actually paid in connection with the exercise of the oversubscription privilege is less than the aggregate subscription price of the maximum number of unsubscribed shares allocated to you pursuant to the oversubscription privilege, you will be allocated the number of unsubscribed shares for which you actually paid in connection with the oversubscription privilege.

How will the standby investors participate in the offering?

To facilitate the offering, we have entered into Standby Purchase Agreements with (i) Castle Creek Special Situations Advisors LLC, Castle Creek SSF-D Investors LP, Arch Investment Holdings I Ltd., May Clinic, Mayo Clinic Master Retirement Trust, which we refer to collectively as the “Castle Creek Funds”, and (ii) Second Curve Vision Fund, L.P., Second Curve Vision Fund International, Ltd., Second Curve Opportunity Fund, L.P., Second Curve Partners, L.P., Second Curve Partners II, L.P., and Second Curve Partners International Ltd., which we refer to collectively as the “Second Curve Funds”.

The Castle Creek Funds have agreed, subject to there being sufficient shares available after purchases by shareholders in the offering, to purchase from us, at the subscription price, the lesser of (a) up to an aggregate of \$5.0 million in shares of our common stock that are not purchased by shareholders in the offering and (b) the maximum number of shares that they may purchase without causing an “ownership change” under Section 382(g) of the Internal Revenue Code of 1986, as amended, which we refer to as the “Code”.

The Second Curve Funds, which own an aggregate of [•] shares of our common stock as of the record date, have committed to purchase up to \$2.0 million in shares of our common stock through a combination of the exercise of their basic subscription privilege in the offering and, subject to there being sufficient shares available after purchases by shareholders in the offering, pursuant to their Standby Purchase Agreements, provided that they will not purchase shares to the extent it would cause an “ownership change” under Section 382(g) of the Code. If the Second Curve Funds were to exercise their basic subscription privilege in full, then they would purchase an aggregate of [•] shares of our common stock in the offering for an aggregate subscription price of \$[•], and, subject to there being sufficient shares available after purchases by shareholders in the offering and to the Section 382(g) limitation, an aggregate of [•] shares of our common stock under their Standby Purchase Agreements for an aggregate purchase price of \$[•].

If for any reason we do not complete the offering, then we will have no obligation to sell shares to the standby investors pursuant to the Standby Purchase Agreements.

Are there limits on the number of shares of common stock I may purchase in the offering?

Yes. Other than any person or entity that owns, as of the date of this prospectus, more than 5% of our common stock, a person or entity, together with related persons or entities, may not exercise subscription rights (including the oversubscription privilege) to purchase shares of our common stock that, when aggregated with their existing ownership, would result in such person or entity, together with any related persons or entities, owning 5% or more of our issued and outstanding shares of common stock following the offering, or that would otherwise require regulatory approval. In addition, any person or entity, together with related persons or entities, that exercises subscription rights (including the oversubscription privilege) to purchase shares of our common stock that, when aggregated with their existing ownership, results in such person or entity, together with any related persons or entities, becoming the beneficial owner of 4% or more of our issued and outstanding shares of common stock following the offering will be required to enter into an agreement prohibiting such person or entity from purchasing additional shares that would result in such person or entity owning more than 5% of our common stock. For more information, see the section of this prospectus entitled “THE OFFERING” under the heading “Limitations on Amount You May Purchase”.

In addition, notwithstanding any other information presented in this prospectus, we do not intend to accept any subscriptions or oversubscriptions in this offering that we believe may have an unfavorable effect on our ability to preserve our net operating loss deferred tax asset. For more information, see the section of this prospectus entitled “OUR NET OPERATING LOSS DEFERRED TAX ASSETS”.

How do I exercise my subscription rights?

If you wish to participate in the offering, you must deliver your payment along with your properly completed and signed rights certificate, and any other subscription materials, to the subscription agent. To properly exercise your oversubscription privilege, you must indicate the number of shares you wish to purchase in addition to the shares subscribed for under your basic subscription privilege on your rights certificate. You must exercise your basic rights in full in order to exercise your oversubscription right. See section of this prospectus entitled “THE OFFERING” under the headings “The Subscription Rights”, “Basic Subscription Privilege”, and “Oversubscription Privilege”

Payments must be made in full in U.S. dollars for the full number of shares for which you are subscribing by:

personal check payable to “Computershare Trust Company, N.A., as Subscription Agent for First United Corporation” drawn upon a U.S. bank; or

certified check payable to “Computershare Trust Company, N.A., as Subscription Agent for First United Corporation” drawn upon First United Bank & Trust.

Please note that funds paid by personal check may take seven or more business days to clear. Accordingly, if you wish to pay by means of a personal check, we urge you to make payment sufficiently in advance of the expiration date to ensure that the subscription agent receives cleared funds before that time. We also urge you to consider payment by means of a certified check drawn upon First United Bank & Trust in order to expedite the receipt of your payment.

Please follow the payment and delivery instructions accompanying the rights certificate. **DO NOT DELIVER DOCUMENTS TO THE COMPANY OR THE BANK.** As described in this prospectus and in the instructions accompanying the rights certificate, in certain cases additional documentation or medallion guarantees may be required. For more information, see the section of this prospectus entitled “THE OFFERING” under the heading “Method of Exercising Subscription Rights”. You are solely responsible for completing delivery to the subscription agent of your rights certificate, any other subscription materials, and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent so that the subscription agent receives them by 5:00 p.m., Eastern Standard Time, on [•], 20[•]. We are not responsible for subscription materials sent directly to our offices.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares under the oversubscription privilege and purchase limitations. Any excess subscription payments received by the subscription agent will be returned promptly, without interest or penalty, following the expiration of the offering. We reserve the right to reject any attempted subscription that does not include proper documentation or matching payment.

What should I do if I want to participate in the offering, but my shares are held in the name of my broker, dealer, custodian bank, or other nominee?

If you hold your shares of common stock in the name of a broker, dealer, custodian bank, or other nominee, then your broker, dealer, custodian bank, or other nominee is the record holder of the shares you own. You will not receive a rights certificate. The record holder must exercise the subscription rights on your behalf for the shares of common stock you wish to purchase in the offering.

If you wish to purchase shares of our common stock through the offering, please promptly contact your broker, dealer, custodian bank, or other nominee as record holder of your shares. We will ask your record holder to notify you of the offering. However, if your broker, dealer, custodian bank, or other nominee does not contact you, then you should promptly initiate contact with it. Your broker, dealer, custodian bank, or other nominee may establish a deadline prior to 5:00 p.m., Eastern Standard Time, on [•], 20[•], which we established as the expiration date of the offering, by which you must provide it with your instructions to exercise your subscription rights and pay for your shares.

Am I required to exercise all of the rights I receive in the offering?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. However, if you choose not to exercise your basic subscription privilege in full, the relative percentage of our shares of common stock that you own will decrease as a result of the offering, and your voting and other rights will be diluted. In addition, if you do not exercise your basic subscription privilege in full, you will not be entitled to participate in the oversubscription privilege. For more information, see “How many shares of common stock will be outstanding after the offering?” in this section.

Will our officers and directors be exercising their subscription rights?

Certain of our directors and officers have indicated that they intend to participate in the offering, although they are not required to do so. Collectively, we expect our directors and officers, together with their affiliates, to purchase up to approximately [•] shares in the offering. As of the record date, our directors and officers, together with their affiliates, beneficially own approximately [•] shares of common stock and are entitled to purchase approximately [•] shares in the offering by exercising their respective basic subscription privileges on the same terms and conditions applicable to all shareholders. Following the offering, our directors and officers, together with their affiliates, are expected to own an aggregate of approximately [•] shares of common stock, or approximately [•]% of our total outstanding shares of common stock if we sell all 783,626 shares offered in the offering.

Has our Board of Directors made a recommendation to our shareholders regarding the exercise of rights under the offering?

No. Our Board of Directors is not making any recommendation to you about whether you should exercise any subscription rights. Shareholders who exercise their subscription rights risk a loss on their investment. We cannot assure you that the market price of our common stock will be above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. You are urged to make your decision based on your own assessment of our business and the offering. Please review the section of this prospectus entitled “RISK FACTORS” for a discussion of some of the risks involved in investing in our common stock.

What other agreements do we have in place with the standby investors and will the standby investors receive any compensation for their commitments?

We have agreed with each of the standby investors to file a registration statement with the Commission to register, at our expense, the resale of all shares that the standby investors purchase and to use commercially reasonable efforts to cause that registration statement to be declared effective by the Commission.

How many shares will the standby investors own after the offering?

Purchasers in the offering will not know the number or percentage of our outstanding shares of common stock that the standby investors will own after the completion of the offering until the expiration of the offering period. The Standby Purchase Agreements with the Castle Creek Funds contemplate that they will be permitted to purchase up to an aggregate of [•] shares, to the extent not purchased by rights holders in the offering. The Second Curve Funds, which own an aggregate of [•] shares of our common as of the record date, have committed to purchase up to \$2.0 million in shares of our common stock through a combination of the exercise of their basic subscription privilege in the offering and, subject to there being sufficient shares available after purchases by shareholders in the offering, pursuant to the offer and sale contemplated by their Standby Purchase Agreements. The actual number of shares and percentage ownership will depend on the number of shares purchased by shareholders who exercise their basic subscription privilege and oversubscription privilege. The chart below presents the aggregate ownership of the standby investors if rights holders purchase 0%, 25%, 50% and 100% of the shares offered in the offering.

	0% of Basic Subscriptions Exercised	25% of Basic Subscriptions Exercised	50% of Basic Subscriptions Exercised	100% of Basic Subscriptions Exercised
Shares sold pursuant to the rights	0	195,906	391,813	783,626
Shares purchased by Castle Creek Funds in standby offering	[•]	[•]	[•]	0
Shares purchased by Second Curve Funds in standby offering	[•]	[•]	[•]	[•]

Total shares issued in offering	[•]		[•]		[•]		783,626	
Total shares outstanding after offering	[•]		[•]		[•]		[•]	
Percentage ownership of Castle Creek Funds after closing of offering	[•]	%	[•]	%	[•]	%	0	%
Percentage ownership of Second Curve Funds after closing of offering	[•]	%	[•]	%	[•]	%	[•]	%

How was the subscription price be determined?

In determining the subscription price, our Board of Directors considered a number of factors, including the need to offer the shares at a price that would be attractive to investors relative to the then current trading price of our common stock, the tangible book value of a share of our common stock, historical and current trading prices of our common stock, general conditions in the financial services industry, the need for capital and alternatives available to us for raising capital, potential market conditions, and the desire to provide an opportunity to our shareholders to participate in the offering on a pro rata basis. Because our common stock is not heavily traded and to account for the possibility of wide price fluctuations over a short period of time, our Board of Directors concluded that it would be prudent to base the subscription price on the volume weighted average price at which our common stock trades over a period of several trading days. In conjunction with its review of these factors, our Board of Directors also reviewed our history and prospects, including our past and present earnings, our prospects for future earnings, and the outlook for our industry, our current financial condition and regulatory status, and a range of discounts to market value represented by the subscription prices in various other rights offerings. Finally, our Board considered our desire to have a successful offering, which required negotiations with the standby investors with respect to the minimum and maximum sales prices that would be acceptable to them.

Based on the foregoing, our Board decided to set the subscription price at an amount per share equal to 90% of the volume weighted average closing sales price of our common stock for the 20 trading days immediately preceding the date on which the registration statement of which this prospectus forms a part was declared effective, subject to a minimum subscription price of \$9.00 per share and a maximum subscription price of \$11.93 per share. The registration statement was declared effective on [•], 20[•], and the volume weighted average closing sales price of our common stock for the 20 trading days immediately preceding that date was \$[•] per share.

The last reported sale of our common stock occurred on [•], 20[•], and the closing sales price of our common stock on that date was \$[•] per share. The volume weighted average closing sales price of the common stock for the 20 trading day period that included [•], 20[•] was \$[•] per share.

How soon must I act to exercise my rights?

If you received a rights certificate and elect to exercise some or all of your subscription rights, the subscription agent must receive your completed and signed rights certificate and complete payment prior to the expiration of the offering, which is [•], 20[•], at 5:00 p.m., Eastern Standard Time. If you hold your shares in the name of a broker, dealer, custodian bank, or other nominee, your broker, dealer, custodian bank, or other nominee may establish a deadline prior to 5:00 p.m. Eastern Standard Time, on [•], 20[•] by which you must provide it with your instructions to exercise your subscription rights and pay for your shares.

Although we will make reasonable attempts to provide this prospectus to holders of subscription rights, the offering and all subscription rights will expire at 5:00 p.m., Eastern Standard Time, on [•], 20[•] (unless extended for up to 30 days until [•], 20[•]), whether or not we have been able to locate each person entitled to subscription rights.

May I transfer my subscription rights?

No. You may not transfer your subscription rights.

Are we requiring a minimum subscription to complete the offering?

No. There is no minimum subscription requirement in the offering. However, our Board of Directors reserves the right to cancel the offering for any reason, including if our Board of Directors believes that there is insufficient participation by our shareholders.

Can the Board of Directors extend, cancel, or amend the offering?

Yes. We have the option to extend the period for exercising your subscription rights for up to 30 days until [•], 20[•]. Our Board of Directors may cancel the offering at any time for any reason. If the offering is cancelled, all subscription payments received by the subscription agent will be returned promptly, without interest or penalty. Our Board of Directors reserves the right to amend or modify the terms of the offering at any time, for any reason. Such amendments or modifications could include, for example, a reduction in the subscription price. If we reduce the subscription price, your subscription will remain irrevocable but all excess subscription payments received by the subscription agent will be returned promptly, without interest or penalty.

What will happen if I choose not to exercise my subscription rights?

If you do not exercise any subscription rights, then the number of shares of our common stock that you own will not change. Because shares may be purchased by other shareholders or the standby investor, however, your percentage ownership will be diluted after the completion of the offering unless you exercise your basic subscription privilege in full. For more information, see “How many shares of common stock will be outstanding after the offering?” in this section.

After I send in my payment and rights certificate, may I change or cancel my exercise of rights?

No. All exercises of subscription rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. If we decide to extend, amend or modify the terms of the offering for any reason, subscriptions received prior to such extension, amendment or modification will remain irrevocable. You should not exercise your subscription rights unless you are certain that you wish to purchase shares of our common stock at the subscription price.

When will I receive my new shares?

All shares of our common stock that you purchase in the offering will be issued electronically in book-entry (uncertificated) form. If you are a shareholder of record as of the record date and purchase shares in the offering by submitting a rights certificate and payment, we will issue your new shares as soon as practicable after the completion of the offering, and you will receive confirmation from the subscription agent by mail that your shares were electronically issued. If, as of the record date, your shares were held by a broker, dealer, custodian bank, or other nominee, and you participate in the offering, your broker, dealer, custodian bank, or other nominee will be credited with the shares of common stock you purchase in the offering as soon as practicable after the completion of the offering, and your nominee will credit your account with such shares. Until your shares have been issued in book-entry form or your account is credited with such shares, you may not be able to sell your shares.

How many shares of common stock will be outstanding after the offering?

As of [•], 20[•], [•] shares of our common stock were issued and outstanding. Assuming that there are no other transactions by us involving shares of our common stock and the full 783,626 shares of our common stock are subscribed for in the offering and/or purchased by the standby investors, we expect [•] shares of common stock to be outstanding immediately after completion of the offering and, if it occurs, the closing of the sales to the standby investors. As a result of the offering, the ownership interests and voting interests of the existing shareholders that do not fully exercise their basic subscription privilege will be diluted.

Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of common stock and should be considered as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described in the section of this prospectus entitled "RISK FACTORS" and the documents incorporated by reference in this prospectus.

If the offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription agent will hold all funds it receives in an escrow account until completion of the offering. If the offering is not completed, all subscription payments received by the subscription agent will be returned promptly, without interest or penalty. If you hold shares through a broker, dealer, custodian bank, or other nominee, it may take

longer for you to receive payment because the subscription agent will return payments through the record holder of your shares.

What fees or charges apply if I purchase the shares in the offering?

We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights. If you exercise your subscription rights through your broker, dealer, custodian bank, or other nominee, you will be responsible for paying any fees your nominee may charge you.

What are the material U.S. federal income tax consequences of exercising my subscription rights?

For U.S. federal income tax purposes, you should not recognize income or loss upon receipt or exercise of subscription rights. You should consult your tax advisor as to your particular tax consequences resulting from the offering. For a more detailed discussion, see the section of this prospectus entitled “MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES”.

Are there other key dates relating to the rights offering?

Yes. Below is a list of the key dates for the offering of which you should be aware. With the exception of the record date and the rights distribution date, such dates are subject to change in the event we determine to extend the rights offering (as discussed herein). **For more information regarding these dates, we encourage you to review the section of this prospectus entitled “THE OFFERING”, as that section of the prospectus describes other timing considerations of which you should be aware regarding the rights offering (for example, dates by which different forms of payment upon the exercise of rights are deemed received).**

Date	Event/Action
5:00 p.m., Eastern Standard Time, on [•], 20[•]	Record date.
5:00 p.m., Eastern Standard Time, on [•], 20[•]	Rights distribution date.
[•], 20[•]	Commencement of the offering.
11:00 a.m., Eastern Standard Time on [•], 20[•]	Date by which foreign holders of rights must notify the subscription agent and establish to the satisfaction of the subscription agent that it is permitted to exercise its rights.
5:00 p.m., Eastern Standard Time, on [•], 20[•]	Expiration of the offering.

Are there any conditions to the rights distribution?

The completion of the rights distribution is subject to the satisfaction (in our sole discretion) of the following conditions:

Our receipt of the opinion of Gordon Feinblatt LLC, dated as of the rights distribution date, to the effect that, for U.S. federal income tax purposes, (i) no gain or loss should be recognized by the Company as a result of the rights distribution, and (ii) no gain or loss should be recognized by, and no amount should be included in the income of, holders of common stock upon the receipt of the rights in the rights distribution; and

The effectiveness under the Securities Act of the Registration Statement on Form S-1, of which this prospectus forms a part.

What if I have other questions?

If you have questions regarding the completion of your rights certificate or submitting payment, please contact our information agent, Georgeson LLC, at (800) 561-2871. If you have other questions about the offering or the Company, please contact Tonya K. Sturm, our Senior Vice President and Chief Financial Officer, at 301-533-2390. You should consult your tax adviser as to the particular consequences to you of the offering.

SUMMARY

This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section entitled “RISK FACTORS”, our financial statements and the notes thereto incorporated by reference to our annual report and quarterly reports, and the other documents we refer to and incorporate by reference in this prospectus for a more complete understanding of us and this offering before making an investment decision. In particular, we incorporate important business and financial information in this prospectus by reference.

About First United Corporation

First United Corporation is a Maryland corporation chartered in 1985 and a bank holding company registered with the Board of Governors of the Federal Reserve System, or the “Federal Reserve”, under the Bank Holding Company Act of 1956, as amended. The Company’s primary business is serving as the parent company of First United Bank & Trust, a Maryland trust company, First United Statutory Trust I, or “Trust I”, and First United Statutory Trust II, or “Trust II”, both Connecticut statutory business trusts, and Trust III.

The Bank is an independent community bank providing a complete range of retail and commercial banking services to businesses and individuals serviced by a network of 23 branches, one call center, and 25 automated teller machines as of September 30, 2016 in Allegany County, Frederick County, Garrett County, and Washington County in Maryland, and in Mineral County, Berkeley County and Monongalia County in West Virginia. The Bank’s deposits are insured by the Federal Deposit Insurance Corporation, which we refer to as the “FDIC”. In addition to its two consumer finance company subsidiaries and a statutory trust subsidiary and a limited liability company subsidiary, both used to hold other real estate owned, the Bank owns a 99% limited partnership interest in Liberty Mews Limited Partnership, a Maryland limited partnership formed for the purpose of acquiring, developing and operating low-income housing units in Garrett County, Maryland. A detailed discussion of our business is contained in Item 1 of Part I of our Annual Reports on Form 10-K that we file with the Commission, including the Annual Report on Form 10-K for the year ended December 31, 2015. See the section of this prospectus entitled “WHERE YOU CAN FIND MORE INFORMATION” for information on how to obtain a copy of our annual and other reports that we file with the Commission.

Trust I, Trust II and Trust III are collectively referred to as the “Trusts”. The Trusts were formed for the purpose of selling “trust preferred securities” that qualify as Tier 1 capital. Dividend and other payments due under these trust preferred securities are funded by our payments under an equal amount of TPS Debentures that we issued to the Trusts by the Company. In March 2004, the Company issued approximately \$30.9 million of TPS Debentures to Trust I and Trust II in connection with their sales of \$30.0 in mandatorily redeemable preferred capital securities to third party investors and \$0.9 million in common securities to the Company. Between December 2009 and January 2010, the Company issued approximately \$10.8 million of TPS Debentures to Trust III in connection with its sale of approximately \$10.5 million in mandatorily redeemable preferred capital securities to third party investors and \$0.3 million in common securities to the Company.

We and the Bank are extensively regulated under federal and state laws. The regulation of bank holding companies and banks is intended primarily for the protection of depositors and the deposit insurance fund and not for the benefit of security holders. For a discussion of the material elements of the extensive regulatory framework applicable to us, please refer to Item 1 of Part I of our Annual Reports on Form 10-K that we file with the Commission, including the Annual Report on Form 10-K for the year ended December 31, 2015.

At September 30, 2016, we had total assets of \$1.3 billion, net loans of \$890.0 million, and deposits of \$1.0 billion. Shareholders’ equity at September 30, 2016 was \$114.8 million.

Our principal executive offices are located at 19 South Second Street, Oakland, Maryland 21550 and our telephone number is (888) 692-2654. We maintain an Internet site at <http://www.mybank.com> on which we make available free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to the foregoing as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the Commission.

Our common stock is listed on the NASDAQ Global Select Market under the ticker symbol “FUNC.” Effective October 31, 2016, our common stock became subject to The NASDAQ Stock Market’s “Tick Size Pilot Program”, as part of “Test Group 3”. The program, which will last for two years, was implemented pursuant to a Commission order issued on June 24, 2014 and imposes wider minimum quoting and/or trading increments, or “tick sizes”, for certain securities with small market capitalization. The purpose of the program is to allow the Commission, self-regulatory organizations (like The NASDAQ Stock Market), and the public to evaluate and assess the impact of increment conventions on the liquidity and trading of securities of small capitalization companies. The program includes a specified subset of the exchange-listed stocks of companies that have \$3 billion or less in market capitalization, an average daily trading volume of one million shares or less and a volume-weighted average price of at least \$2.00 for every trading day. The control group in the program includes approximately 1,400 randomly-selected securities and three test groups, each with approximately 400 securities selected by a stratified sampling. Under the program, securities in Test Group 3, like our common stock, are to be both quoted in and traded at \$0.05 minimum increments, subject to a midpoint exception, a retail investor exception, and a negotiated trade exception. In addition, securities in Test Group 3 are subject to a “trade-at” requirement that prevents price matching by a trading center that is not displaying a protected bid

or protected offer, subject to certain exceptions.

The Offering

The following summary describes the principal terms of the offering, but is not intended to be complete. See the information in the section entitled "THE OFFERING" beginning on page [•] of this prospectus for a more detailed description of the terms and conditions of the offering.

**Shares available
in offering** 783,626 shares of common stock.

**Rights
distributed** We are distributing to you, at no charge, one non-transferable subscription right for each share of our common stock that you own as of 5:00 p.m., Eastern Standard Time, on the record date, either as a holder of record or, in the case of shares held of record by brokers, dealers, custodian banks, or other nominees on your behalf, as a beneficial owner of such shares.

**Basic
subscription
right** The basic subscription privilege of each right will entitle you to purchase 0.125 shares of our common stock at the subscription price, subject to the condition that we will not issue fractional shares in the offering. Thus, you must own at least eight shares of common stock on the record date to purchase one new share in the offering.

**Determination of
subscription
price**

The \$[•] subscription price was determined based on the following formula that was set by our Board of Directors after consideration of a variety of factors and negotiations with the standby investors: the amount equal to 90% of the volume weighted average closing sales price of our common stock for the 20 trading days immediately preceding the date on which the registration statement of which this prospectus forms a part is declared effective, provided that the price will not be less than \$9.00 per share nor more than \$11.93 per share. To be effective, any payment related to the exercise of a r