

## What's Wrong With This Picture?

Part 3--Get To Know Your Directors: Ms. Kathryn Burkey

February 5, 2020

Fellow Shareholders,

How well do you know First United's Board of Directors (the "Board")? Let's discuss. First up: Kathryn Burkey.

### **Ms. Burkey has served on the Board for a long time**

Ms. Burkey joined the Board on July 20, 2005 and has been a director for more than fourteen and a half years. When Ms. Burkey joined the Board, Alan Greenspan was still Fed Chair and the iPhone had not yet been introduced.

Surprisingly, Ms. Burkey is not First United's longest serving director—that "honor" goes to Robert Kurtz, who has been on the Board for close to thirty years—nor is the length of her tenure remarkable relative to the rest of First United's directors. Indeed, the average tenure of a Board member is fifteen and a half years. By contrast, the average tenure of a member of JP Morgan's board is less than ten years.

### **Shareholders have not done that well relative to peers while Ms. Burkey has been a director . . .**

From the time that Ms. Burkey joined the Board in 2005 until the day before Driver first publicly called for a sale of First United,<sup>1</sup> First United's common stock has generated a total shareholder return ("TSR") of only 5.33%.<sup>2</sup> During that same period, the TSR for the SNL U.S. Bank \$1B-\$5B Index was 46.21%, more than eight times the TSR for First United.

### **. . . until Driver started pushing for the Board to consider a sale process . . .**

From the day before Driver first called for a sale of First United until January 31, 2020, First United's common stock generated a TSR of 45.26%<sup>3</sup>, or almost four times better than the TSR for the SNL U.S. Bank \$1B-\$5B Index of 11.36%.

### **. . . in the meantime, Ms. Burkey has done just fine**

Since becoming a director, Ms. Burkey has received over \$400,000 in aggregate compensation.<sup>4</sup>

### **Ms. Burkey and the Board have not provided details as to how bonus compensation is calculated, and it does not appear to align management's interests with shareholders' interests**

As Chairman of the Board's Compensation Committee, Ms. Burkey plays a key role in setting First United's compensation policies. In 2018, just 1.27% of First United's CEO and Chairman's compensation was

<sup>1</sup> March 25, 2019, the date before Driver first filed exempt solicitation materials.

<sup>2</sup> Market and other data per S&P Global Market Intelligence unless otherwise noted.

<sup>3</sup> Market and other data per S&P Global Market Intelligence unless otherwise noted.

<sup>4</sup> Stock awards valued based on grant date fair value of fully vested shares of common stock.

variable and no explanation was given as to how bonus compensation was calculated.<sup>5</sup> In addition, 100% of the compensation paid to Carissa Rodeheaver, First United's CEO and Chairman, and other named executive officers, was in cash, which seems to be First United's longstanding practice. There appear to be no requirements that officers or directors maintain minimum levels of stock ownership.

**It doesn't look like Ms. Burkey thinks that Carissa Rodeheaver is doing a good job**

The Compensation Committee that Ms. Burkey chairs "is responsible for...annually reviewing and approving all compensation decisions relating to the executive officers..." While Ms. Rodeheaver received a \$5,000 bonus in 2018 (again, with no explanation of how that amount was determined), no bonus was paid to Ms. Rodeheaver in 2017 (or, for that matter, any other year since she assumed the role of CEO).

Absent any explanation to the contrary, it seems reasonable to assume that, in the years that she received no bonus, Ms. Rodeheaver's performance failed to exceed (or potentially even meet) expectations. Obviously, if this assumption is wrong, we would welcome an explanation of both what quantitative factors are used by the Compensation Committee in assessing Ms. Rodeheaver's performance and a discussion of her performance relative to those factors.

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If you have any questions for Ms. Burkey or views on her performance as a director, please share them with the Board by calling or mailing Tonya Sturm, Corporate Secretary and Chief Financial Officer. First United has represented to shareholders in its proxy statement that Ms. Sturm "will deliver all shareholder communications directly to [the Board] for consideration."

***DRIVER HAS NOMINATED THREE HIGHLY-QUALIFIED, INDEPENDENT NOMINEES FOR ELECTION TO THE BOARD AT FIRST UNITED'S 2020 ANNUAL MEETING***

Due to First United's refusal to heed shareholders' calls for a sale process, we were left with no choice but to nominate three highly-qualified, independent director candidates, Michael J. Driscoll, Ed.D, Ethan C. Elzen and Lisa Narrell-Mead, for election to the Board at the upcoming annual meeting.

Driver is committed to transparency and effective information sharing. We invite all shareholders to visit [www.RenovateMyBank.com](http://www.RenovateMyBank.com) to learn more about our case for change and sign up for e-mail updates.

Sincerely,

J. Abbott R. Cooper  
Managing Member  
Driver Management Company LLC

**About Driver Management Company**

Driver employs a valued-oriented, event-driven investment strategy that focuses exclusively on equities in the U.S. banking sector. The firm's leadership has decades of experience advising and engaging with

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<sup>5</sup> All compensation data is per [https://www.sec.gov/Archives/edgar/data/763907/000114420419015122/tv516747\\_def14a.htm](https://www.sec.gov/Archives/edgar/data/763907/000114420419015122/tv516747_def14a.htm)

bank management teams and boards of directors on strategies for enhancing shareholder value. For information, visit [www.drivermanagementcompany.com](http://www.drivermanagementcompany.com).

## **CERTAIN INFORMATION CONCERNING THE PARTICIPANTS**

Driver Management Company LLC, together with the other participants named herein (collectively, “Driver”), intend to file a preliminary proxy statement and accompanying WHITE proxy card with the Securities and Exchange Commission (“SEC”) to be used to solicit votes for the election of its slate of highly-qualified director nominees at the 2020 annual meeting of stockholders of First United Corporation, a Maryland corporation (the “Corporation”).

DRIVER STRONGLY ADVISES ALL STOCKHOLDERS OF THE CORPORATION TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT NO CHARGE ON THE SEC’S WEB SITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, THE PARTICIPANTS IN THIS PROXY SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE, WHEN AVAILABLE, UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS’ PROXY SOLICITOR.

### **Participants in the Solicitation**

The participants in the proxy solicitation are anticipated to be Driver Management Company LLC (“Driver Management”), Driver Opportunity Partners I LP (“Driver Opportunity”), J. Abbott R. Cooper, Michael J. Driscoll, Ed.D, Lisa Narrell-Mead and Ethan C. Elzen.

As of the date hereof, the participants in the proxy solicitation beneficially own in the aggregate 365,212 shares of Common Stock, par value \$0.01 per share, of the Corporation (the “Common Stock”). As of the date hereof, Driver Opportunity beneficially owns directly 360,637 shares of Common Stock. Driver Management, as the general partner of Driver Opportunity, may be deemed to beneficially own the shares of Common Stock directly beneficially owned by Driver Opportunity. Mr. Cooper, as the Managing Member of Driver Management, may be deemed to beneficially own the shares of Common Stock directly beneficially owned by Driver Opportunity. As of the date hereof, Dr. Driscoll directly beneficially owns 3,500 shares of Common Stock. As of the date hereof, Ms. Narrell-Mead directly beneficially owns 650 shares of Common Stock. As of the date hereof, Mr. Elzen directly beneficially owns 425 shares of Common Stock.