

---

**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): September 5, 2006**

---

**UNION BANKSHARES CORPORATION**

(Exact name of registrant as specified in its charter)

---

**Virginia**  
(State or other jurisdiction  
of incorporation)

**0-20293**  
(Commission File Number)

**54-1598552**  
(I.R.S. Employer  
Identification No.)

**212 North Main Street**  
**P.O. Box 446**  
**Bowling Green, Virginia 22427**  
(Address of principal executive offices, including Zip Code)

**Registrant's telephone number, including area code: (804) 633-5031**

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- 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))
-

---

**Item 1.01. Entry into a Material Definitive Agreement.**

On September 5, 2006, Union Bankshares Corporation (the "Company") and Union Bank and Trust Company, a wholly owned subsidiary of the Company (the "Bank"), entered into an amended and restated employment agreement (the "Amended Agreement") with John C. Neal, effective as of May 1, 2006, pursuant to which the Bank will continue to employ Mr. Neal as President and Chief Executive Officer. The following summary description is qualified in its entirety by reference to the Amended Agreement, which is attached to this Form 8-K as Exhibit 10.1, and is incorporated herein by reference.

The Amended Agreement, which has an initial term of two years, provides that beginning on the commencement of the employment period under the Amended Agreement and on each day thereafter the term of the Amended Agreement will automatically be extended an additional day, unless the Bank gives notice that the employment term will not thereafter be extended.

Under the Amended Agreement, Mr. Neal's initial annual base salary will be \$232,540, which will be reviewed annually by the Board of Directors. Mr. Neal will be entitled to annual cash bonuses and stock-based awards in such amounts as may be determined in accordance with the terms and conditions of the applicable management incentive plan adopted on an annual basis by the Board of Directors of the Company.

The Bank may terminate Mr. Neal's employment at any time for "Cause" (as defined in the Amended Agreement) without the Bank or the Company incurring any additional obligations to him. If the Bank terminates Mr. Neal's employment for any reason other than for "Cause" or if Mr. Neal terminates his employment for "Good Reason" (as defined in the Amended Agreement), the Bank or the Company, as applicable, will generally be obligated to continue to provide the compensation and benefits specified in the Amended Agreement for two years following the date of termination. Upon the termination of his employment, Mr. Neal will be subject to certain noncompetition and nonsolicitation restrictions.

The Amended Agreement will terminate in the event that there is a change in control of the Company, at which time the change in control agreement, dated as of November 1, 2003, between the Company and Mr. Neal will become effective and any termination benefits will be determined and paid solely pursuant to the change in control agreement. The Amended Agreement includes two substantive changes to the employment agreement entered into by and between the parties on July 27, 2006 and effective as of May 1, 2006: (1) if Mr. Neal dies while employed by the Bank, the Bank will continue to pay Mr. Neal's designated beneficiary, or his estate, as applicable, an amount equal to Mr. Neal's then current base salary for six months after Mr. Neal's death; and (2) if Mr. Neal is terminated as a result of his disability as determined pursuant to the Amended Agreement, then certain restrictions imposed by the Amended Agreement shall not apply after he ceases to be employed by the Bank.

Also on September 5, 2006, the Company entered into an employment agreement (the "Agreement") with D. Anthony Peay, effective as of May 1, 2006, pursuant to which the Company will continue to employ Mr. Peay as Executive Vice President and Chief Financial Officer. The following summary description is qualified in its entirety by reference to the Agreement, which is attached to this Form 8-K as Exhibit 10.2, and is incorporated herein by reference.

The Agreement, which has an initial term of two years, provides that beginning on the commencement of the employment period under the Agreement and on each day thereafter the term of the Agreement will automatically be extended an additional day, unless the Company gives notice that the employment term will not thereafter be extended.

Under the Agreement, Mr. Peay's initial annual base salary will be \$185,000, which will be reviewed annually by the Company's Board of Directors. Mr. Peay will be entitled to annual cash bonuses and stock-based awards in such amounts as may be determined in accordance with the terms and conditions of the applicable management incentive plan adopted on an annual basis by the Company's Board of Directors.

The Company may terminate Mr. Peay's employment at any time for "Cause" (as defined in the Agreement) without the Company's incurring any additional obligations to him. If the Company terminates Mr. Peay's employment for any reason other than for "Cause" or if Mr. Peay terminates his employment for "Good Reason" (as defined in the Agreement), the Company will generally be obligated to continue to provide the compensation and benefits specified in the Agreement for two years following the date of termination. Upon the termination of his employment, Mr. Peay will be subject to certain noncompetition and nonsolicitation restrictions.

The Agreement will terminate in the event that there is a change in control of the Company, at which time the change in control agreement, dated as of November 21, 2000, between the Company and Mr. Peay will become effective and any termination benefits will be determined and paid solely pursuant to the change in control agreement. If Mr. Peay dies while employed by the Company, the Company will continue to pay Mr. Peay's designated beneficiary, or his estate, as applicable, an amount equal to Mr. Peay's then current base salary for six months after Mr. Peay's death; and (2) if Mr. Peay is terminated as a result of his disability as determined pursuant to the Agreement, then certain restrictions imposed by the Agreement shall not apply after he ceases to be employed by the Company.

**Item 7.01. Regulation FD Disclosure.**

The following information and exhibit is being furnished pursuant to Regulation FD.

On September 7, 2006, the Company issued a press release announcing a three-for-two stock split to shareholders of record as of the close of business on October 2, 2006. A copy of the Company's press release is attached as Exhibit 99.1 hereto and is hereby incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) *Exhibits.*

- 10.1 Amended and Restated Employment Agreement, effective as of May 1, 2006, by and between Union Bank and Trust Company, Union Bankshares Corporation and John C. Neal.
- 10.2 Employment Agreement, effective as of May 1, 2006, by and between Union Bankshares Corporation and D. Anthony Peay.
- 99.1 The Company's press release dated September 7, 2006.

---

**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.

UNION BANKSHARES CORPORATION

Date: September 8, 2006

By: /s/ G. William Beale  
G. William Beale  
President and Chief Executive Officer

AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") is made as of May 1, 2006, by and between Union Bank and Trust Company, a Virginia banking corporation (the "Bank"), and John C. Neal (the "Officer"), and to which Union Bankshares Corporation, a Virginia corporation and parent company of the Bank (the "Company"), is made a party.

The parties, intending to be legally bound, agree as follows:

1. Employment and Acceptance. The Officer shall be employed as President and Chief Executive Officer of the Bank. The Officer shall have the duties and responsibilities that are commensurate with his position and shall also render such other services and duties as may be reasonably assigned to him from time to time by the Bank, consistent with his positions as President and Chief Executive Officer of the Bank. The Officer hereby accepts and agrees to such employment and agrees to carry out his duties and responsibilities to the best of his ability in a competent, efficient and businesslike manner.

2. Term of Employment. This Agreement is effective May 1, 2006 (the "Commencement Date") and will end on the second anniversary of the Commencement Date, unless sooner terminated as provided herein (the "Employment Period"). Beginning on the day following the Commencement Date, and on each day thereafter, the Employment Period shall automatically be extended an additional day, unless prior to such extension the Bank gives written notice to the Officer that the Employment Period will not thereafter be extended. The last day of the Employment Period, as extended from time to time, is sometimes referred to as the "Expiration Date."

3. Compensation and Benefits.

(a) Base Salary. The Bank shall pay the Officer an annual base salary of \$232,540 (the "Base Salary"), which will be payable in accordance with the payroll practices of the Bank applicable to all officers. The Base Salary will be reviewed annually by the Board of Directors and may be adjusted upward or downward in the sole discretion of the Board of Directors. In no event, however, will the Base Salary be less than \$232,540.

(b) Annual Bonus. The Officer may be entitled to receive annual cash bonus payments in such amounts as may be determined in accordance with the terms and conditions of the applicable management incentive plan as may be adopted on an annual basis by the Board of Directors of the Company.

(c) Stock Compensation. The Officer may be entitled to receive stock awards under the Company's 2003 Stock Incentive Plan, or any successor plan, in such amounts and subject to such terms and conditions as determined under the applicable management incentive plan as may be adopted on an annual basis by the Board of Directors of the Company.

---

(d) Benefits. The Officer will be entitled to participate in and receive the benefits of any pension or other retirement benefit plan, life insurance, profit sharing, employee stock ownership, and other plans, benefits and privileges of the Bank that may be in effect from time to time, to the extent the Officer is eligible under the terms of those plans and programs, provided, however, that Officer and Company agree that Officer shall not be eligible to receive or claim any benefits under the Union Bankshares Corporation Severance Pay Plan effective as of October 1, 1999, as amended.

(e) Business Expenses. The Bank will reimburse Officer or otherwise provide for or pay for all reasonable expenses incurred by Officer in furtherance of, or in connection with, the business of the Bank, including, but not by way of limitation, travel expenses, country club dues, car allowance, and memberships in professional organizations, subject to such reasonable documentation and other limitations as may be established by the Board of Directors of the Bank.

(f) Vacation. The Officer will be entitled to five weeks of vacation per year after the Officer completes twenty years of employment with the Bank, to be taken at such times and intervals as shall be determined by the Officer with the approval of the Bank, which approval shall not be unreasonably withheld.

(g) Deferred Compensation Benefits. The Bank may enter into a deferred compensation arrangement with the Officer to provide for certain supplemental nonqualified cash benefits in such amounts and on such terms and conditions as the parties may agree.

4. Termination and Termination Benefits. Notwithstanding the provisions of Section 2, the Officer's employment hereunder shall terminate under the following circumstances and shall be subject to the following provisions:

(a) Death. If the Officer dies while employed by the Bank, the Bank will continue to pay an amount equal to the Officer's then current Base Salary to the Officer's beneficiary designated in writing to the Company prior to his death (or to his estate, if he fails to make such designation) for six months after the Officer's death, with such payments to be made on the same periodic dates as salary payments would have been made to the Officer had he not died.

(b) Disability. The Officer's employment hereunder may be terminated at any time because of the Officer's inability to perform his duties with the Bank on a full time basis for 180 consecutive days or a total of at least 240 days in any twelve month period as a result of the Officer's incapacity due to physical or mental illness as determined pursuant to the Bank's long term disability policy; provided, however, that the Bank shall provide continued medical insurance in the Bank's health plan for the benefit of the Officer for a period of twelve months after the date of such termination.

---

(c) Termination by the Bank for Cause The Officer's employment may be terminated at any time without further liability on the part of the Bank or the Company effective immediately by written notice to the Officer setting forth in reasonable detail the nature of such Cause. Only the following shall constitute "Cause" for such termination:

(i) continued failure by the Officer for reasons other than disability to follow reasonable instructions or policies of the Board of Directors of the Bank after being advised in writing of such failure, including specific actions or inaction on the part of the Officer and the particular instruction or policy involved, and being given a reasonable opportunity and period (as determined by the Chief Executive Officer of the Company) to remedy such failure;

(ii) gross incompetence, gross negligence, willful misconduct in office or breach of a material fiduciary duty owed to the Company, the Bank, or any subsidiary or affiliate thereof;

(iii) conviction of a felony or a crime of moral turpitude (or a plea of *nolo contendere* thereto) or commission of an act of embezzlement or fraud against the Company, the Bank, or any subsidiary or affiliate thereof;

(iv) any breach by the Officer of a material term of this Agreement or violation in any material respect of any code or standard of conduct generally applicable to officers of the Company and the Bank, including without limitation material failure to perform a substantial portion of his duties and responsibilities hereunder as established from time to time by the Board of Directors of the Bank, after being advised in writing of such breach, violation, or failure and being given a reasonable opportunity and period (as determined by the Chief Executive Officer of the Company) to remedy such breach, violation, or failure;

(v) dishonesty of the Officer with respect to the Company, the Bank, or any subsidiary or affiliate thereof; or

(vi) the willful engaging by the Officer in conduct that is demonstrably and materially injurious to the Company or the Bank, monetarily or otherwise, or any conduct deemed by the Board of Directors of the Bank to be immoral or which may bring embarrassment or disrepute to the Company, the Bank and their respective good names or status.

(d) Termination by the Bank without Cause The Officer's employment may be terminated without Cause effective immediately by written notice to the Officer. In the event of termination without Cause, the Officer shall be entitled to the benefits specified in Section 4(f).

(e) Termination by the Officer. The Officer may terminate his employment hereunder with or without Good Reason (as defined below) by written notice to the Board of Directors of the Bank effective thirty days after receipt of such notice by the Board of Directors. In the event the Officer terminates his employment hereunder for Good Reason, the Officer shall be entitled to the benefits specified in Section 4(f). The Officer shall not be required to render any further services to the Bank. Upon termination of employment by the Officer without Good Reason, the Officer shall be entitled to no further compensation or benefits under this Agreement. "Good Reason" shall be (i) the failure by the Bank to comply with the provisions of Section 3 or material breach by the Bank of any other provision of this Agreement, which failure or breach shall continue for more than thirty days after the date on which the Board of Directors of the Bank receives notice of such failure or breach from the Officer, (ii) the assignment of the Officer without his consent to a position, responsibilities, or duties of a materially lesser status or degree of responsibility than his position, responsibilities, or duties at the Commencement Date other than as a direct result of the change in control of the Company (which is otherwise addressed herein), or (iii) the requirement by the Bank that the Officer be based at any office that is greater than fifty miles from where the Officer's office is located at the Commencement Date.

(f) Certain Termination Benefits. In the event of termination by the Bank without Cause and other than for death or disability, or by the Officer with Good Reason, the Officer shall be entitled to the following benefits, subject to the provisions of Section 5(c) (for purposes of this subsection (f), the term "Company" shall include the Bank as may be applicable):

(i) Subject to subsection (iii) below, for a two-year period immediately following the date of termination the Bank shall continue to pay the Officer his Base Salary (not including any bonus other than any unpaid bonus relating to a fiscal year of the Company completed prior to the date of termination) at the rate in effect on the date of termination, such payments to be made on the same periodic dates as salary payments would have been made to the Officer had he not been terminated. The Company and the Officer will use their best efforts to accelerate the vesting of any nonvested benefits of the Officer under any employee stock-based or other benefit plan or arrangement to the extent permitted by the terms of such plan or arrangement.

(ii) Subject to subsection (iv) below, for a two-year period immediately following the date of termination the Officer shall continue to receive medical and life insurance benefits pursuant to plans made available by the Bank to its employees at the expense of the Company to substantially the same extent the Officer received such benefits on the date of termination (it being acknowledged that the post-termination plans may be different from the plans in effect on the date of termination). For purposes of application of such benefits, the Officer shall be treated as if he had remained in the employ of the Bank, with a Base Salary at the rate in effect on the date of termination.



(iii) During the twelve month period that begins on the first anniversary date of the termination of employment and ends on the second anniversary date, the Bank's obligation to continue to pay the Base Salary to the Officer pursuant to subsection 4(f)(i) during such second twelve month period shall terminate thirty days after the Officer obtains full-time employment with another employer that provides an annualized base salary that is at least equal to 75% of the Base Salary being paid by the Bank.

(iv) The Company's obligation to provide the Officer with medical and life insurance benefits pursuant to subsection 4(f)(ii) hereof shall terminate in the event the Officer obtains new employment and is eligible to participate in substantially comparable medical and life insurance programs made available to him and similarly situated employees by or through his new employer. If only one type of insurance (e.g., medical) is made available to the Officer and similarly situated employees, the Company will continue to provide the Officer with the other insurance coverage for the remainder of the two year period or until such type of insurance is made available to him and similarly situated employees by his new employer, whichever occurs sooner.

(v) During the two-year period following the date of termination, the Officer shall provide the Company with at least ten days written notice before the starting date of any employment, identifying the prospective employer and its affiliated companies and the job description, including a description of the proposed geographic market area associated with the new position. The Officer shall notify in writing any new employer of the existence of the restrictive covenants set forth in Section 5 of this Agreement.

#### 5. Covenants of the Officer.

(a) Noncompetition. The Officer agrees that during the Employment Period and for a one-year period following the termination of his employment for any reason during the Employment Period, the Officer will not directly or indirectly, as a principal, agent, employee, employer, investor, co-partner or in any other individual or representative capacity whatsoever, engage in a Competitive Business anywhere in the Market Area (as such terms are defined below) in any capacity that includes any of the significant responsibilities held or significant activities engaged in by the Officer on behalf of the Bank, the Company, and any of its Affiliates during the Employment Period. Notwithstanding the foregoing, the Officer may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any business enterprise (but without otherwise participating in the activities of such enterprise) that engages in a Competitive Business in the Market Area and whose securities are listed on any national or regional securities exchange or have been registered under Section 12 of the Securities Exchange Act of 1934.

(b) Nonsolicitation. The Officer further agrees that during the Employment Period and for a two-year period following the termination of his employment for any reason, he will not directly or indirectly: (i) solicit, induce or attempt to solicit or induce any customer or client of the Company or its Affiliates with whom the Officer had direct contact or whose identity the Officer learned as a result of his employment with the Bank, to terminate, diminish, or materially alter in a manner harmful to the Bank the relationship of such customer or client with the Bank, the Company, or its Affiliates; (ii) solicit, induce, encourage, or participate in soliciting, inducing, or encouraging any employee to terminate his or her employment with the Bank, the Company, or any of its Affiliates; or (iii) hire, employ, or engage in business with or attempt to hire, employ, or engage in business with any person employed by the Bank, the Company, or any of its Affiliates or who has left the employment of the Bank, the Company, or any of its Affiliates within the preceding three months.

(c) Nonrenewal of the Agreement. In the event the Bank elects not to renew this Agreement in accordance with Section 2, the provisions of Sections 5(a) and (b) shall not apply after the Expiration Date, unless the Officer shall otherwise be entitled to receive payments from the Bank as a result of his termination without Cause or for Good Reason pursuant to Section 4(f).

(d) Definitions. As used in this Agreement, the term "Competitive Business" means the financial services business, which includes one or more of the following businesses: consumer and commercial banking, residential and commercial mortgage lending, securities brokerage and asset management, and any other business in which the Company or any of its Affiliates are engaged at the time of termination of the Officer's employment; the term "Market Area" means the area within a ten mile radius of any banking office or a loan production office (excluding for purposes of this Agreement an office providing residential mortgage loans) that the Company has established and is continuing to operate at the time of termination of the Officer's employment; the term "Affiliate" means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company; and the term "Person" means any person, partnership, corporation, company, group or other entity.

(e) Confidentiality. During the Employment Period and thereafter, and except as required by any court, supervisory authority or administrative agency or as may be otherwise required by applicable law, the Officer shall not, without the written consent of a person duly authorized by the Bank, disclose to any person (other than his personal attorney, or an employee of the Bank or an Affiliate, or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Officer of his duties as an employee of the Bank) or utilize in conducting a business any confidential information obtained by him while in the employ of the Bank, unless such information has become a matter of public knowledge at the time of such disclosure.

(f) Acknowledgment; Enforcement. The covenants contained in this Section 5 shall be construed and interpreted in any proceeding to permit their enforcement

to the maximum extent permitted by law. The Officer agrees that the restraints imposed herein are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to length of time, geographic area and activities restricted. If, however, the time, geographic and/or scope of activity restrictions set forth in Section 5 are found by an arbitrator or court to be unenforceable because the restrictions are overbroad, the arbitrator or court, as applicable, is empowered and directed to modify the restriction(s) to the extent necessary to make them enforceable. The Officer further acknowledges that damages at law would not be a measurable or adequate remedy for breach of the covenants contained in this Section 5 and, accordingly, the Officer agrees to submit to the equitable jurisdiction of any court of competent jurisdiction in connection with any action to enjoin the Officer from violating any such covenants. In any legal, equitable or arbitration action against the Officer in connection with the enforcement of the covenants included in this Section 5, each party will bear its own costs, including its attorneys' fees. All the provisions of this Section 5 will survive termination and expiration of this Agreement.

(g) Change in Control. Notwithstanding anything to the contrary contained in this Agreement, in the event of a change in control of the Company (as such term is defined in the Management Continuity Agreement, dated November 1, 2003, between the Company and the Officer) or the termination of the Officer as a result of his disability as determined pursuant to Section 4(b), the restrictions imposed by Sections 5(a) and (b) shall not apply to the Officer after he ceases to be employed by the Bank.

6. Change in Control of the Company. This Agreement will terminate in the event there is a change in control of the Company, and the Management Continuity Agreement, dated November 1, 2003, as it may hereafter be amended, between the Company and the Officer will become effective and any termination benefits will be determined and paid solely pursuant to such Management Continuity Agreement.

7. Mitigation; Exclusivity of Benefits

(a) The Officer shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Officer upon a termination of employment with the Bank pursuant to employee benefit plans of the Bank or otherwise.

8. Withholding. All payments required to be made by the Bank hereunder to the Officer shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Bank may reasonably determine should be withheld pursuant to any applicable law or regulation.

9. Assignability. The Bank may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, company or other entity

with or into which the Bank may hereafter merge or consolidate or to which the Bank may transfer all or substantially all of its assets, if in any such case said corporation, company or other entity shall by operation of law or expressly in writing assume all obligations of the Bank hereunder as fully as if it had been originally made a party hereto, to the extent that any such transaction does not trigger the operation of Section 5 above. The Officer may not assign or transfer this Agreement or any rights or obligations hereunder.

10. Notices. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank: Chairman of the Board  
Union Bank and Trust Company  
P. O. Box 446  
211 North Main Street  
Bowling Green, Virginia 22427

And at the Chairman's home address as shown on the records of the Bank.

To the Officer: John C. Neal  
5517 River Road  
Fredericksburg, Virginia 22407

To the Company: Chairman of the Board  
Union Bankshares Corporation  
P. O. Box 446  
211 North Main Street  
Bowling Green, Virginia 22427

And at the Chairman's home address as shown on the records of the Company.

11. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Officer and such officer or officers as may be specifically designated by the Board of Directors of the Bank to sign on their behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. Entire Agreement. This Agreement, together with the Management Continuity Agreement, dated November 1, 2003, and as it may hereafter be amended, entered into between the parties hereto, constitutes the entire agreement between the parties with

---

respect to the subject matter hereof and no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement or in the Management Continuity Agreement. For purposes of this Agreement, the term "Company" includes any subsidiaries of the Company.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

14. Nature of Obligations. Nothing contained herein shall create or require the Bank to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Officer acquires a right to receive benefits from the Bank hereunder, such right shall be no greater than the right of any unsecured general creditor of the Bank.

15. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

16. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

*Signatures follow on the next page*

---

COMPANY:

UNION BANKSHARES CORPORATION

By: /s/ Ronald L. Hicks

Ronald L. Hicks  
Chairman of the Board

Date signed: September 5, 2006

BANK:

UNION BANK AND TRUST COMPANY

By: /s Daniel I. Hansen

Daniel I. Hansen  
Chairman of the Board

Date signed: September 5, 2006

OFFICER:

/s/ John C. Neal

John C. Neal

Date signed: September 5, 2006

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of May 1, 2006, by and between Union Bankshares Corporation, a Virginia corporation (the "Company"), and D. Anthony Peay (the "Officer").

The parties, intending to be legally bound, agree as follows:

1. Employment and Acceptance. The Officer shall be employed as Executive Vice President and Chief Financial Officer of the Company. The Officer shall have the duties and responsibilities that are commensurate with his position and shall also render such other services and duties as may be reasonably assigned to him from time to time by the Company, consistent with his positions as Executive Vice President and Chief Financial Officer of the Company. The Officer hereby accepts and agrees to such employment and agrees to carry out his duties and responsibilities to the best of his ability in a competent, efficient and businesslike manner.

2. Term of Employment. This Agreement is effective May 1, 2006 (the "Commencement Date") and will end on the second anniversary of the Commencement Date, unless sooner terminated as provided herein (the "Employment Period"). Beginning on the day following the Commencement Date, and on each day thereafter, the Employment Period shall automatically be extended an additional day, unless prior to such extension the Company gives written notice to the Officer that the Employment Period will not thereafter be extended. The last day of the Employment Period, as extended from time to time, is sometimes referred to as the "Expiration Date."

3. Compensation and Benefits.

(a) Base Salary. The Company shall pay the Officer an annual base salary of \$185,000 (the "Base Salary"), which will be payable in accordance with the payroll practices of the Company applicable to all officers. The Base Salary will be reviewed annually by the Board of Directors and may be adjusted upward or downward in the sole discretion of the Board of Directors. In no event, however, will the Base Salary be less than \$185,000.

(b) Annual Bonus. The Officer may be entitled to receive annual cash bonus payments in such amounts as may be determined in accordance with the terms and conditions of the applicable management incentive plan as may be adopted on an annual basis by the Board of Directors of the Company.

(c) Stock Compensation. The Officer may be entitled to receive stock awards under the Company's 2003 Stock Incentive Plan, or any successor plan, in such amounts and subject to such terms and conditions as determined under the applicable management incentive plan as may be adopted on an annual basis by the Board of Directors of the Company.

---

(d) Benefits. The Officer will be entitled to participate in and receive the benefits of any pension or other retirement benefit plan, life insurance, profit sharing, employee stock ownership, and other plans, benefits and privileges of the Company that may be in effect from time to time, to the extent the Officer is eligible under the terms of those plans and programs, provided, however, that Officer and Company agree that Officer shall not be eligible to receive or claim any benefits under the Union Bankshares Corporation Severance Pay Plan effective as of October 1, 1999, as amended.

(e) Business Expenses. The Company will reimburse Officer or otherwise provide for or pay for all reasonable expenses incurred by Officer in furtherance of, or in connection with, the business of the Company, including, but not by way of limitation, travel expenses, country club dues, car allowance, and memberships in professional organizations, subject to such reasonable documentation and other limitations as may be established by the Board of Directors of the Company.

(f) Vacation. The Officer will be entitled to five weeks of vacation per year after the Officer completes twenty years of employment with the Company, to be taken at such times and intervals as shall be determined by the Officer with the approval of the Company, which approval shall not be unreasonably withheld.

(g) Deferred Compensation Benefits. The Company may enter into a deferred compensation arrangement with the Officer to provide for certain supplemental nonqualified cash benefits in such amounts and on such terms and conditions as the parties may agree.

4. Termination and Termination Benefits. Notwithstanding the provisions of Section 2, the Officer's employment hereunder shall terminate under the following circumstances and shall be subject to the following provisions:

(a) Death. If the Officer dies while employed by the Company, the Company will continue to pay an amount equal to the Officer's then current Base Salary to the Officer's beneficiary designated in writing to the Company prior to his death (or to his estate, if he fails to make such designation) for six months after the Officer's death, with such payments to be made on the same periodic dates as salary payments would have been made to the Officer had he not died.

(b) Disability. The Officer's employment hereunder may be terminated at any time because of the Officer's inability to perform his duties with the Company on a full time basis for 180 consecutive days or a total of at least 240 days in any twelve month period as a result of the Officer's incapacity due to physical or mental illness as determined pursuant to the Company's long term disability policy; provided, however, that the Company shall provide continued medical insurance in the Company's health plan for the benefit of the Officer for a period of twelve months after the date of such termination.



---

(c) Termination by the Company for Cause. The Officer's employment may be terminated at any time without further liability on the part of the Company effective immediately for Cause by written notice to the Officer setting forth in reasonable detail the nature of such Cause. Only the following shall constitute "Cause" for such termination:

(i) continued failure by the Officer for reasons other than disability to follow reasonable instructions or policies of the Board of Directors of the Company after being advised in writing of such failure, including specific actions or inaction on the part of the Officer and the particular instruction or policy involved, and being given a reasonable opportunity and period (as determined by the Chief Executive Officer of the Company) to remedy such failure;

(ii) gross incompetence, gross negligence, willful misconduct in office or breach of a material fiduciary duty owed to the Company or any subsidiary or affiliate thereof;

(iii) conviction of a felony or a crime of moral turpitude (or a plea of *nolo contendere* thereto) or commission of an act of embezzlement or fraud against the Company or any subsidiary or affiliate thereof;

(iv) any breach by the Officer of a material term of this Agreement or violation in any material respect of any code or standard of conduct generally applicable to officers of the Company, including without limitation material failure to perform a substantial portion of his duties and responsibilities hereunder as established from time to time by the Board of Directors of the Company, after being advised in writing of such breach, violation, or failure and being given a reasonable opportunity and period (as determined by the Chief Executive Officer of the Company) to remedy such breach, violation, or failure;

(v) dishonesty of the Officer with respect to the Company or any subsidiary or affiliate thereof; or

(vi) the willful engaging by the Officer in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise, or any conduct deemed by the Board of Directors of the Company to be immoral or which may bring embarrassment or disrepute to the Company, its good name or status.

(d) Termination by the Company without Cause. The Officer's employment may be terminated without Cause effective immediately by written notice to the Officer. In the event of termination without Cause, the Officer shall be entitled to the benefits specified in Section 4(f).

---

(e) Termination by the Officer. The Officer may terminate his employment hereunder with or without Good Reason (as defined below) by written notice to the Board of Directors of the Company effective thirty days after receipt of such notice by the Board of Directors. In the event the Officer terminates his employment hereunder for Good Reason, the Officer shall be entitled to the benefits specified in Section 4(f). The Officer shall not be required to render any further services to the Company. Upon termination of employment by the Officer without Good Reason, the Officer shall be entitled to no further compensation or benefits under this Agreement. "Good Reason" shall be (i) the failure by the Company to comply with the provisions of Section 3 or material breach by the Company of any other provision of this Agreement, which failure or breach shall continue for more than thirty days after the date on which the Board of Directors of the Company receives notice of such failure or breach from the Officer, (ii) the assignment of the Officer without his consent to a position, responsibilities, or duties of a materially lesser status or degree of responsibility than his position, responsibilities, or duties at the Commencement Date other than as a direct result of the change in control of the Company (which is otherwise addressed herein), or (iii) the requirement by the Company that the Officer be based at any office that is greater than fifty miles from where the Officer's office is located at the Commencement Date.

(f) Certain Termination Benefits. In the event of termination by the Company without Cause and other than for death or disability, or by the Officer with Good Reason, the Officer shall be entitled to the following benefits, subject to the provisions of Section 5(c):

(i) Subject to subsection (iii) below, for a two-year period immediately following the date of termination the Company shall continue to pay the Officer his Base Salary (not including any bonus other than any unpaid bonus relating to a fiscal year of the Company completed prior to the date of termination) at the rate in effect on the date of termination, such payments to be made on the same periodic dates as salary payments would have been made to the Officer had he not been terminated. The Company and the Officer will use their best efforts to accelerate the vesting of any nonvested benefits of the Officer under any employee stock-based or other benefit plan or arrangement to the extent permitted by the terms of such plan or arrangement.

(ii) Subject to subsection (iv) below, for a two-year period immediately following the date of termination the Officer shall continue to receive medical and life insurance benefits pursuant to plans made available by the Company to its employees at the expense of the Company to substantially the same extent the Officer received such benefits on the date of termination (it being acknowledged that the post-termination plans may be different from the plans in effect on the date of termination). For purposes of application of such benefits, the Officer shall be treated as if he had remained in the employ of the Company, with a Base Salary at the rate in effect on the date of termination.

(iii) During the twelve month period that begins on the first anniversary date of the termination of employment and ends on the second anniversary date, the Company's obligation to continue to pay the Base Salary to the Officer pursuant to subsection 4(f)(i) during such second twelve month period shall terminate thirty days after the Officer obtains full-time employment with another employer that provides an annualized base salary that is at least equal to 75% of the Base Salary being paid by the Company.

(iv) The Company's obligation to provide the Officer with medical and life insurance benefits pursuant to subsection 4(f)(ii) hereof shall terminate in the event the Officer obtains new employment and is eligible to participate in substantially comparable medical and life insurance programs made available to him and similarly situated employees by or through his new employer. If only one type of insurance (e.g., medical) is made available to the Officer and similarly situated employees, the Company will continue to provide the Officer with the other insurance coverage for the remainder of the two year period or until such type of insurance is made available to him and similarly situated employees by his new employer, whichever occurs sooner.

(v) During the two-year period following the date of termination, the Officer shall provide the Company with at least ten days written notice before the starting date of any employment, identifying the prospective employer and its affiliated companies and the job description, including a description of the proposed geographic market area associated with the new position. The Officer shall notify in writing any new employer of the existence of the restrictive covenants set forth in Section 5 of this Agreement.

#### 5. Covenants of the Officer.

(a) Noncompetition and Nonsolicitation. The Officer agrees that during the Employment Period and for a one-year period following the termination of his employment for any reason during the Employment Period (the "Noncompete Period"), the Officer will not directly or indirectly, as a principal, agent, employee, employer, investor, co-partner or in any other individual or representative capacity whatsoever: (i) engage in a Competitive Business anywhere in the Market Area (as such terms are defined below) in any capacity that includes any of the significant responsibilities held or significant activities engaged in by the Officer on behalf of the Company and any of its Affiliates during the Employment Period; (ii) solicit, induce, or attempt to solicit or induce any customer or client of the Company or its Affiliates with whom the Officer had direct contact or whose identity the Officer learned as a result of his employment with the Company to terminate, diminish, or materially alter in a manner harmful to the Company the relationship of such customer or client with the Company or its Affiliates; (iii) solicit, induce, encourage, or participate in soliciting, inducing, or encouraging any employee to terminate his or her employment with the Company or any of its Affiliates; or (iv) hire,

employ, or engage in business with or attempt to hire, employ, or engage in business with any person employed by the Company or any of its Affiliates or who has left the employment of the Company or any of its Affiliates within the preceding three months, provided, however, that the Officer may become employed, within the twelve month period following a termination without cause by the Company or the Officer's termination of employment with Good Reason, by a financial institution with less than \$500 million in assets, so long as such financial institution is not affiliated with any other company such that their total aggregate assets exceed \$500 million, and such new employment shall not be construed as a violation of the foregoing covenant not to compete, and, in which case, the Company agrees that if the salary to be paid Officer by his new employer is less than 75% of his base salary in effect upon such a termination, then the Company will pay the Officer the difference between his base salary in effect upon such a termination and the base salary to be paid by his new employer. Notwithstanding the foregoing, the Officer may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any business enterprise (but without otherwise participating in the activities of such enterprise) that engages in a Competitive Business in the Market Area and whose securities are listed on any national or regional securities exchange or have been registered under Section 12 of the Securities Exchange Act of 1934.

(b) Nonrenewal of the Agreement. In the event the Company elects not to renew this Agreement in accordance with Section 2, the provisions of Section 5(a) shall not apply after the Expiration Date, unless the Officer shall otherwise be entitled to receive payments from the Company as a result of his termination without Cause or for Good Reason pursuant to Section 4(f).

(c) Definitions. As used in this Agreement, the term "Competitive Business" means the financial services business, which includes one or more of the following businesses: consumer and commercial banking, residential and commercial mortgage lending, securities brokerage and asset management, and any other business in which the Company or any of its Affiliates are engaged at the time of termination of the Officer's employment; the term "Market Area" means the area within a ten mile radius of any banking office or a loan production office (excluding for purposes of this Agreement an office providing residential mortgage loans) that the Company has established and is continuing to operate at the time of termination of the Officer's employment; the term "Affiliate" means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company; and the term "Person" means any person, partnership, corporation, company, group or other entity.

(d) Confidentiality. During the Employment Period and thereafter, and except as required by any court, supervisory authority or administrative agency or as may be otherwise required by applicable law, the Officer shall not, without the written consent of a person duly authorized by the Company, disclose to any person (other than his personal attorney, or an employee of the Company or an Affiliate, or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by

---

the Officer of his duties as an employee of the Company) or utilize in conducting a business any confidential information obtained by him while in the employ of the Company, unless such information has become a matter of public knowledge at the time of such disclosure.

(e) Acknowledgment; Enforcement. The covenants contained in this Section 5 shall be construed and interpreted in any proceeding to permit their enforcement to the maximum extent permitted by law. The Officer agrees that the restraints imposed herein are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to length of time, geographic area and activities restricted. If, however, the time, geographic and/or scope of activity restrictions set forth in Section 5 are found by an arbitrator or court to be unenforceable because the restrictions are overbroad, the arbitrator or court, as applicable, is empowered and directed to modify the restriction(s) to the extent necessary to make them enforceable. The Officer further acknowledges that damages at law would not be a measurable or adequate remedy for breach of the covenants contained in this Section 5 and, accordingly, the Officer agrees to submit to the equitable jurisdiction of any court of competent jurisdiction in connection with any action to enjoin the Officer from violating any such covenants. In any legal, equitable or arbitration action against the Officer in connection with the enforcement of the covenants included in this Section 5, each party will bear its own costs, including its attorneys' fees. All the provisions of this Section 5 will survive termination and expiration of this Agreement.

(f) Change in Control. Notwithstanding anything to the contrary contained in this Agreement, in the event of a change in control of the Company (as such term is defined in the Management Continuity Agreement, dated November 21, 2000, between the Company and the Officer) or the termination of the Officer as a result of his disability as determined pursuant to Section 4(b), the restrictions imposed by Section 5(a) shall not apply to the Officer after he ceases to be employed by the Company.

6. Change in Control of the Company. This Agreement will terminate in the event there is a change in control of the Company, and the Management Continuity Agreement, dated November 21, 2000, as it may hereafter be amended, between the Company and the Officer will become effective and any termination benefits will be determined and paid solely pursuant to such Management Continuity Agreement.

7. Mitigation; Exclusivity of Benefits

(a) The Officer shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Officer upon a termination of employment with the Company pursuant to employee benefit plans of the Company or otherwise.

8. Withholding. All payments required to be made by the Company hereunder to the Officer shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine should be withheld pursuant to any applicable law or regulation.

9. Assignability. The Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said corporation, company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto, to the extent that any such transaction does not trigger the operation of Section 5 above. The Officer may not assign or transfer this Agreement or any rights or obligations hereunder.

10. Notices. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:       Chairman of the Board  
                              Union Bankshares Corporation  
                              P. O. Box 446  
                              211 North Main Street  
                              Bowling Green, Virginia 22427

And at the Chairman's home address as shown on the records of the Company.

To the Officer:         D. Anthony Peay  
                              6001 Studley Woods Drive  
                              Hanover, Virginia 23069

11. Amendment; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Officer and such officer or officers as may be specifically designated by the Board of Directors of the Company to sign on their behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. Entire Agreement. This Agreement, together with the Management Continuity Agreement, dated November 21, 2000, and as it may hereafter be amended, entered into between the parties hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement or in the Management Continuity Agreement. For purposes of this Agreement, the term "Company" includes any subsidiaries of the Company.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

14. Nature of Obligations. Nothing contained herein shall create or require the Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Officer acquires a right to receive benefits from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

15. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

16. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

COMPANY:  
UNION BANKSHARES CORPORATION

Date signed: September 5, 2006

By: /s/ Ronald L. Hicks  
Ronald L. Hicks  
Chairman of the Board

OFFICER:

Date signed: September 5, 2006

/s/ D. Anthony Peay  
D. Anthony Peay



**Contact:** D. Anthony Peay - (804) 632-2112  
Vice President/ Chief Financial Officer

**Distribute to:** Virginia State/Local Newlines, NY Times, AP, Reuters, S&P, Moody,  
Dow Jones, Investor Relations Service

**September 7, 2006**                      **5:30 p.m.**                      **Traded: NASDAQ**                      **Symbol: UBSH**

#### **UNION BANKSHARES ANNOUNCES 3-FOR-2 STOCK SPLIT**

FOR IMMEDIATE RELEASE (Bowling Green, Virginia) — The Board of Directors of Union Bankshares Corporation (the “Company”) (NASDAQ: UBSH) has authorized and is pleased to announce a three-for-two stock split to shareholders of record as of the close of business on October 2, 2006. Shares resulting from the split are expected to be distributed by the Company’s transfer agent on October 13, 2006. Fractional shares will be settled in cash based on the closing price of the Company’s shares reported by the NASDAQ National Market System as of October 13, 2006.

G. William Beale, President and Chief Executive Officer of Union Bankshares Corporation stated, “*We anticipate this split will make our shares more accessible to retail investors and improve the liquidity of our stock.*” Following the stock split, the number of outstanding shares will increase to approximately 13.3 million shares. The Company’s last stock split, a two-for-one split, was in May 1998.

Union Bankshares is one of the largest community banking organizations based in Virginia, providing full service banking to the Central, Rappahannock, Williamsburg, and Northern Neck regions of Virginia through its bank subsidiaries, Union Bank and Trust Company (32 locations in the counties of Albemarle, Caroline, Chesterfield, Fluvanna, Hanover, Henrico, King George, King William, Nelson, Spotsylvania, Stafford, Westmoreland and the Cities of Fredericksburg and Charlottesville), Northern Neck State Bank (9 locations in the counties of Richmond, Westmoreland, Essex, Northumberland and Lancaster), Rappahannock National Bank in Washington, Virginia, Bay Community Bank (formerly Bank of Williamsburg) (4 locations in Williamsburg, Newport News and Grafton) and Prosperity Bank & Trust Company (3 locations in Fairfax County). Union Bank and Trust Company also operates a loan production office in Manassas. In addition to banking services, Union Investment Services, Inc. provides full brokerage services and Union Mortgage Group, Inc. provides a full line of mortgage products. Bay Community Bank also owns a non-controlling interest in Johnson Mortgage Company, LLC.

Additional information is available on the Company’s website at [www.ubsh.com](http://www.ubsh.com). The shares of the Company are traded on the NASDAQ National Market under the symbol “UBSH”.

This press release may contain “forward-looking statements” within the meaning of federal securities laws that involve significant risks and uncertainties. Statements herein are based on certain assumptions



---

and analyses by the Company and are factors it believes are appropriate in the circumstances. Actual results could differ materially from those contained in or implied by such statements for a variety of reasons including, but not limited to: changes in interest rates; changes in accounting principles, policies, or guidelines; significant changes in economic conditions; significant changes in regulatory requirements; and significant changes in securities markets. Consequently, all forward-looking statements made herein are qualified by these cautionary statements and the cautionary language in the Company's most recent Form 10-K report and other documents filed with the Securities and Exchange Commission. Union Bankshares Corporation does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.