

UNITED COMMUNITY BANKS INC  
Form S-4/A  
October 20, 2006

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As filed with the Securities and Exchange Commission on October 20,  
2006

File No. 333-137868

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**Pre-Effective Amendment No. 1**  
**to**  
**FORM S-4**

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**UNITED COMMUNITY BANKS, INC.**  
(Exact name of issuer as specified in its charter)

<b>Georgia</b> (State or other jurisdiction of incorporation or organization)	<b>6022</b> (Primary Standard Industrial Classification Code Number)	<b>58-1807304</b> (I.R.S. Employer Identification Number)
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**United Community Banks, Inc.**  
**Post Office Box 398, 63 Highway 515**  
**Blairsville, Georgia 30512**  
**(706) 745-2151**  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive  
offices)

**Jimmy C. Tallent**  
**Post Office Box 398, 63 Highway 515**  
**Blairsville, Georgia 30512**  
**(706) 745-2151**  
(Name, address, including zip code, and telephone  
number,  
including area code, of agent for service)

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Copies to:

**Richard R. Cheatham**  
**Kilpatrick Stockton LLP**  
**1100 Peachtree Street, Suite 2800**  
**Atlanta, Georgia 30309-4530**  
**(404) 815-6500**

**Kathryn L. Knudson**  
**Powell Goldstein LLP**  
**One Atlantic Center, 14<sup>th</sup> Floor**  
**1201 West Peachtree Street**  
**Atlanta, Georgia 30309**  
**(404) 572-6600**

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**Approximate date of commencement of proposed sale to the public:** The exchange of Registrant's shares for shares of common stock of Southern Bancorp, Inc. will take place upon consummation of the merger of Southern Bancorp, Inc. into the Registrant.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities of an offering pursuant to Rule 462(b) 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.  \_\_\_\_\_

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$1.00 per share	2,127,078 <sup>(1)</sup>	Not Applicable	\$22,028,513 <sup>(2)</sup>	\$2,357.05 <sup>(2)(3)</sup>
Common Stock, par value \$1.00 per share, to be issued upon the exercise of options	53,055 <sup>(4)</sup>	\$31.52	\$1,672,294 <sup>(5)</sup>	\$178.94 <sup>(5)</sup>

(1) The number of shares of the Registrant's common stock being registered hereunder is based upon the anticipated maximum number of such shares required to consummate the proposed merger of Southern Bancorp, Inc. into the Registrant. The Registrant will remove from registration by means of a post-effective amendment any shares being registered that are not issued in connection with such merger.

(2) In accordance with Rule 457(f)(2), the registration fee is based upon \$22,028,513, the maximum number of shares of common stock of Southern Bancorp, Inc. that may be received by the Registrant pursuant to the merger (1,804,137) multiplied by the book value per share of Southern Bancorp, Inc. as of August 31, 2006 (\$12.21).

(3) Previously paid.

(4) The number of shares of the Registrant's common stock being registered hereunder is based upon the number of shares issuable upon the exercise of all outstanding options to purchase Southern Bancorp, Inc. common stock. In addition, pursuant to Rule 416 this Registration Statement shall be deemed to cover any additional shares of common stock of the Registrant as may be issuable in the event of a stock dividend, stock split, recapitalization, or other similar change in the capital structure, merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation, or other distribution of assets, issuance of rights or warrants to purchase securities, or any other corporate transaction or event having an effect similar to any of the foregoing.

(5) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(c) and (h) on the basis of \$31.52, the average of the high and low prices per share of the Registrant's common stock on October 17, 2006, as reported by the Nasdaq Global Select Market.

**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 which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.**

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## PROXY STATEMENT/PROSPECTUS

These materials are a proxy statement of Southern Bancorp, Inc. and a prospectus of United Community Banks, Inc. They are furnished to you in connection with the notice of special meeting of shareholders to be held on November 21, 2006 that they accompany. At the special meeting of Southern shareholders, you will be asked to vote on the merger of Southern with and into United described in more detail herein. As of October 19, 2006, the record date for the Southern shareholders meeting, there were 1,639,137 shares of common stock outstanding and entitled to vote at that meeting. Approval of the merger requires the affirmative vote of holders of a majority of those shares.

Unless reduced pursuant to the terms of the merger agreement, in connection with the merger if approved and consummated, each share of Southern common stock will be converted into 1.179 shares of United common stock (the "Conversion Ratio"). Up to an aggregate of 2,180,133 shares of United common stock may be issued to Southern shareholders if the merger is approved and consummated, all warrants and options to purchase Southern common stock are exercised at or prior to the closing as required under the merger agreement and there is no conversion ratio adjustment. This document is a prospectus of United with respect to such offering and issuance of United common stock.

United common stock is traded on the Nasdaq Global Select Market under the symbol "UCBI". The closing sales price of United common stock as of September 5, 2006, the date the merger agreement was executed, was \$31.59. Assuming the Conversion Ratio remains 1.179, if the merger had been completed on September 5, 2006 at such Conversion Ratio, the implied value of your Southern shares would have been \$37.24 based on United's closing stock on that date. The closing sales price of United common stock as of October 19, 2006, the most recent date feasible for including in these materials, was \$30.84. On October 19, 2006, the implied value of your Southern shares would have been \$36.36 per share based on the 1.179 Conversion Ratio.

The accompanying materials contain information regarding the proposed merger and the companies participating in the merger, and the Agreement and Plan of Reorganization pursuant to which the merger would be consummated if approved. **We encourage you to carefully read the entire document, and the related documents to which it refers. Investing in United common stock involves risks that you should consider that may affect the value of United common stock to be issued in the merger.**

These materials also incorporate important business and financial information about United that is not included in or delivered with them. This business and financial information is available without charge to you upon written or oral request made to Investor Relations, United Community Banks, Inc., at P.O. Box 398, 63 Highway 515, Blairsville, Georgia 30512, telephone number (706) 745-2151. To obtain delivery of such business and financial information before the special meeting, your request must be received no later than November 14, 2006.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of these materials. Any representation to the contrary is a criminal offense. Shares of common stock of United are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.**

*The date of these materials are October 20, 2006, and they are expected to be first mailed to shareholders on or about October 23, 2006.*



**Southern Bancorp, Inc.  
200 Cherokee Street  
Marietta, Georgia 30060**

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**Notice Of Special Meeting Of Shareholders  
To Be Held On November 21, 2006**

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A special meeting of shareholders of Southern Bancorp, Inc. will be held on November 21, 2006, at 5:00 p.m., at the main office of Southern National Bank, 200 Cherokee Street, Marietta, Georgia, for the following purposes:

1. to consider and vote on an Agreement and Plan of Reorganization, under which Southern Bancorp, Inc. will merge with and into United Community Banks, Inc., as more particularly described in the accompanying materials; and
2. to transact such other business as may properly come before the special meeting or any adjournments of the special meeting.

If Southern shareholders approve the merger, Southern will be merged with and into United. Unless reduced pursuant to the terms of the merger agreement, each share of Southern common stock will be converted into 1.179 shares of United common stock (the "Conversion Ratio") in connection with the merger, all as more fully explained under the heading "Details of the Proposed Merger-The Merger Consideration" (page 14).

Approval of the merger will require the approval of the holders of at least a majority of the Southern common stock entitled to vote at the special meeting. Only shareholders of record of Southern common stock at the close of business on October 19, 2006 will be entitled to vote at the special meeting or any adjournments thereof. Southern's board of directors has adopted a resolution approving the merger and the merger agreement and unanimously recommends that you vote for the proposal to approve the merger.

If the merger is completed, Southern shareholders who dissent with respect to the merger will be entitled to receive a cash payment for their shares of Southern common stock if they comply with certain statutory provisions of Article 13 of the Georgia Business Corporation Code regarding the rights of dissenting shareholders, all as more fully explained under the heading "Details of the Proposed Merger-Rights of Dissenting Shareholders" (page 23) and in Appendix B to the accompanying materials.

A form of proxy for use by you is enclosed. To ensure representation at the special meeting, each Southern shareholder is requested to sign, date, and return the proxy card promptly in the enclosed, stamped envelope. A previously submitted proxy may be revoked by notifying Priscilla D. Gamwell, Secretary of Southern, in writing, or by submitting an executed, later-dated proxy prior to the special meeting to Priscilla D. Gamwell, Secretary, Southern Bancorp, Inc., 200 Cherokee Street, Marietta, Georgia 30060. A previously submitted proxy also may be revoked by attending the special meeting and requesting the right to vote in person. A properly signed and returned proxy card, if not revoked, will be voted at the special meeting in the manner specified by the duly submitted proxy.

By Order of the Board of Directors,

October 20, 2006  
Marietta, Georgia

/s/ J. Edward Mulkey, Jr.  
J. Edward Mulkey, Jr., Chairman



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## QUESTIONS AND ANSWERS ABOUT THE MERGER

**Q: What am I being asked to approve?**

A: You are being asked to approve the Agreement and Plan of Reorganization by and between Southern and United, pursuant to which Southern will be merged with and into United. Approval of the merger requires the affirmative vote of a majority of the outstanding shares of Southern common stock. **The Southern board of directors has unanimously approved and adopted the Agreement and Plan of Reorganization and recommends voting FOR approval of this merger agreement.**

**Q: When is the merger expected to be completed?**

A: We plan to complete the merger during the fourth quarter of 2006.

**Q: What will I receive in the merger?**

A: Unless reduced pursuant to the terms of the merger agreement, each share of Southern common stock will be converted into 1.179 shares of United common stock (the "Conversion Ratio") in connection with the merger. United will not issue fractional shares in the merger. Instead, you will receive a cash payment, without interest, for the value of any fraction of a share of United common stock that you would otherwise be entitled to receive based on the Conversion Ratio.

*For example:*

Assuming the Conversion Ratio remains 1.179, if you own 100 shares of Southern common stock, you will be entitled to receive 117 shares of United (100 x 1.179, rounded down to the nearest whole share). In addition, you will be entitled to receive cash for your .9 fractional share of United. If closing sales price of United common stock on the closing date of the merger was the same as it was on the date the merger agreement was executed, \$31.59, you will be entitled to receive \$28.43 cash for your .9 fractional share (.9 x \$31.59).

To review what you will receive in the merger in greater detail, see "Details of the Proposed Merger-The Merger Consideration" beginning on page 14.

**Q: What will happen to Southern options I hold?**

A: Each of the options to purchase shares of Southern common stock will, upon the effectiveness of the merger, become fully vested and immediately exercisable but will be converted into an option to purchase shares of United common stock calculated based on the Conversion Ratio, 1.179. The aggregate exercise price of each Southern option will remain the same, but the per share price for United shares will reflect the Conversion Ratio.

In the merger agreement, Southern agreed to seek and cause all Southern options that are being converted into options to purchase United common stock to be exercised immediately after the merger becomes effective. United and Southern will contact each Southern option holder before the closing date to facilitate that exercise. See "Details of the Proposed Merger-Conversion and Exercise of Southern Options", beginning on page 15, and "Prospectus Delivery for Option Exercises", beginning on page 42.



**Q: What should I do now?**

A: Indicate on the enclosed proxy card how you want to vote with respect to the proposed merger, and sign and mail the proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you sign and send in a proxy card but do not indicate how you want to vote, your proxy will be voted in favor of the proposal to approve the merger. A special shareholders meeting will take place on November 21, 2006, at 5:00 p.m. on at the main office of Southern National Bank, 200 Cherokee Street, Marietta, Georgia 30060, to vote on the merger proposal.

You may attend the special meeting and elect to vote your shares in person, rather than voting by proxy. In addition, you may withdraw your proxy up to and including the day of the special meeting by notifying Southern prior to the meeting, in writing, or by submitting an executed, later-dated proxy to: Priscilla D. Gamwell, Secretary, Southern Bancorp, Inc., 200 Cherokee Street, Marietta, Georgia 30060.

**Q: What information should I consider?**

A: We encourage you to read this entire document carefully. You should also review the factors considered by each company's board of directors discussed in "Details of the Proposed Merger-Background of and Reasons for the Merger" beginning on page 12.

**Q: What are the tax consequences of the merger to me?**

A: We expect that the exchange of shares of Southern common stock for United common stock by Southern shareholders generally will be tax-free to you for federal income tax purposes. However, you will have to pay taxes at either capital gains or ordinary income rates, depending upon individual circumstances, on cash received in lieu of fractional shares and on gain realized upon the exercise of Southern options. To review the tax consequences to Southern shareholders in greater detail, see "Details of the Proposed Merger-Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel" beginning on page 25.

**Your tax consequences will depend on your personal situation. You should consult your tax adviser for a full understanding of the tax consequences of the merger to you.**

**Q: Should I send in my stock certificates now?**

A: **No.** After the merger is completed, you will receive written instructions from United for exchanging your Southern common stock certificates for United common stock certificates and cash.

**Q: Who should I call with questions?**

A: You should call Steven Holcomb, President of Southern at (770) 424-2000.

## SUMMARY

*This summary highlights selected information from these materials regarding the proposed merger. For a more complete description of the terms of the proposed merger, you should carefully read this entire document, and the related documents to which it refers. The Agreement and Plan of Reorganization, which is the legal document that governs the proposed merger, is included as Appendix A. In addition, the sections entitled "Where You Can Find More Information", on page 44, and "Incorporation of Certain Documents By Reference", on page 44, contain references to additional sources of information about United and Southern.*

### **The Companies (see pages 34 and 39)**

**United Community Banks, Inc.**  
**63 Highway 515**  
**Blairsville, Georgia 30512**  
**(706) 745-2151**

United is the third largest bank holding company based in Georgia with assets of approximately \$6.3 billion, loans of approximately \$4.8 billion, deposits of approximately \$5.0 billion, and stockholders' equity of approximately \$496.3 million as of June 30, 2006. United conducts substantially all of its operations through 25 separate "community banks" with 96 locations in north Georgia, metro Atlanta, coastal Georgia, western North Carolina, and east Tennessee through two wholly-owned state chartered bank subsidiaries: United Community Bank, Blairsville, Georgia, and United Community Bank, Murphy, North Carolina. United's community banks offer a full range of retail and corporate banking services, including checking, savings and time deposit accounts, secured and unsecured loans, wire transfers, brokerage services and other financial services.

United also operates United Community Mortgage Services, a full-service retail mortgage lending operation approved as a seller/servicer for Fannie Mae and the Federal Home Mortgage Corporation, as a division of its Georgia bank subsidiary, and Brintech, Inc., a New Smyrna Beach, Florida based consulting firm for the financial services industry. Additionally, United provides retail brokerage services through a third party broker/dealer.

**Southern Bancorp, Inc.**  
**200 Cherokee Street**  
**Marietta, Georgia 30060**  
**(770) 424-2000**

Southern is a bank holding company based in Marietta, Georgia with assets of approximately \$328.8 million, loans of approximately \$245.4 million, deposits of approximately \$293.4 million, and shareholders' equity of approximately \$18.7 million as of June 30, 2006. Southern is the parent company of Southern National Bank, a full service bank with its main office in Marietta, Georgia. Southern National Bank operates a branch location in Canton, Cherokee County, Georgia. The bank offers a full range of lending products and traditional banking products and services, including commercial, real estate, and consumer loans, cash management services, and savings and time deposit accounts.

**The Terms of the Merger (see page 15)**

If Southern shareholders approve the merger, Southern will be merged with and into United. Unless reduced pursuant to the terms of the merger agreement, in connection with the merger each share of Southern common stock will be converted into 1.179 of United common stock, which is referred to herein as the Conversion Ratio.

You will also receive a cash payment, without interest, for the value of any fraction of a share of United common stock that you would otherwise be entitled to receive based on the Conversion Ratio.

Following the merger, Southern's subsidiary, Southern National Bank, will be merged with and into United Community Bank, a wholly-owned Georgia bank subsidiary of United, and United Community Bank will be the surviving bank.

**The Reasons Management of Both Companies Support the Merger (see page 12)**

The boards of directors of Southern and United support the merger and believe that it is in the best interests of both companies and their respective shareholders. The board of directors of Southern believes that the merger presents Southern with the chance to better service its market and that the merger will permit Southern shareholders to have an equity interest in a resulting financial institution that has greater financial resources with significant economies of scale and a larger shareholder base, which will increase liquidity and marketability of the equity investment of Southern shareholders. The board of directors of United believes that Southern provides United with an expansion opportunity in an attractive market area. Both boards of directors believe that the terms of the merger are fair and equitable and that following the merger the combined bank will maintain the competitive advantage of a community banking business model.

**Shareholders' Meeting**

The special meeting of shareholders of Southern will be held on November 21, 2006 at 5:00 p.m., at the main office of Southern National Bank, 200 Cherokee Street, Marietta, Georgia 30060, for the purpose of voting on approval of the merger.

**Record Date**

You are entitled to vote at the shareholders' meeting if you owned shares of Southern common stock on October 19, 2006.

**Vote Required (see page 18)**

Approval by holders of a majority of the Southern common stock outstanding on October 19, 2006, is required to approve the merger. As of such date, 1,639,137 shares of Southern common stock were issued and outstanding, each of which is entitled to one vote per share. All of the directors and executive officers of Southern have agreed to vote their shares in favor of the merger. There are 489,715 shares, or 35.6%, of Southern common stock beneficially owned (excluding warrants and options) by its directors and executive officers.

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**Conditions, Termination, and Effective Date (see page 15)**

The merger will not occur unless certain conditions are met, and United or Southern can terminate the merger agreement if specified events occur or fail to occur. The merger must be approved by the Southern shareholders, the Board of Governors of the Federal Reserve System, and the Department of Banking and Finance of the State of Georgia. Following the merger, Southern's subsidiary, Southern National Bank, will be merged into United's Georgia bank subsidiary, United Community Bank. The bank merger must be approved by the Federal Deposit Insurance Corporation and the Department of Banking and Finance of the State of Georgia, and notice of the bank merger must be provided to the U.S. Office of the Comptroller of the Currency.

The closing of the merger will occur after the merger is approved by Southern shareholders and the foregoing regulators and after the certificate of merger is filed as required under Georgia law.

**Rights of Dissenting Shareholders (see page 23)**

You are entitled to dissent from the merger and to receive a cash payment for your Southern common stock if you follow certain statutory provisions regarding the rights of dissenting shareholders under Article 13 of the Georgia Business Corporation Code.

**Federal Income Tax Consequences (see page 25)**

Southern has received an opinion from Kilpatrick Stockton LLP stating that, assuming the merger is completed as currently anticipated, Southern will not recognize any gain or loss for federal income tax purposes, and shareholders of Southern to the extent they receive United stock will not recognize any gain or loss for federal income tax purposes. All cash you receive in lieu of fractional shares or as payment for exercising your right to dissent, will be treated as amounts distributed in redemption of your Southern common stock and that amount will be taxable under the Internal Revenue Code as either ordinary income or capital gain or loss, depending upon your particular circumstances. Neither United nor Southern has requested a ruling to this effect from the Internal Revenue Service.

Southern is a corporation that is taxed on a modified pass-through basis under Subchapter S of the Internal Revenue Code of 1986, as amended. In contrast, United is a corporation that is taxed at the corporate level under Subchapter C of the Internal Revenue Code of 1986, as amended. As a result, United is subject to taxation on income realized from its operations. There is no "pass-through" of any items of income or loss to the shareholders of United.

**Accounting Treatment (see page 22)**

The merger will be accounted for as a purchase for financial reporting and accounting purposes.

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### Opinion of Southern's Financial Advisor (see page 26)

The Carson Medlin Company has rendered an opinion to Southern that based on and subject to the procedures, matters, and limitations described in its opinion and other matters it considered relevant, as of the date of its opinion, the merger consideration is fair from a financial point of view to the shareholders of Southern. A summary of Carson Medlin's opinion begins on page 26 and the full opinion is attached as Appendix C to these materials.

### Markets for Common Stock

United's common stock trades on the Nasdaq Global Select Market under the symbol "UCBI". The following table sets forth, for the periods indicated, the high, low and closing sales prices per share of United's common stock as quoted on Nasdaq. Amounts have been restated to reflect the pro forma effect of United's three-for-two split effective April 28, 2004:

	<b>High</b>	<b>Low</b>	<b>Close</b>
<b>2006</b>			
Fourth Quarter (through October 19)	\$ 32.00	\$ 29.03	\$ 30.84
Third Quarter	33.10	27.51	30.05
Second Quarter	31.26	27.02	30.44
First Quarter	29.64	26.02	28.15
<b>2005</b>			
Fourth Quarter	30.50	25.32	26.66
Third Quarter	29.36	25.75	28.50
Second Quarter	26.44	21.70	26.02
First Quarter	27.92	23.02	23.73
<b>2004</b>			
Fourth Quarter	29.60	23.17	26.93
Third Quarter	25.45	21.75	24.27
Second Quarter	25.36	21.89	25.18
First Quarter	24.62	21.37	23.73

The closing sales price of United common stock as of September 5, 2006, the date the merger agreement was executed, was \$31.59. The closing sales price of United common stock as of October 19, 2006, the most recent date feasible for including in these materials, was \$30.84.

There has been no public trading market for Southern common stock. Since 2004, there are two transactions involving a total of 15,000 shares in which Southern common stock was transferred between third parties, and management of Southern has no knowledge of the price at which such transactions took place. The following table sets forth certain information regarding sales of Southern common stock by Southern in private offerings:

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Year	Number of Trades	Aggregate Shares	Size of Trades (Shares)		Price of Trades	
			Smallest	Largest	Lowest	Highest
2006	3	28,777	216	16,413	\$20.25	\$21.54
2005	50	148,550	86	22,144	\$14.25	\$21.54
2004	22	187,207	257	31,464	\$10.50	\$15.72

We believe the last sale of Southern common stock between shareholders in a private transaction occurred in May 2004 and involved the sale of 10,000 shares.

Assuming the Conversion Ratio remains 1.179, if the merger had been completed on September 5, 2006, the implied value of one share of Southern common stock would have been \$37.24 based on United's closing sales price on that date, and, on October 19, 2006, the implied value of one share of Southern common stock would have been \$36.36.

There were 62 shareholders of record of Southern common stock as of October 19, 2006.

**Dividends (see page 21)**

United has declared aggregate cash dividends of \$.24 per share in 2006 and declared aggregate cash dividends of \$.28 per share in 2005 and \$.24 per share in 2004. United intends to continue paying cash dividends, but the amount and frequency of cash dividends, if any, will be determined by United's board of directors after consideration of earnings, capital requirements, and the financial condition of United, and will depend on cash dividends paid to it by its subsidiary banks. The ability of United's subsidiary banks to pay dividends to it is restricted by certain regulatory requirements.

Because of Southern's status as an "S corporation" under federal tax laws, Southern has regularly distributed 35% of its estimated taxable earnings to its shareholders to satisfy the quarterly tax liabilities of its shareholders. As a result, Southern has declared aggregate cash dividends of \$.99 per share in 2006 and declared aggregate cash dividends of \$1.02 per share in 2005 and \$.28 per share in 2004. Southern has agreed pursuant to the merger agreement that it will not pay any cash dividends other than its regular distribution of 35% of estimated taxable earnings without the written consent of United.

**Differences in Legal Rights Between Shareholders of Southern and United (see page 20)**

Following the merger you will no longer be a Southern shareholder and, if you receive shares of United common stock following the merger, your rights as a shareholder will no longer be governed by Southern's articles of incorporation and bylaws. You will be a United shareholder, and your rights as a United shareholder will be governed by United's articles of incorporation and bylaws. Your former rights as a Southern shareholder and your new rights as a United shareholder are different in certain ways, including the following:

- Southern's bylaws provide for a board of directors consisting of between five and 25 members, while United's bylaws provide for a board of directors consisting of between eight and 14 members.
- The bylaws of Southern set forth different requirements for removal of directors than do the articles of incorporation and bylaws of United.
- Southern and United have different special procedures in their articles of incorporation requiring supermajority approval and disinterested shareholder approval of some business transactions.
- The articles of incorporation of United require a supermajority vote to amend most provisions of its articles of incorporation and bylaws. In some cases, Southern's articles of incorporation and bylaws do not.



·United is subject to filing requirements provided for under the Securities and Exchange Act. Southern is not subject to such requirements.

**Interests of Management in the Merger (see page 19)**

Some of the directors and officers of Southern have interests in the merger in addition to their interests as shareholders generally, including the following:

·As a condition to closing merger, Steven Holcomb, President and Chief Executive Officer of Southern, will terminate his change in control agreement with Southern for a payment of three times his annual salary and most recent bonus and twelve times his monthly automobile allowance as required by such agreement upon a change in control. Paul Kirtley, Chief Financial Officer of Southern, and Henley Vansant, Executive Vice President of Southern will each terminate their change in control agreements with Southern for a payment to each of one times their annual salary and most recent bonus and, in the case of Mr. Vansant, twelve times his monthly automobile allowance, as required by such agreements upon a change in control.

·As a condition to closing the merger, Steven Holcomb will be provided a change in control agreement by United that will provide him a payment approximately two times his annual salary and bonus in certain circumstances after a change in control of United Community Bank. United will also grant Mr. Holcomb options to purchase 6,000 shares of common stock of United. The options vest in four equal installments over four years beginning on the first anniversary of the closing of the merger and will have an exercise price equal to the fair market value of United common stock on the day the options are granted.

·As a condition to closing the merger, Henley Vansant will be provided a change in control agreement by United that will provide him a payment approximately equal to his annual salary and bonus in certain circumstances after a change in control of United Community Bank. United will also grant Mr. Vansant options to purchase 4,000 shares of common stock of United. The options vest in four equal installments over four years beginning on the first anniversary of the closing of the merger and will have an exercise price equal to the fair market value of United common Stock on the day the options are granted.

·United has agreed to provide J. Edward Mulkey, Jr., Chairman of the Board of Southern, with \$100,000 per year for two years in exchange for Mr. Mulkey's consulting services. In addition, Mr. Mulkey will be provided with an automobile.

·United will generally indemnify and provide liability insurance to the present directors and officers of Southern for actions taken by such directors and officers in such capacities.

·In connection with the merger, United has agreed to provide to officers and employees of Southern who continue employment with United or its subsidiaries employee benefits under employee benefit plans, on terms and conditions substantially similar to those currently provided to similarly situated United officers and employees.

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**SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF UNITED**

We are providing the following information to help you analyze the financial aspects of the merger. The following tables set forth summary historical operations and financial condition data and summary performance, asset quality and other information of United at and for the periods indicated. You should read this data in conjunction with United's Consolidated Financial Statements and notes thereto incorporated herein by reference into from United's Annual Report on Form 10-K for the year ended December 31, 2005 and Quarterly Report on Form 10-Q for the six months ended June 30, 2006, both of which are incorporate herein by reference. United's "net operating income" is determined by methods other than in accordance with generally accepted accounting principles, or GAAP. Please see "GAAP Reconciliation and Explanation" below for a reconciliation of the difference between United's non-GAAP net operating income and its GAAP net income. Per share amounts and weighted average shares outstanding have been restated to reflect the three-for-two stock split effective April 28, 2004 and the two-for-one stock split effective May 29, 2002.

	For the Six Months Ended June 30,			For the Years Ended December 31,			
	2006	2005	2005	2004	2003	2002	2001
	<i>(in thousands, except per share data; taxable equivalent)</i>						
<b>INCOME SUMMARY</b>							
Interest revenue	\$ 214,525	\$ 154,350	\$ 338,818	\$ 239,386	\$ 209,338	\$ 195,932	\$ 210,036
Interest expense	92,472	54,817	127,426	74,794	70,600	76,357	100,874
Net interest revenue	122,053	99,533	211,392	164,592	138,738	119,575	109,162
Provision for loan losses	7,200	5,200	12,100	7,600	6,300	6,900	6,000
Fee revenue	23,734	22,379	46,148	39,539	38,184	30,734	25,267
<b>Total revenue</b>	<b>138,587</b>	<b>116,712</b>	<b>245,440</b>	<b>196,531</b>	<b>170,622</b>	<b>143,409</b>	<b>128,429</b>
Operating expenses	85,705	73,587	155,401	122,568	107,900	91,124	83,906
Income before taxes	52,882	43,125	90,039	73,963	62,722	52,285	44,523
Income taxes	19,914	15,911	33,297	26,807	23,247	19,505	16,208
<b>Net operating income</b>	<b>32,968</b>	<b>27,214</b>	<b>56,742</b>	<b>47,156</b>	<b>39,475</b>	<b>32,780</b>	<b>28,315</b>
Merger-related charges, net of tax	—	—	—	565	1,357	—	1,084
<b>Net income</b>	<b>\$ 32,968</b>	<b>\$ 27,214</b>	<b>\$ 56,742</b>	<b>\$ 46,591</b>	<b>\$ 38,118</b>	<b>\$ 32,780</b>	<b>\$ 27,231</b>
<b>OPERATING PERFORMANCE</b>							
Earnings per common share:							
Basic	\$ .82	\$ .71	\$ 1.47	\$ 1.31	\$ 1.15	\$ 1.02	\$ .89
Diluted	.80	.69	1.43	1.27	1.12	.99	.87
Return on tangible equity <sup>(1)(2)(3)</sup>	17.67	% 19.52	% 18.99	% 19.74	% 19.24	% 17.88	% 18.19
Return on assets <sup>(3)</sup>	1.10	1.04	1.04	1.07	1.06	1.11	1.10
Efficiency ratio	58.79	60.36	60.15	60.05	60.89	60.66	62.52
Dividend payout ratio	19.51	19.72	19.05	18.32	17.39	16.34	14.98

**GAAP  
PERFORMANCE**

Per common share:

Basic earnings	\$ .82	\$ .71	\$ 1.47	\$ 1.29	\$ 1.11	\$ 1.02	\$ .86
Diluted earnings	.80	.69	1.43	1.25	1.08	.99	.84
Cash dividends declared (rounded)	.16	.14	.28	.24	.20	.17	.13
Book value	12.34	10.86	11.80	10.39	8.47	6.89	5.98
Tangible book value <sup>(2)</sup>	9.50	7.85	8.94	7.34	6.52	6.49	5.40

Key performance ratios:

Return on equity <sup>(1)(3)</sup>	13.33	%	13.57	%	13.46	%	14.39	%	14.79	%	16.54	%	16.08	%
Return on assets <sup>(3)</sup>	1.10		1.04		1.04		1.05		1.02		1.11		1.05	
Net interest margin <sup>(3)</sup>	4.34		4.09		4.14		4.00		3.99		4.33		4.51	
Dividend payout ratio	19.51		19.72		19.05		18.60		18.02		16.34		15.50	
Equity to assets	7.99		7.68		7.63		7.45		7.21		7.01		6.81	
Tangible equity to assets <sup>(2)(4)</sup>	6.23		5.60		5.64		5.78		6.02		6.60		6.18	

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**For the Six Months**  
**Ended**  
**June 30,**  
**2006**      **2005**      **2005**      **2004**      **2003**      **2002**      **2001**  
*(in thousands, except per share data; taxable equivalent)*

**ASSET QUALITY**

Allowance for loan losses	\$ 58,508	\$ 49,873	\$ 53,595	\$ 47,196	\$ 38,655	\$ 30,914	\$ 27,124
Non-performing assets	8,805	13,495	12,995	8,725	7,589	8,019	9,670
Net charge-offs	2,287	2,523	5,701	3,617	4,097	3,111	4,578
Allowance for loan losses to loans	1.22%	1.22%	1.22%	1.26%	1.28%	1.30%	1.35%
Non-performing assets to total assets <sup>(3)</sup>	.14	.24	.22	.17	.19	.25	.35
Net charge-offs to average loans	.10	.13	.14	.11	.15	.14	.25

**AVERAGE BALANCES**

Loans	\$ 4,598,355	\$3,870,177	\$4,061,091	\$3,322,916	\$2,753,451	\$2,239,875	\$1,854,968
Investment securities	1,039,198	971,283	989,201	734,577	667,211	464,468	489,332
Earning Assets	5,667,213	4,903,610	5,109,053	4,119,327	3,476,030	2,761,265	2,419,080
Total Assets	6,060,526	5,251,913	5,472,200	4,416,835	3,721,284	2,959,295	2,585,290
Deposits	4,728,731	3,786,276	4,003,084	3,247,612	2,743,087	2,311,717	2,010,105
Stockholders' equity	484,420	403,286	417,309	329,225	268,446	207,312	176,144
Common shares outstanding							
Basic:	40,122	38,234	38,477	36,071	34,132	32,062	31,691
Diluted	41,259	39,412	39,721	37,273	35,252	33,241	32,624

**AT PERIOD END**

Loans	\$ 4,810,277	\$4,072,811	\$4,398,286	\$3,734,905	\$3,015,997	\$2,381,798	\$2,007,990
Investment securities	974,524	990,500	990,687	879,978	659,891	559,390	470,176
Earning assets	5,862,614	5,161,067	5,470,718	4,738,389	3,796,332	3,029,409	2,554,530
Total assets	6,331,136	5,540,242	5,865,756	5,087,702	4,068,834	3,211,344	2,749,257
Deposits	4,976,650	3,959,226	4,477,600	3,680,516	2,857,449	2,385,239	2,116,499
Stockholders' equity	496,297	415,994	472,686	397,088	299,373	221,579	194,665
Common shares outstanding	40,179	38,283	40,020	38,168	35,289	31,895	32,266

(1) Net income available to common stockholders, which excludes preferred stock dividends, divided by average realized common equity which excludes accumulated other comprehensive income (loss).

(2) Excludes effect of acquisition related intangibles and associated amortization.

(3) Annualized.

(4) Based on average balances of tangible equity and tangible assets.





**GAAP Reconciliation and Explanation**

United's net operating income is determined by methods other than in accordance with GAAP and excludes merger-related and restructuring charges. For analysis purposes, United excludes these charges because its management believes that non-GAAP operating results provide a helpful measure for assessing United's financial performance because the excluded charges are non-recurring and operating income more closely reflects what United could expect to earn during periods of no acquisitions. United's net operating income should not be viewed as a substitute for net income determined in accordance with GAAP and is not necessarily comparable to non-GAAP performance measures that may be presented by other companies. The following is a reconciliation of United's net operating income to GAAP net income:

	<b>For the Six Months Ended June 30,</b>		<b>For the Years Ended December 31,</b>				
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<i>(in thousands)</i>						
Total merger-related charges	\$ —	\$ —	\$ —	\$ 870	\$ 2,088	\$ —	\$ 1,617
Income tax effect of above charges	—	—	—	305	731	—	533
After-tax effect of merger-related charges	\$ —	\$ —	\$ —	\$ 565	\$ 1,357	\$ —	\$ 1,084
<b>Net Income Reconciliation</b>							
Net operating income	\$ 32,968	\$ 27,214	\$ 56,742	\$ 47,156	\$ 39,475	\$ 32,780	\$ 28,315
After-tax effect of merger-related charges	—	—	—	(565)	(1,357)	—	(1,084)
Net income (GAAP)	\$ 32,968	\$ 27,214	\$ 56,742	\$ 46,591	\$ 38,118	\$ 32,780	\$ 27,231
<b>Basic Earnings Per Share Reconciliation</b>							
Basic operating earnings per share	\$ .82	\$ .71	\$ 1.47	\$			