

UNITED COMMUNITY BANKS INC
Form S-4
March 09, 2007

As filed with the Securities and Exchange Commission on
March 9, 2007

File No. 333-_____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Georgia
(State or other jurisdiction of
incorporation or organization)

6022
(Primary Standard Industrial
Classification Code Number)

58-1807304
(I.R.S. Employer
Identification Number)

United Community Banks, Inc.
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
63 Highway 515
Blairsville, Georgia 30512
(706) 745-2151
(Name, address, including zip code, and telephone
number,
including area code, of agent for service)

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, 14th Floor
1201 West Peachtree Street
Atlanta, Georgia 30309
(404) 572-6600

Approximate date of commencement of proposed sale to the public: The exchange of Registrant's shares for shares of common stock of Gwinnett Commercial Group, Inc. will take place upon consummation of the merger of Gwinnett Commercial Group, 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	5,692,082 ⁽¹⁾	Not Applicable	48,176,181 ⁽²⁾	\$1,479.01 ⁽²⁾

(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 Gwinnett Commercial Group, 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) and (3), the registration fee is based on \$48,176,181, which is the result of (i) \$70,489,435, the maximum number of shares of common stock of Gwinnett Commercial Group, Inc. that may be received by the Registrant pursuant to the merger (2,830,901) multiplied by the book value per share of Gwinnett Commercial Group, Inc. as of February 28, 2007 (\$24.90), minus (ii) \$22,313,254 in cash to be paid by the Registrant in the proposed merger.

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.

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

SUBJECT TO COMPLETION, DATED MARCH 9, 2007

PROXY STATEMENT/PROSPECTUS

These materials are a proxy statement of Gwinnett Commercial Group, 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 _____, 2007. At the special meeting of Gwinnett shareholders, you will be asked to vote on the merger of Gwinnett with and into United described in more detail herein. As of _____, 2007, the record date for the Gwinnett shareholders meeting, there were 2,830,901 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.

Subject to the election and adjustment procedures described in this document, in connection with the merger if approved and consummated, holders of Gwinnett common stock will be entitled to receive, in exchange for each share of Gwinnett common stock, consideration equal to either (i) 2.2545 shares of United common stock, or (ii) \$72.8865 in cash, without interest; *provided*, that an aggregate of no more than 306,137 shares of Gwinnett common stock may be exchanged for cash and an aggregate of no more than 2,524,764 shares of Gwinnett common stock may be exchanged for United common stock. As a result, up to an aggregate of 5,692,082 shares of United common stock may be issued to Gwinnett shareholders if the merger is approved and consummated and there is no adjustment. This document is a United prospectus with respect to the offering and issuance of such United common stock.

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 will be consummated if approved. **We encourage you to read the entire document carefully. Please also see the "Risk Factors" section of United's Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference, for a description of the factors that you should consider that may affect the value of United common stock to be issued in the merger.**

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 _____, 2007, and they are expected to be first mailed to shareholders on or about _____, 2007.

GWINNETT COMMERCIAL GROUP, INC.

**2230 Riverside Parkway
Lawrenceville, Georgia 30043**

**Notice Of Special Meeting
Of Shareholders
To Be Held On
_____, 2007**

A special meeting of shareholders of Gwinnett Commercial Group, Inc. will be held on _____, 2007, at _____, at the main office of First Bank of the South, 2230 Riverside Parkway, Lawrenceville, Georgia 30043 for the following purposes:

1. to consider and vote on an Agreement and Plan of Reorganization, under which Gwinnett Commercial Group, Inc. (“Gwinnett”) will merge with and into United Community Banks, Inc. (“United”), 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 Gwinnett shareholders approve the merger, Gwinnett will be merged with and into United. Unless adjusted pursuant to the terms of the merger agreement, Gwinnett shareholders may elect to receive shares of United common stock or cash in exchange for each of their shares of Gwinnett common stock in the merger on the following basis:

- 2.2545 shares of United common stock; or
- \$72.8865 in cash, without interest;

provided, that an aggregate of no more than 306,137 shares of Gwinnett common stock may be exchanged for cash and an aggregate of no more than 2,524,764 shares of Gwinnett common stock may be exchanged for United common stock. If the aggregate cash elections are greater than the maximum, all such cash elections will be subject to proration, and, if the aggregate stock elections are greater than the maximum, all such stock elections will be subject to proration, all as more fully explained under the heading “Details of the Proposed Merger-The Merger Consideration” (page 15).

Approval of the merger will require the approval of the holders of at least a majority of the Gwinnett common stock entitled to vote at the special meeting. Only shareholders of record of Gwinnett common stock at the close of business on _____, 2007 will be entitled to vote at the special meeting or any adjournments thereof. Gwinnett’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, Gwinnett shareholders who dissent with respect to the merger will be entitled to receive a cash payment for their shares of Gwinnett 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 26) and in Appendix B to the accompanying materials.

Business and financial information about Gwinnett is available without charge to you upon written or oral request made to Andrew R. Pourchier, Executive Vice President, Chief Financial Officer and Secretary, Gwinnett Commercial Group, Inc., 2230 Riverside Parkway, Lawrenceville, Georgia 30043, telephone number (770) 237-0007. To obtain delivery of such business and financial information before the special meeting, your request must be received no later than _____, 2007.

A form of proxy for use by you is enclosed. To ensure representation at the special meeting, each Gwinnett 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 Andrew R. Pourchier, Executive Vice President, Chief Financial Officer and Secretary of Gwinnett, in writing, or by submitting an executed, later-dated proxy prior to the special meeting to Andrew R. Pourchier, Gwinnett Commercial Group, Inc., 2230 Riverside Parkway, Lawrenceville, Georgia 30043. 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,

_____, 2007
Lawrenceville, Georgia

John D. Stephens, Chairman

TABLE OF CONTENTS

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	1
<u>SUMMARY</u>	4
<u>The Companies</u>	4
<u>The Terms of the Merger</u>	5
<u>The Reasons Management of Both Companies Support the Merger</u>	5
<u>Shareholders' Meeting</u>	5
<u>Record Date</u>	6
<u>Vote Required</u>	6
<u>Conditions, Termination, and Effective Date</u>	6
<u>Rights of Dissenting Shareholders</u>	6
<u>Federal Income Tax Consequences</u>	6
<u>Accounting Treatment</u>	7
<u>Opinion of Gwinnett's Financial Advisor</u>	7
<u>Markets for Common Stock</u>	7
<u>Dividends</u>	8
<u>Differences in Legal Rights Between Shareholders of Gwinnett and United</u>	8
<u>Interests of Directors and Officers of Gwinnett in the Merger</u>	9
<u>SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF UNITED</u>	10
<u>RISK FACTORS</u>	12
<u>DETAILS OF THE PROPOSED MERGER</u>	13
<u>Background of and Reasons for the Merger</u>	13
<u>The Merger Consideration</u>	15
<u>Merger Consideration Adjustment and Termination Rights</u>	16
<u>The Merger Agreement</u>	17
<u>Required Shareholder Approval</u>	20
<u>Expenses</u>	20
<u>Conduct of Business of Gwinnett Pending Closing</u>	21
<u>Interest of the Directors and Officers of Gwinnett in the Merger</u>	22
<u>Differences in Legal Rights Between Shareholders of Gwinnett and United</u>	23
<u>Dividends</u>	24
<u>Accounting Treatment</u>	25
<u>Resales of United Common Stock by Directors, Executive Officers and Shareholders of Gwinnett</u>	25
<u>Regulatory Approvals</u>	25
<u>Rights of Dissenting Shareholders</u>	26
<u>Material Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel</u>	28
<u>Opinion of Gwinnett's Financial Advisor</u>	29
<u>INFORMATION ABOUT UNITED COMMUNITY BANKS, INC..</u>	38
<u>General</u>	38
<u>Securities</u>	38
<u>Certain Provisions of United's Articles of Incorporation and Bylaws Regarding Change of Control</u>	41
<u>INFORMATION ABOUT GWINNETT COMMERCIAL GROUP, INC.</u>	43
<u>General</u>	43
<u>Business and Properties</u>	43

<u>Competition</u>	44
<u>Employees</u>	44
<u>Legal Proceedings</u>	45
<u>Share Ownership of Principal Shareholders, Management and Directors of Gwinnett</u>	45
<u>INTEREST OF CERTAIN PERSONS IN THE MERGER</u>	46
<u>LEGAL MATTERS</u>	46
<u>EXPERTS</u>	46
<u>OTHER MATTERS</u>	46
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	47
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	47
<u>A WARNING ABOUT FORWARD-LOOKING STATEMENTS</u>	48

Appendix A - Agreement and Plan of Reorganization

Appendix B - Georgia Dissenters' Rights Statute

Appendix C - Fairness Opinion

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 Gwinnett and United, pursuant to which Gwinnett will be merged with and into United. Approval of the merger requires the affirmative vote of a majority of the outstanding shares of Gwinnett common stock. **The Gwinnett 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 second quarter of 2007.

Q: What will I receive in the merger?

A: Unless adjusted pursuant to the terms of the merger agreement, you will receive either (i) 2.2545 shares of United common stock, or (ii) \$72.8865 in cash, without interest, for each share of Gwinnett common stock; *provided*, that an aggregate of no more than 306,137 shares of Gwinnett common stock may be exchanged for cash and an aggregate of no more than 2,524,764 shares of Gwinnett common stock may be exchanged for United common stock. 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 \$32.33 per share.

For example:

Assuming the stock exchange ratio remains 2.2545 and stock elections are not subject to proration, if you own 100 shares of Gwinnett common stock and elect to receive all stock in the merger, you will be entitled to 225 shares of United common stock (100 x 2.2545, rounded down to the nearest whole share). In addition, you will be entitled to receive \$14.55 in cash for your .45 fractional share of United (.45 x \$32.33).

To review what you will receive in the merger in greater detail, see "Details of the Proposed Merger-The Merger Consideration" beginning on page 15.

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 _____, 2007, at _____ at the main office of First Bank of the South, 2230 Riverside Parkway, Lawrenceville, Georgia 30043, to vote on the merger proposal.

You may withdraw your proxy up to and including the day of the special meeting by notifying Gwinnett prior to the meeting, in writing, or by submitting an executed, later-dated proxy to: Andrew R. Pourchier, Executive Vice President, Chief Financial Officer and Secretary, Gwinnett Commercial Group, Inc., 2230 Riverside Parkway, Lawrenceville, Georgia 30043.

Q: How can I elect stock, cash or both?

A: You may indicate a preference to receive United common stock, cash or a combination of both in the merger by completing the enclosed election form. However, an aggregate of no more than 306,137 shares of Gwinnett common stock may be exchanged for cash and an aggregate of no more than 2,524,764 shares of Gwinnett common stock may be exchanged for United common stock. Accordingly, if the aggregate cash elections are greater than the maximum, each cash election will be reduced pro rata based on the amount that the aggregate cash elections exceed the maximum. Alternatively, if the aggregate stock elections are greater than the maximum, each stock election will be reduced pro rata based on the amount that the aggregate stock elections exceed the maximum. If you do not make an election by _____, 2007, you will be treated as though you elected to receive all cash unless cash has been fully subscribed by the electing Gwinnett shareholders, in which event you will be treated as if you elected all stock. **Gwinnett’s board of directors makes no recommendation as to whether you should choose United common stock or cash or a combination of both for your shares of Gwinnett Commercial Group, Inc. common stock. You should consult with your own financial advisor on that decision.**

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 13.

Q: What will I receive as consideration for the Gwinnett stock options and/or stock appreciation rights I hold?

A: Each Gwinnett option holder has agreed not to exercise his or her options prior to the closing of the merger. In exchange, United has agreed to pay the holder of each option \$72.8865 in cash less the exercise price of each option. United has also agreed to pay the holder of each Gwinnett stock appreciation right, which we refer to as a “SAR”, \$72.8865 in cash less the exercise price of each SAR.

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

A: We expect that the exchange of shares of Gwinnett common stock for United common stock by Gwinnett 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 (i) in exchange for your shares of Gwinnett common stock; (ii) in lieu of fractional shares of United Stock; (iii) if you are a Gwinnett option and/or SARs holder, in exchange for your options and/or SARs; and (iv) upon your exercise of dissenters’ rights. To review the tax consequences to Gwinnett shareholders and option and SARs holders 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 28.

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 Gwinnett common stock certificates for United common stock and/or cash.

Q: Who should I call with questions?

A: You should call Andrew R. Pourchier, Executive Vice President, Chief Financial Officer and Secretary of Gwinnett at (770) 237-0007.

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 and Agreement and Plan of Merger, which are the legal documents that govern the proposed merger, are in Appendix A to these materials. In addition, the sections entitled "Where You Can Find More Information", on page 47, and "Incorporation of Certain Documents By Reference", on page 47, contain references to additional sources of information about United.

The Companies (see pages 38 and 43)

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 \$7.1 billion, loans of \$5.4 billion, deposits of \$5.8 billion, and stockholders' equity of \$617 million at December 31, 2006. United conducts substantially all of its operations through 26 separate "community banks" with 102 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.

Gwinnett Commercial Group, Inc.
2230 Riverside Parkway
Lawrenceville, Georgia 30043
(770) 237-0007

Gwinnett is a bank holding company based in Lawrenceville, Georgia with assets of \$675 million, loans of \$536 million, deposits of \$583 million, and shareholders' equity of \$79 million as of December 31, 2006. Gwinnett is the parent company of First Bank of the South, a full service bank with its main office in Lawrenceville, Georgia. First Bank of the South operates branch locations in Embury Hills in DeKalb County, Johns Creek in north Fulton County, and Buford and Snellville in Gwinnett County. 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 17)

If Gwinnett shareholders approve the merger and subject to required regulatory approvals, Gwinnett will be merged with and into United. Unless adjusted pursuant to the terms of the merger agreement, Gwinnett shareholders may elect to receive shares of United common stock or cash in exchange for each of their shares of Gwinnett common stock in the merger on the following basis:

- 2.2545 shares of United common stock; or
- \$72.8865 in cash, without interest;

provided, that an aggregate of no more than 306,137 shares of Gwinnett common stock may be exchanged for cash and an aggregate of no more than 2,524,764 shares of Gwinnett common stock may be exchanged for United common stock. You may elect any combination of stock or cash for all of your Gwinnett shares. If the aggregate cash elections are greater than the maximum, all such cash elections will be subject to proration, and, if the aggregate stock elections are greater than the maximum, all such stock elections will be subject to proration.

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 \$32.33 per share.

Following the merger, Gwinnett's subsidiary, First Bank of the South, 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 13)

The boards of directors of Gwinnett 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 Gwinnett believes that the merger will allow Gwinnett to better serve its customers and markets and that the merger will permit Gwinnett shareholders to have an equity interest in a resulting financial institution with greater financial resources, significant economies of scale and a larger shareholder base, which will increase the liquidity of the Gwinnett shareholders' equity investments. The board of directors of United believes that Gwinnett 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 Gwinnett will be held on _____, 2007 at _____, at the main office of First Bank of the South, 2230 Riverside Parkway, Lawrenceville, Georgia 30043, 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 Gwinnett common stock on _____, 2007.

Vote Required (see page 20)

Approval by holders of a majority of the Gwinnett common stock outstanding on _____, 2007, is required to approve the merger. As of such date, 2,830,901 shares of Gwinnett common stock were issued and outstanding, each of which is entitled to one vote per share. All of the directors, executive officers and 5% shareholders of Gwinnett have agreed to vote their shares in favor of the merger. Gwinnett's directors, executive officers and 5% shareholders own 1,228,697 shares, or 43.40%, of Gwinnett common stock (excluding options).

Conditions, Termination, and Effective Date (see page 17)

The merger will not occur unless certain conditions are met, and United or Gwinnett can terminate the merger agreement if specified events occur or fail to occur. The merger must be approved by the Gwinnett 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, Gwinnett's subsidiary, First Bank of the South, 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.

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

Rights of Dissenting Shareholders (see page 26)

You are entitled to dissent from the merger and to receive a cash payment for your Gwinnett 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 28)

Gwinnett has received an opinion from Kilpatrick Stockton LLP stating that, assuming the merger is completed as currently anticipated, Gwinnett will not recognize any gain or loss for federal income tax purposes, and shareholders of Gwinnett to the extent they receive solely United stock will not recognize any gain or loss for federal income tax purposes. All cash you receive as a result of the merger (i) pursuant to a cash election, (ii) in lieu of fractional shares, (iii) if you are a Gwinnett option and/or SARs holder, in exchange for your options and/or SARs, and (iv) as payment for exercising your right to dissent, will be fully or partially subject to income tax under the Internal Revenue Code as either ordinary income or a capital gain or loss, depending upon your particular circumstances. Neither United nor Gwinnett has requested a ruling to this effect from the Internal Revenue Service.

Accounting Treatment (see page 25)

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

Opinion of Gwinnett's Financial Advisor (see page 29)

Burke Capital Group, L.L.C. has rendered an opinion to Gwinnett 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 Gwinnett. A summary of Burke Capital's opinion begins on page 29 and the full opinion is attached as Appendix C to these materials.

Markets for Common Stock

United's common stock trades on the Nasdaq Stock Market under the ticker 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:

	High	Low	Close
2007			
First Quarter (through March 7, 2007)	\$ 34.54	\$ 30.81	\$ 34.54
2006			
Fourth Quarter	33.37	29.03	32.32
Third Quarter	33.10	27.51	30.05
Second Quarter	31.26	27.02	30.44
First Quarter	29.64	26.02	28.15
2005			
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
2004			
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 February 5, 2007, the date the merger agreement was executed, was \$33.06. The closing sales price of United common stock as of March 7, 2007, the most recent date feasible for inclusion in these materials, was \$34.54.

There has been no public trading market for Gwinnett common stock. We believe the last sale of Gwinnett common stock among shareholders in a private transaction was on November 13, 2006 at a price of \$60.00 per share, based on unofficial information that Gwinnett management believes is reliable.

Assuming there is no adjustment in the merger consideration, if the merger had been completed on February 5, 2007, the implied value of one share of Gwinnett common stock, exchanged for shares of United common stock in the event

of a stock election, would have been \$74.53 based on United's closing sales price on that date, and, on March 7, 2007, the implied value of one share of Gwinnett common stock, exchanged for shares of United common stock, would have been \$77.87. The value of one share of Gwinnett common stock exchanged for cash is fixed at \$72.8865.

-7-

There were 287 shareholders of record of Gwinnett common stock as of March 7, 2007.

· **Dividends (see page 24)**

United declared cash dividends of \$.09 per share in the first quarter of 2007, \$.32 per share in 2006, \$.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 certain non-financial and financial factors including 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.

Pursuant to the terms of the merger agreement, Gwinnett declared a cash dividend of \$3.80 per share (which includes a regular annual cash dividend of \$1.55 per share) to record holders as of February 5, 2007 payable on March 12, 2007. Gwinnett declared cash dividends of \$1.45 per share in 2006, \$1.35 per share in 2005 and \$1.25 per share in 2004.

· **Differences in Legal Rights Between Shareholders of Gwinnett and United (see page 23)**

Following the merger you will no longer be a Gwinnett shareholder and, if you receive shares of United common stock following the merger, your rights as a shareholder will no longer be governed by Gwinnett'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 Gwinnett shareholder and your new rights as a United shareholder are different in certain ways, including the following:

- Gwinnett's board of directors consists of 15 members, while United's consists of 11 members.
- The bylaws of Gwinnett set forth different requirements for removal of directors than do the articles of incorporation and bylaws of United.
- United has different special procedures in its articles of incorporation requiring supermajority approval and disinterested shareholder approval of some business transactions.
- The articles of incorporation of United require a supermajority shareholder vote to amend most provisions of its articles of incorporation and bylaws. Gwinnett's articles of incorporation and bylaws do not.
- United is subject to filing requirements under the Securities Exchange Act. Gwinnett is not subject to such requirements.

Interests of Directors and Officers of Gwinnett in the Merger (see page 22)

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

- Glenn S. White, President and Chief Executive Officer of Gwinnett will terminate his employment agreement with Gwinnett and has entered into a settlement agreement with United for a payment equal to the amount required by his existing employment agreement upon his termination following a change in control of Gwinnett. Mr. White has entered into a new employment agreement with United for a rolling three-year term, and will be granted 10,000 shares of restricted stock, which will vest on the fifth anniversary of the closing of the merger, and options to purchase 25,000 shares. The options vest as follows: 50% on the third anniversary, 25% on the fourth anniversary and 25% on the fifth anniversary of the closing of the merger.
- Steven N. Williams, President of First Bank of the South and Executive Vice-President of Gwinnett will terminate his employment agreement with Gwinnett and has entered into a settlement agreement with United for a payment equal to the amount required by his existing employment agreement upon his termination following a change in control of Gwinnett. Mr. Williams has entered into a new employment agreement with United for a rolling two-year term, and will be granted 7,000 shares of restricted stock, which will vest on the fifth anniversary of the closing of the merger, and options to purchase 17,500 shares. The options vest as follows: 50% on the third anniversary, 25% on the fourth anniversary and 25% on the fifth anniversary of the closing of the merger.
- Andrew R. Pourchier, Executive Vice President, Chief Financial Officer and Secretary of Gwinnett, has entered into a one year consulting agreement with United and will terminate his employment agreement with Gwinnett for a payment equal to the amount required by his existing employment agreement upon his termination following a change in control of Gwinnett.
- At the closing of the merger, various other Gwinnett officers will terminate their respective employment agreement with Gwinnett and have entered into a settlement agreement with United for a payment equal to the amount required by their existing employment agreements upon their respective termination following a change in control of Gwinnett. Each of these officers have entered into an employment agreement with United.
- In exchange for a payment by United, various Gwinnett lending officers have entered into non-competition agreements with United that will prohibit the officers from competing with United after the closing of the merger if their employment is terminated.
- United will generally indemnify and provide liability insurance to the present directors and officers of Gwinnett Commercial and First Bank of the South for a period of three years following the closing of the merger for actions taken by such directors and officers in such capacity.
- United has agreed to appoint John D. Stephens, chairman of the board of directors of Gwinnett, to the board of directors of United following the closing of the merger.

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 from United's Annual Report on Form 10-K for the year ended December 31, 2006. United's "net operating income" is determined by methods other than in accordance with generally accepted accounting principles, or GAAP. Please see the following "GAAP Reconciliation and Explanation" below for a reconciliation of the difference between United's non-GAAP net operating income and its GAAP net income. United's 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 Year Ended December 31,				
	2006	2005	2004	2003	2002
	<i>(in thousands, except per share data; taxable equivalent)</i>				
INCOME SUMMARY					
Interest revenue	\$ 446,695	\$ 324,225	\$ 227,792	\$ 198,689	\$ 185,498
Interest expense	208,815	127,426	74,794	70,600	76,357
Net interest revenue	237,880	196,799	152,998	128,089	109,141
Provision for loan losses	14,600	12,100	7,600	6,300	6,900
Fee Revenue	49,095	46,148	39,539	38,184	30,734
Total revenue	272,375	230,847	184,937	159,973	132,975
Operating expenses ⁽¹⁾	162,070	140,808	110,974	97,251	80,690
Income before taxes	110,305	90,039	73,963	62,722	52,285
Income taxes	41,490	33,297	26,807	23,247	19,505
Net operating income	68,815	56,742	47,156	39,475	32,780
Merger-related charges, net of tax	—	—	565	1,357	—
Net income	\$ 68,815	\$ 56,742	\$ 46,591	38,118	32,780
OPERATING PERFORMANCE⁽¹⁾					
Earnings per common share:					
Basic	\$ 1.70	\$ 1.47	\$ 1.31	\$ 1.15	\$ 1.02
Diluted	1.66	1.43	1.27	1.12	.99
Return on tangible equity ⁽²⁾⁽³⁾	17.52%	18.99%	19.74%	19.24%	17.88%
Return on assets	1.09	1.04	1.07	1.06	1.11
Efficiency ratio	56.35	57.77	57.65	58.39	57.72
Dividend payout ratio	18.82	19.05	18.32	17.39	16.34
GAAP PERFORMANCE					
Per common share:					
Basic earnings	\$ 1.70	\$ 1.47	\$ 1.29	\$ 1.11	\$ 1.02
Diluted earnings	1.66	1.43	1.25	1.08	.99
Cash dividends declared (rounded)	.32	.28	.24	.20	.17
Book value	14.37	11.80	10.39	8.47	6.89
Tangible book value ⁽³⁾	10.57	8.94	7.34	6.52	6.49
Key performance ratios:					
Return on equity ⁽²⁾	13.28%	13.46%	14.39%	14.79%	16.54%
Return on assets	1.09	1.04	1.05	1.02	1.11
Net interest margin	4.05	3.85	3.71	3.68	3.95

Edgar Filing: UNITED COMMUNITY BANKS INC - Form S-4

Dividend payout ratio	18.82	19.05	18.60	18.02	16.34
Equity to assets	8.06	7.63	7.45	7.21	7.01
Tangible equity to assets ⁽³⁾	6.32	5.64	5.78	6.02	6.60
ASSET QUALITY					
Allowance for loan losses	\$ 66,566	\$ 53,595	\$ 47,196	\$ 38,655	\$ 30,914
Non-performing assets	13,654	12,995	8,725	7,589	8,019
Net charge-offs	5,524	5,701	3,617	4,097	3,111
Allowance for loan losses to loans	1.24%	1.22%	1.26%	1.28%	1.30%
Non-performing assets to total assets	.19	.22	.17	.19	.25
Net charge-offs to average loans	.12	.14	.11	.15	.14

-10-

	For the Year Ended December 31,				
	2006	2005	2004	2003	2002
	<i>(in thousands, except per share data; taxable equivalent)</i>				
AVERAGE BALANCES					
Loans	\$ 4,800,981	\$ 4,061,091	\$ 3,322,916	\$ 2,753,451	\$ 2,239,875
Investment Securities	1,041,897	982,201	734,577	667,211	464,468
Earning assets	5,877,483	5,109,053	4,119,327	3,476,030	2,761,265
Total assets	6,287,148	5,472,200	4,416,835	3,721,284	2,959,295
Deposits	5,017,435	4,003,084	3,247,612	2,743,087	2,311,717
Shareholders' equity	506,946	417,309	329,225	268,446	207,312
Common shares outstanding:					
Basic	40,393	38,477	36,071	34,132	32,062
Diluted	41,575	39,721	37,273	35,252	33,241
AT YEAR END					
Loans	\$ 5,376,538	\$ 4,398,286	\$ 3,734,905	\$ 3,015,997	\$ 2,381,798
Investment securities	1,107,153	990,687	879,978	659,891	559,390
Earning assets	6,565,730	5,470,718	4,738,389	3,796,332	3,029,409
Total assets	7,101,249	5,865,756	5,087,702	4,068,834	3,211,344
Deposits	5,772,886	4,477,600	3,680,516	2,857,449	2,385,239
Shareholders' equity	616,767	472,686	397,088	299,373	221,579
Common shares outstanding	42,891	40,020	38,168	35,289	31,895

(1) Excludes pre-tax merger-related and restructuring charges totaling \$.9 million, or \$.02 per diluted common share, recorded in 2004 and \$2.1 million, or \$.04 per diluted common share, recorded in 2003.

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

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

GAAP Reconciliation and Explanation

United's net operating income is determined by methods other than in accordance with GAAP and excludes merger-related charges. United excludes these charges because management believes that non-GAAP operating results provide a helpful measure for assessing United's financial performance since the excluded charges are non-recurring and operating income more closely reflects what United earned during the applicable periods disregarding the non-operating impact of 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:

	For the Years Ended December 31,				
	2006	2005	2004	2003	2002
	<i>(in thousand)</i>				
Total merger-related charges	\$ —	\$ —	\$ 870	\$ 2,088	\$ —
Income tax effect of above charges	—	—	305	731	—
After-tax effect of merger-related charges	\$ —	\$ —	\$ 565	\$ 1,357	\$ —
Net Income Reconciliation					
Net operating income	\$ 68,815	\$ 56,742	\$ 47,156	\$ 39,475	\$ 32,780

After-tax effect of merger-related charges		—		—		(565)		(1,357)		—
Net income (GAAP)	\$	68,815	\$	56,742	\$	46,591	\$	38,118	\$	32,780

Basic Earnings Per Share**Reconciliation**

Basic operating earnings per share	\$	1.70	\$	1.47	\$	1.31	\$	1.15	\$	1.02
Per share effect of merger-related charges		—		—		(.02)		(.04)		—
Basic earnings per share (GAAP)	\$	1.70	\$	1.47	\$	1.29	\$	1.11	\$	1.02

Diluted Earnings Per Share**Reconciliation**

Diluted operating earnings per share	\$	1.66	\$	1.43	\$	1.27	\$	1.12	\$.99
Per share effect of merger-related charges		—		—		(.02)		(.04)		—
Diluted earnings per share (GAAP)	\$	1.66	\$	1.43	\$	1.25	\$	1.08	\$.99