

As filed with the Securities and Exchange Commission on July 24, 1997.

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)	6712 (Primary Standard Industrial Classification Code Number)	58-1827304 (I.R.S. Employer Identification Number)
------------------------------------------------------------------------------------	---------------------------------------------------------------------------	----------------------------------------------------------

P.O. Box 398, 59 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
 President

UNITED COMMUNITY BANKS, INC.

P.O. Box 398, 59 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 St., Suite 2800, Atlanta, Georgia 30309-4530 (404) 815-6500	Walter G. Moeling, IV Powell Goldstein Frazer & Murphy LLP 191 Peachtree St., Suite 1600 Atlanta, Georgia 30303 (404) 572-6600
------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------

Approximate date of commencement of the proposed sale of the securities to the public: The exchange of the Registrant's shares for shares of Common Stock of First Clayton Bancshares, Inc. will take place upon consummation of the merger of First Clayton Bancshares, 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. / /

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	646,555		\$1,729.04	

The number of shares of United Community Banks, Inc. Common Stock being registered hereunder is based upon the anticipated maximum number of such shares required to consummate the proposed merger of First Clayton Bancshares, Inc. into the Registrant pursuant to the Merger Agreement. The Registrant will remove from registration by means of a post-effective amendment any shares being registered which are not issued in connection with such merger.

In accordance with Rule 457(f)(2), the registration fee is based upon the maximum number of shares of common stock of First Clayton Bancshares, Inc. that may be received by the Registrant pursuant to the merger (400,691 shares) multiplied by the book value per share of First Clayton Bancshares, Inc. as of June 30, 1997 (\$14.24).

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.

Dear Shareholder:

This booklet contains the Notice of Meeting and Proxy Statement for a Special Meeting of the Shareholders (the "Special Meeting") of First Clayton Bancshares, Inc. ("First Clayton") to be held on

_____, 1997, commencing at ____ p.m., at Village Shopping Center, Highway 441, Clayton, Georgia.

The purpose of the meeting is to consider and vote upon the Agreement and Plan of Merger (the "Merger Agreement") described in the accompanying Proxy Statement pursuant to which First Clayton would be merged into United Community Banks, Inc., a Georgia corporation ("United"), with United being the surviving entity (the "Merger"). If the Merger Agreement is approved, each shareholder of First Clayton will be entitled to receive 1.6136 shares of common stock of United, \$1.00 par value per share (the "United Stock"), for each share of First Clayton common stock, \$1.00 par value per share ("First Clayton Stock"), outstanding on the effective date of the Merger. In lieu of the issuance of fractional shares of the United Stock, there will be paid in cash an amount (computed to the nearest cent) equal to the fraction multiplied by \$22.00.

The accompanying Proxy Statement includes a description of the terms and conditions of the proposed merger and a description of the rights of dissenting First Clayton shareholders. A copy of the Merger Agreement is attached as Appendix A to the Proxy Statement. Enclosed with this Proxy Statement is a separately bound booklet containing: (a) the United 1997 Proxy Statement which contains United's 1996 Annual Report, (b) the United Form 10-Q for the Quarter ended March 31, 1997, (c) the First Clayton Annual Report on Form 10-KSB for the year ended December 31, 1996, and (d) the First Clayton Form 10-QSB for the Quarter ended March 31, 1997.

Section 14-2-1301 et seq. of the Official Code of Georgia Annotated, reproduced as Appendix B to the attached Proxy Statement, sets forth the rights of shareholders who dissent from the Merger. Any First Clayton shareholder desiring to dissent from the Merger and receive payment of the fair value of his or her First Clayton Stock must, among other things, deliver to First Clayton prior to the time of the shareholder vote on the Merger, a written notice of intent to demand payment for his or her shares of First Clayton Stock if the Merger is consummated. A First Clayton shareholder who fails to submit such written notice to First Clayton prior to the shareholder vote will lose the right to dissent to the Merger and demand payment for his or her shares of First Clayton Stock.

YOUR BOARD OF DIRECTORS BELIEVES THAT THE PROPOSED MERGER IS IN THE BEST INTEREST OF FIRST CLAYTON AND ITS SHAREHOLDERS AND RECOMMENDS A VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

The affirmative vote of the holders of a majority of the outstanding First Clayton Stock entitled to vote at the Special Meeting is required to approve the Merger Agreement. Directors and executive officers of First Clayton who own or control 135,772 shares, or approximately 34% of the outstanding shares, of First Clayton Stock have agreed to vote their shares of First Clayton Stock in favor of the Merger.

A form of proxy is enclosed, and you are urged to complete, sign and return it to First Clayton as soon as possible in the enclosed stamped envelope. If you attend the Special Meeting you may revoke your proxy at that time simply by requesting the right to vote in person.

Sincerely,

John Martin
Chairman of the Board

FIRST CLAYTON BANCSHARES, INC.
Village Shopping Center, Hwy. 441
P.O. Box 1250
Clayton, Georgia 30525

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD _____, 1997

Notice is hereby given that a Special Meeting of Shareholders of First Clayton Bancshares, Inc. ("First Clayton") will be held on _____, 1997, commencing at ___:00 p.m., (the "Special Meeting"), at the offices of First Clayton at Village Shopping Center, Highway 441, Clayton, Georgia, for the purpose of considering and voting upon:

- (1) An Agreement and Plan of Merger, a copy of which is attached as Appendix A to the Proxy Statement accompanying this Notice, providing for the merger (the "Merger") of First Clayton with and into United Community Banks, Inc. ("United"), a Georgia corporation and multi-bank holding company, with United being the surviving entity; and
- (2) Such other business as may lawfully come before the meeting or any adjournments thereof.

In connection with the Merger, each shareholder of First Clayton will be entitled to receive 1.6136 shares of common stock of United, \$1.00 par value per share (the "United Stock"), for each share of First Clayton common stock, \$1.00 par value per share ("First Clayton Stock"), outstanding on the effective date of the Merger. In lieu of the issuance of fractional shares of United Stock, there will be paid in cash an amount (computed to the nearest cent) equal to the fraction multiplied by \$22.00.

If the Merger is consummated, shareholders dissenting therefrom will be entitled to be paid the "fair value" of their shares in cash, provided that they shall have filed a written notice of intent to demand payment for their shares before the vote of shareholders is taken thereon, have not voted their shares in favor of the Merger and have complied with the provisions of Section 14-2-1301 et seq. of the Official Code of Georgia Annotated regarding the rights of dissenting shareholders, all as more fully set forth under "THE PROPOSED MERGER -- Rights of Dissenting Shareholders" and in Appendix B to the attached Proxy Statement.

Only shareholders of record at the close of business on _____, 1997 will be entitled to notice of and to vote at the Special Meeting or any adjournments thereof.

A form of proxy and a Proxy Statement are enclosed. The approval of the Merger requires the affirmative vote of the holders of at least a majority of the First Clayton Stock entitled to vote at the Special Meeting. To assure representation at the Special Meeting, you are requested to sign, date and return the proxy promptly in the enclosed, stamped envelope. If you attend the Special Meeting you may revoke your proxy at that time simply by requesting the right to vote in person. Prior to the Special Meeting you may withdraw a previously submitted

proxy by notifying the Secretary of First Clayton in writing or submitting an executed, later dated proxy to First Clayton, as more fully described under "INTRODUCTION" in the Proxy Statement.

By Order of the Board of Directors,

Ronald E. Vandiver
Secretary

_____, 1997
Clayton, Georgia

First Clayton Bancshares, Inc.

PROXY STATEMENT

Special Meeting of Shareholders to be held on _____, 1997
[SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS]

United Community Banks, Inc.

PROSPECTUS

646,555 shares of common stock of United Community Banks, Inc. which may be issued in connection with the merger of First Clayton Bancshares, Inc. with and into United Community Banks, Inc.

UNITED COMMUNITY BANKS, INC. HAS FILED A REGISTRATION STATEMENT/PROSPECTUS WITH THE SECURITIES AND EXCHANGE COMMISSION COVERING THE SHARES OF ITS COMMON STOCK TO BE ISSUED IN CONNECTION WITH THE MERGER OF FIRST CLAYTON BANCSHARES, INC. WITH UNITED COMMUNITY BANKS, INC. THIS PROXY STATEMENT ALSO CONSTITUTES A PROSPECTUS OF UNITED COMMUNITY BANKS, INC. FILED AS PART OF SUCH REGISTRATION STATEMENT.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

ALL INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS WITH RESPECT TO UNITED COMMUNITY BANKS, INC. AND ITS SUBSIDIARIES WAS SUPPLIED BY THOSE ENTITIES, AND ALL INFORMATION WITH RESPECT TO FIRST CLAYTON BANCSHARES, INC. AND ITS SUBSIDIARY WAS SUPPLIED BY THOSE ENTITIES.

THE SHARES OF COMMON STOCK OF UNITED COMMUNITY BANKS, INC. TO BE ISSUED IN CONNECTION WITH THE MERGER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS, AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SHARES OF THE COMMON STOCK OF UNITED COMMUNITY BANKS, INC. ARE EQUITY SECURITIES AND ARE NOT SAVINGS ACCOUNTS OR DEPOSITS. INVESTMENT IN SUCH SHARES IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

The date of this Proxy Statement/Prospectus is _____, 1997

TABLE OF CONTENTS

	Page
AVAILABLE INFORMATION	1
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	1
INTRODUCTION	2
PROSPECTUS SUMMARY	4
Business of First Clayton and United	4
Terms of the Merger	5
The Special Meeting of Shareholders; Vote Required	5
Rights of Dissenting Shareholders	6
Federal Income Tax Consequences	6
Accounting Treatment	6
Markets for Capital Stock	6
Dividends	7
Certain Differences in Shareholders' Rights	7
Interests of Management in the Transaction	8
Conditions, Termination and Effective Date	8
COMPARATIVE SHARE DATA	9
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	10
SELECTED PRO FORMA FINANCIAL DATA	12
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION	13
THE PROPOSED MERGER	21
Background of and Reasons for the Merger	21
The Agreement and Plan of Reorganization and the Agreement and Plan of Merger	23
Shareholder Approval	26
Conduct of Business of First Clayton Pending Closing	27
Interest of Management in the Transaction; Conduct of Business After the Merger	28
Effect of the Merger on First Clayton Shareholders and Comparison of the Securities of First Clayton and United	29
Accounting Treatment	30
Resales of Common Stock	31
Regulatory Approvals	31

Rights of Dissenting Shareholders	31	
Certain Federal Income Tax Consequences of the Merger and Opinion of Tax Counsel	33	
INFORMATION ABOUT FIRST CLAYTON BANCSHARES, INC.	34	
Description of Business	34	
INFORMATION ABOUT UNITED COMMUNITY BANKS, INC.	35	
Description of Business	35	
Recent Developments	35	
Description of Securities of United	36	
LEGAL OPINIONS	38	
EXPERTS	38	
OTHER MATTERS	38	
APPENDICES		
Agreement and Plan of Merger		Appendix A
Georgia Dissenters' Rights Statutes (O.C.G.A. Sec. 14-2-1301 et seq.)		Appendix B

AVAILABLE INFORMATION

United has filed with the Securities and Exchange Commission, Washington, D.C. 20549, a Registration Statement on Form S-4 under the Securities Act with respect to the securities offered hereby. This Proxy Statement/Prospectus, which is part of the Registration Statement does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to United and the securities offered hereby, reference is made to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this Proxy Statement/Prospectus as to the contents of any contract or any other document to which reference is made are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement may be inspected without charge at the offices of the Securities and Exchange Commission in Washington, D.C. 20549, and copies of all or any part of the Registration Statement may be obtained from the Public Reference Section of the Securities and Exchange Commission at 450 Fifth Street, N.W. Washington, D.C. 20549, upon the payment of the fees prescribed by the Securities and Exchange Commission.

United and First Clayton are subject to certain informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such periodic reports, proxy statements and other information filed by United and First Clayton with the Commission can be inspected and copied at the public reference facilities maintained by the Commission's regional offices in New York (7 World Trade Center, Suite 1300, New York, New York 10048) and Chicago (Citicorp Center, 500 W. Madison, Suite 1400, Chicago, Illinois 60661), and copies of such material can be obtained from the public reference section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, or at the Commission's web site at <http://www.sec.gov>.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by United and First Clayton under the Exchange Act are incorporated herein by reference:

(a) United's and First Clayton's annual reports on Form 10-K and 10-KSB, respectively, for the fiscal year ended December 31, 1996;

(b) All other reports filed by United or First Clayton pursuant to sections (13)(a), or 15(d) of the Exchange Act since December 31, 1996.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein (or any subsequently filed document that is or is deemed to be incorporated by reference herein)

modifies or supersedes such previous statement. Any statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES BY REFERENCE THE AGREEMENT AND PLAN OF REORGANIZATION, DATED AS OF JUNE 12, 1997, (THE "ACQUISITION AGREEMENT") BETWEEN UNITED AND FIRST CLAYTON BANCSHARES, INC., A GEORGIA CORPORATION ("FIRST CLAYTON"), AND THE AGREEMENT AND PLAN OF MERGER, DATED AS OF JUNE 12, 1997, (THE "MERGER AGREEMENT") BETWEEN FIRST CLAYTON AND UNITED, BOTH OF WHICH WERE FILED WITH THE SEC ON JULY __, 1997 AS EXHIBITS TO UNITED'S REGISTRATION STATEMENT ON FORM S-4 WITH RESPECT TO THE MERGER, AS DEFINED BELOW, COMMISSION FILE NO. _____. ALTHOUGH THE ACQUISITION AGREEMENT IS NOT PRESENTED HEREIN, OR DELIVERED HERewith, COPIES, OTHER THAN EXHIBITS ATTACHED THERETO, MAY BE OBTAINED BY WRITING CHRIS BLEDSOE, CHIEF FINANCIAL OFFICER, UNITED COMMUNITY BANKS, INC., P.O. BOX 398, 59 HIGHWAY 515, BLAIRSVILLE, GEORGIA 30512. TELEPHONE REQUESTS MAY BE DIRECTED TO (706) 745-2151. IN ORDER TO ASSURE TIMELY DELIVERY, ANY REQUEST SHOULD BE MADE BY _____, 1997.

INTRODUCTION

This Proxy Statement/Prospectus is furnished in connection with the solicitation by the Board of Directors of First Clayton of proxies for use at the special meeting of shareholders of First Clayton (the "Special Meeting"), at the time, date and place set forth in the Notice of Special Meeting and at any adjournments thereof. The Special Meeting has been called for the purpose of considering and acting upon the proposed merger of First Clayton with and into United (the "Merger") pursuant to the Merger Agreement, a copy of which is attached as Appendix A hereto and incorporated herein by reference, and the related Acquisition Agreement which is incorporated herein by reference.

HOLDERS OF COMMON STOCK OF FIRST CLAYTON ARE REQUESTED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY TO FIRST CLAYTON IN THE POSTAGE PAID ENVELOPE PROVIDED.

Any proxy given pursuant to this solicitation may be revoked at any time before it is voted by so notifying Ronald E. Vandiver, Secretary, in writing or by submitting an executed, later-dated proxy to First Clayton: P.O. Box 1250, Clayton, Georgia 30525, Attention: Ronald E. Vandiver, Secretary, prior to the Special Meeting or by appearing at the Special Meeting and requesting the right to vote in person, without compliance with any other formalities. If the proxy is properly signed and returned by a shareholder and is not revoked, it will be

voted at the Special Meeting in the manner specified therein. IF NO INSTRUCTIONS ARE INDICATED, SUCH PROXIES WILL BE VOTED FOR THE APPROVAL OF THE MERGER AGREEMENT, AND IN THE DISCRETION OF THE PROXY HOLDER AS TO ANY OTHER MATTER WHICH MAY PROPERLY COME BEFORE THE SPECIAL MEETING.

All of the expenses incurred by United in connection with the authorization, preparation, execution and performance of the Acquisition Agreement and the Merger Agreement including, without limitation, all fees and expenses of its agents, representatives, counsel and accountants and the fees and expenses related to filing regulatory applications with state and federal authorities in connection with the transactions contemplated thereby, will be paid by United. All expenses incurred by First Clayton in connection with the authorization, preparation, execution and performance of the Acquisition Agreement and the Merger Agreement, including, without limitation, all fees and expenses of agents, representatives, counsel and accountants for First Clayton and the cost of reproducing and mailing this Proxy Statement/Prospectus, will be paid by First Clayton.

As of June 30, 1997, First Clayton had issued and outstanding 400,691 shares of common stock, par value \$1.00 per share ("First Clayton Stock"). Each holder of First Clayton Stock is entitled to one vote per share owned. Only shareholders of record at the close of business on _____, 1997 are entitled to notice of and to vote at the Special Meeting or any adjournments thereof.

Statements contained in this Proxy Statement/Prospectus as to the contents of any agreement or other document, or similar statements as to the content of any agreement or other document contained in any document incorporated by reference herein, are in each such instance qualified in their entirety by reference to each such agreement or other document.

PROSPECTUS SUMMARY

The following is a summary of certain features of, and information relating to, the proposed Merger, which is qualified in its entirety by reference to the Merger Agreement, the Acquisition Agreement and the other more detailed textual information and financial data set forth elsewhere in this Prospectus/Proxy Statement and in the accompanying booklet which contains additional information about First Clayton and United.

BUSINESS OF FIRST CLAYTON AND UNITED

First Clayton is a one-bank holding company headquartered in Clayton, Georgia. First Clayton's subsidiary, First Clayton Bank & Trust Company ("First Clayton Bank"), is a full-service commercial bank with its office located in Clayton, Georgia. First Clayton Bank provides customary types of banking services such as checking accounts, savings accounts and time deposits. It also engages in commercial and consumer lending, makes secured and unsecured loans and provides other financial services. The mailing address of the principal executive offices of First Clayton is P.O. Box 1250, Clayton, Georgia 30525 and its telephone number is (706) 782-7100. At June 30, 1997, First Clayton had total assets of \$64 million, net loans of approximately \$48 million, total deposits of approximately \$58 million and shareholders' equity of approximately \$6 million.

United Community Banks, Inc. ("United") is a registered bank holding company headquartered in Blairsville, Georgia. All of United's activities are conducted by its wholly-owned subsidiaries, United Community Bank (formerly Union County Bank) ("UCB"), Carolina Community Bank, Murphy, North Carolina ("Carolina"), which United acquired in 1990, Towns County Bank, Hiawassee, Georgia ("Towns"), which United acquired in 1992, Peoples Bank, Blue Ridge, Georgia ("Peoples"), which United acquired in 1992, and White County Bank, Cleveland, Georgia ("White") which United acquired in 1995 (UCB, Carolina, Peoples, Towns and White are collectively referred to herein as the "Banks"). United operates a finance company United Family Finance, Inc. with offices in Blue Ridge and Hiawassee.

In May 1997, United completed an offering to the public of 300,000 shares of United Common Stock registered under the Securities Act of 1933, as amended (the "Securities Act") pursuant to which \$6,476,000 in additional capital was raised. United used the proceeds of that offering to invest additional capital in UCB and Carolina and for general corporate purposes.

On December 31, 1996, United completed a private placement of \$3,500,000 of Floating Rate Convertible Subordinated Payable-in-Kind Debentures due December 31, 2006, the proceeds of which were used to invest additional capital in Carolina, and for general corporate purposes. See "DESCRIPTION OF SECURITIES - Debentures."

On July 1, 1996, UCB established a branch in Dahlonega, Lumpkin County, Georgia, and on September 28, 1996, UCB purchased and assumed certain assets and liabilities and established a branch in Cornelia, Habersham County, Georgia.

In August 1995, United completed an offering to the public of 215,515 shares of United Stock registered under the

Securities Act pursuant to which \$2,434,000 in additional capital was raised. United used the proceeds of that offering primarily to invest additional capital in Carolina and Towns.

At June 30, 1997, United had total assets of approximately \$989 million, net loans of approximately \$679 million, total deposits of approximately \$859 million and shareholders' equity of approximately \$63 million. The principal executive office of United is located at 59 Highway 515, Blairsville, Georgia 30512, and its telephone number at that address is (706) 745-2151. See "UNITED COMMUNITY BANKS, INC."

Additional information on United and First Clayton is included in the booklet accompanying this Proxy Statement/Prospectus which contains the 1997 Proxy Statement and March 31, 1997 10-Q Quarterly Report for United and the 1996 10-KSB Annual Report and March 31, 1997 10-QSB Quarterly Report for First Clayton.

TERMS OF THE MERGER

Pursuant to the Acquisition Agreement, First Clayton will be merged with and into United with United as the surviving entity. As a result of the Merger, each share of First Clayton Stock outstanding on the effective date of the Merger will be converted into 1.6136 shares of common stock of United, \$1.00 par value per share (the "United Stock").

In lieu of the issuance of fractional shares of United Stock, there will be paid in cash an amount (computed to the nearest cent) equal to such fraction multiplied by \$22.00. The number of shares of the United Stock to be received pursuant to the Merger is subject to appropriate adjustment in the event of any stock dividend, stock split, recapitalization or reclassification of United Stock.

THE SPECIAL MEETING OF SHAREHOLDERS; VOTE REQUIRED

The Special Meeting of First Clayton will be held on _____, 1997, commencing at ____ p.m., at the office of First Clayton at Village Shopping Center, Highway 441, Clayton, Georgia for the purpose of voting on the Merger. Only First Clayton shareholders of record at the close of business on _____, 1997 will be entitled to notice of and to vote at the Special Meeting or any adjournments thereof. The approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding First Clayton Stock entitled to vote at the Special Meeting. Directors and executive officers of First Clayton who have agreed to vote their shares of First Clayton Stock in favor of the Merger own or control 135,772 shares or approximately 34% of the outstanding shares of First Clayton Stock (based on 400,691 shares outstanding). Shareholders of United are not required to approve of the Merger.

RIGHTS OF DISSENTING SHAREHOLDERS

If the Merger is consummated, First Clayton shareholders dissenting therefrom will be entitled to be paid the "fair value" of their shares in cash, provided that they comply with certain statutory provisions regarding the rights of dissenting shareholders. See "THE PROPOSED MERGER -- Rights of Dissenting Shareholders." Under the Acquisition Agreement, United has the right not to consummate the Merger if the holders of more than 15,000 shares (4%) of the outstanding shares of First Clayton Stock dissent therefrom. See "THE PROPOSED MERGER - - Reasons for the Merger".

FEDERAL INCOME TAX CONSEQUENCES

First Clayton has received an opinion from Kilpatrick Stockton LLP to the effect that, assuming that the Merger is consummated in accordance with the terms of the Acquisition Agreement and the Merger Agreement under applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), no gain or loss will be recognized for federal income tax purposes by First Clayton or the shareholders of First Clayton who receive United Stock in connection with the proposed Merger. No ruling to that effect will be requested from the Internal Revenue Service. Cash received by holders of First Clayton Stock in lieu of fractional shares and by holders exercising their dissenters' rights will be treated as amounts distributed in redemption of their First Clayton Stock and will be taxable under the provisions of Section 302 of the Code as either ordinary income or capital gain or loss, depending upon the circumstances of the individual shareholder. See "THE PROPOSED MERGER -- Certain Federal Income Tax Consequences of the Merger."

ACCOUNTING TREATMENT

United will account for the Merger as a "pooling of interests" transaction in accordance with generally accepted accounting principles.

MARKETS FOR CAPITAL STOCK

United Stock is not currently traded on an established public market. From January 1, 1997 through June 30, 1997, management of United is aware of 139 trades aggregating 59,700 shares of United Stock, ranging from a block of 5 shares to a block of 10,000 shares, at prices ranging from \$22 to \$25 per share. On March 7, 1997, United commenced an offering of 250,000 shares of United Stock to the public at \$22.00 per share pursuant to a registration statement filed with the SEC which offering was subsequently increased to 300,000 shares. The offering terminated in May 1997 with all of the offered shares sold at the offering price. Management of United is aware of approximately 256 trades of United Stock during 1996, ranging from one share to a block of 2,500 shares, at prices ranging from \$10.00 to \$42.00 per share. Management of United is aware of 29 trades of United Stock during 1995, ranging from a block of 15 shares to a block of 1,000 shares, at prices ranging from \$10.00 to \$11.50 per share. The last sales price of United Stock known to United's management prior to the announcement of the Merger on June 23, 1997 was \$22 per share on June 17, 1997.

First Clayton Stock is not traded on an established public trading market. As of June 30, 1997, there were 400,691 shares of First Clayton Stock outstanding and 402 holders of such shares. From January 1, 1997 through June 30, 1997, management of First Clayton is aware of 24 trades aggregating 8,047 shares of First Clayton Stock, ranging from a block of 11 shares to a block of 6,000 shares, at prices ranging from \$20.00 per share to \$21.00 per share. Management is aware of 30 trades of First Clayton Stock during 1996 ranging from a block of 58 shares to a block of 15,000 shares with prices ranging from \$17.00 per share to \$20.00 per share. In 1995 management is aware of 27 trades of First Clayton Stock ranging from a block of 23 shares to a block of 1,000 shares with prices ranging from \$15.00 per share to \$17.00 per share. The last sale of First Clayton Stock known to management prior to the announcement of the Merger on June 23, 1997 was \$21.00 per share on June 3, 1997.

DIVIDENDS

In each of the first two quarters of 1997 United declared cash dividends of \$.025 per share. United paid semi-annual cash dividends of \$.08 per share of United Stock to shareholders of record in 1996 and \$.07 per share of United Stock to shareholders of record in 1995. For information with respect to cash dividends paid in each of the last five years, see "SUMMARY CONSOLIDATED FINANCIAL INFORMATION." Although United intends to continue paying cash dividends, the amount and frequency of cash dividends will be determined by United's Board of Directors after consideration of earnings, capital requirements and the financial condition of United. No assurances can be given that cash dividends will be declared in the future. Additionally, United's ability to pay cash dividends will be dependent on cash dividends paid to it by the Banks. The ability of the Banks to pay dividends to United is restricted by applicable regulatory requirements.

First Clayton paid a per share cash dividend of \$.44 during 1996 and \$.40 during 1995. No assurances can be given that dividends will be declared in the future.

Whether or not the Merger Agreement is approved by the shareholders of First Clayton and the Merger is consummated, future dividend policy for United and First Clayton will depend upon each company's earnings, financial condition, appropriate legal restrictions and other factors relevant at the time the respective Boards of Directors considers such dividends.

CERTAIN DIFFERENCES IN SHAREHOLDERS' RIGHTS

Upon consummation of the Merger, First Clayton shareholders, whose rights are governed by First Clayton's Articles of Incorporation and Bylaws, will automatically become United shareholders, and their rights as United shareholders will be governed by United's Articles of Incorporation and Bylaws. Certain differences exist between the rights of First Clayton shareholders and United Shareholders. See "THE PROPOSED MERGER - Effect of the Merger on Clayton Shareholders and Comparison of Securities of Clayton and United."

INTERESTS OF MANAGEMENT IN THE TRANSACTION

After the consummation of the Merger, J. Mark Smith, President of First Clayton, and Rodney Hickox, Executive Vice President of First Clayton, will each be granted options to purchase 12,102 shares of United Stock at the market price as of the date of grant. In addition, Messrs. Smith and Hickox have entered into deferred compensation agreements with First Clayton which will be assumed by United in the Merger and which provide that they will each receive deferred compensation in the amount of \$108,750. See "THE PROPOSED MERGER -- Interest of Management in the Transaction."

CONDITIONS, TERMINATION AND EFFECTIVE DATE

The Merger is subject to a number of conditions and may be terminated by any of the parties upon the occurrence or failure of certain events. See "THE PROPOSED MERGER -- The Agreement and Plan of Reorganization and The Agreement and Plan of Merger." The Merger is subject to approval by the First Clayton shareholders and the receipt of required approval by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Department of Banking and Finance of the State of Georgia (the "DBF"). See "THE PROPOSED MERGER -- Regulatory Approvals."

The closing of the Merger (the "Effective Date") will occur following approval of the Merger Agreement by First Clayton's shareholders, approval of the transaction by the regulators referenced above and the expiration of any waiting or similar period required by applicable law or such other time as the parties may mutually agree.

COMPARATIVE SHARE DATA

The following table sets forth selected comparative unaudited per share data for United on a historical basis (the "United Historical"), for First Clayton on a historical basis (the "First Clayton Historical"), for United and First Clayton on a pro forma basis assuming the Merger had been effective for the periods indicated (the "United and First Clayton Pro Forma"), and for First Clayton on a pro forma equivalent basis (the "First Clayton Pro Forma Equivalent"). The Merger will be accounted for as a "pooling of interests" transaction in accordance with generally accepted accounting principles. See "THE PROPOSED MERGER - Accounting Treatment."

Equivalent earnings per share amounts for First Clayton have been calculated by multiplying the pro forma combined earnings per share by the exchange ratio (1.6136 shares of the United Stock for each share of First Clayton Stock). The First Clayton pro forma equivalent cash dividends per common share represent historical dividends declared by United multiplied by the applicable exchange ratio. The purpose of the pro forma equivalent per-share amounts is for informational purposes only to show the pro forma net earnings that would have been earned for each share of First Clayton had the Merger been consummated for the periods indicated. This data should be read in conjunction with the historical financial statements of First Clayton and United, including the respective notes thereto included elsewhere herein and incorporated by reference. See "INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE."

	As of and For the Year Ended March 31, 1997 -----	As of and For the Year Ended December 31, -----		
		1996 ----	1995 ----	1994 ----
NET EARNINGS PER COMMON SHARE				
United Historical	\$0.33	1.31	1.04	0.93
First Clayton Historical	0.48	1.78	1.46	1.18
United and First Clayton Pro Forma Combined	0.32	1.29	1.03	0.91
First Clayton Pro Forma Equivalent	0.52	2.08	1.66	1.47
CASH DIVIDENDS PER COMMON SHARE				
United Historical	\$0.025	0.080	0.072	0.040
First Clayton Historical	-	0.440	0.400	0.350
United and First Clayton Pro Forma Combined	0.025	0.080	0.072	0.040
First Clayton Pro Forma Equivalent	0.040	0.129	0.116	0.065
BOOK VALUE PER COMMON SHARE (END OF PERIOD)				
United Historical	\$8.37	8.14	7.03	5.41
First Clayton Historical	13.57	13.19	12.21	10.95
United and First Clayton Pro Forma Combined	8.38	8.14	7.09	5.56
First Clayton Pro Forma Equivalent	13.52	13.13	11.44	8.97

Computed giving effect to the Merger.

Computed based on the First Clayton per share exchange ratio of 1.6136 shares of United Stock for each share of First Clayton Stock.

Represents historical dividends paid by United as it is assumed that United will not change its dividend policy as a result of the Merger.

Represents historical dividends paid per share by United multiplied by the exchange ratio of 1.6136 shares of United Stock for each share of First Clayton Stock.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain selected historical financial information for United and First Clayton. The data should be read in conjunction with the historical financial statements, including the respective notes thereto, and other financial information concerning United and First Clayton incorporated by reference in or accompanying this Proxy Statement/Prospectus. Interim unaudited data for the three months ended March 31, 1997 and 1996, of United and First Clayton reflect, in the opinion of the respective management of United and First Clayton, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such data. Results for the three months ended March 31, 1997, are not necessarily indicative of results which may be expected for any other interim period or for the year as a whole. See "AVAILABLE INFORMATION" and "INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,		As of and For the Year Ended December 31,				
	1997	1996	1996	1995	1994	1993	1992
UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES							
BALANCE SHEET DATA							
Total assets	\$ 891,516	682,718	828,030	659,669	456,936	393,632	332,013
Loans	635,457	464,846	591,398	449,595	341,621	283,611	224,057
Deposits	778,898	611,374	720,726	590,656	393,270	349,765	300,020
Long term debt	10,170	11,026	10,453	11,309	9,400	7,400	7,800
Stockholders' equity	53,912	45,327	52,401	44,027	30,217	25,449	20,942
STATEMENT OF EARNINGS DATA							
Net interest income	8,954	6,892	31,368	22,919	18,217	14,516	11,131
Provision for loan losses	564	279	1,411	1,040	935	842	472
Noninterest income	1,462	1,320	5,368	4,264	3,762	3,700	2,157
Noninterest expense	3,767	5,351	23,313	17,854	13,902	11,705	8,635
Net earnings	2,100	1,673	8,201	6,051	5,200	4,202	3,126
PER SHARE DATA							
Book value (period end)	8.37	7.24	8.14	7.03	5.41	4.55	3.81
Net earnings	0.33	0.27	1.31	1.04	0.93	0.76	0.57
Dividends	0.025	-	0.080	0.072	0.040	0.036	0.046
Total shares outstanding	6,438,848	6,260,280	6,438,848	6,260,280	5,589,365	5,589,365	5,500,110
Weighted average shares outstanding	6,438,848	6,260,280	6,260,769	5,813,615	5,589,365	5,545,110	5,492,435
RATIOS							
Return on average assets	1.00%	1.00%	1.10%	1.08%	1.22%	1.16%	1.04%
Return on average stockholders' equity	16.00%	15.03%	17.01%	16.30%	18.68%	18.12%	16.07%
Average equity to average assets	6.18%	6.69%	6.60%	6.60%	6.51%	6.41%	6.47%
Average loans to average deposits	81.81%	78.54%	79.49%	79.38%	82.23%	77.20%	74.46%
FIRST CLAYTON BANCSHARES, INC. AND SUBSIDIARY							
BALANCE SHEET DATA							
Total assets	\$ 63,273	52,078	58,073	52,629	39,591	33,851	29,397
Loans, net	44,940	32,734	41,778	30,426	25,015	21,560	17,986
Deposits	57,570	46,482	52,574	47,176	34,728	29,155	25,169
Long term debt	-	-	-	-	-	-	-
Stockholders' equity	5,432	5,326	5,280	5,180	4,654	4,427	4,116
STATEMENT OF EARNINGS DATA							
Net interest income	697	564	2,448	2,096	1,850	1,508	1,193
Provision for loan losses	33	25	186	77	63	89	104
Noninterest income	76	67	298	259	200	218	216
Noninterest expense	447	350	1,531	1,350	1,223	1,106	1,090
Net earnings	192	174	726	618	501	407	215
PER SHARE DATA							
Book value (period end)	13.57	12.55	13.19	12.21	10.95	10.36	9.62
Net earnings	0.48	0.41	1.78	1.46	1.18	0.92	0.48
Dividends	-	-	0.44	0.40	0.35	0.30	-
Total shares outstanding	400,391	424,393	400,391	424,393	424,850	427,327	427,827
Weighted average shares outstanding	400,391	424,393	408,198	424,919	424,850	441,916	448,710
SELECTED RATIOS							
Return on average assets	1.28%	1.35%	1.36%	1.36%	1.35%	1.29%	0.77%
Return on average stockholders' equity	14.54%	13.43%	13.80%	12.39%	10.82%	9.37%	5.37%
Average equity to average assets	8.83%	10.03%	9.85%	10.96%	12.49%	13.77%	14.29%
Average loans to average deposits	78.73%	67.44%	75.84%	70.65%	72.19%	72.86%	71.98%

Represents stockholders' equity divided by the number of outstanding shares at period end.
1993 and 1992 amounts include effect of 159,257 shares of common stock represented by warrants which expired June 1, 1993 without being exercised.

SELECTED PRO FORMA FINANCIAL DATA

The following unaudited pro forma financial data gives effect to the acquisition of First Clayton as of the date or at the beginning of the period indicated, assuming the acquisition is accounted for as a pooling of interests. The pro forma balance sheet information has been prepared as if the acquisition had been consummated on March 31, 1997. The pro forma operating data has been prepared as if the acquisition had been consummated on January 1, 1994. The unaudited pro forma financial data is presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operation which actually would have occurred if the transaction had been consummated at the date and for the periods indicated or which may be obtained in the future.

SELECTED PRO FORMA FINANCIAL DATA
(Dollars in thousands, except per share amounts)

	As of and For the Three Months Ended March 31,		For The Year Ended December 31,		
	1997	1996	1996	1995	1994
BALANCE SHEET DATA					
Total assets	\$954,789	-	-	-	-
Federal funds sold	18,470	-	-	-	-
Investment securities	178,292	-	-	-	-
Loans	680,397	-	-	-	-
Deposits	836,468	-	-	-	-
Other borrowings	43,424	-	-	-	-
Long-term debt	10,170	-	-	-	-
Stockholders' equity	59,344	-	-	-	-
EARNINGS DATA					
Interest income	\$19,811	\$15,524	\$67,907	\$53,209	\$36,844
Interest expense	10,160	8,068	34,091	28,194	16,776
Net interest income	9,651	7,456	33,816	25,015	20,068
Provision for loan losses	597	304	1,597	1,116	998
Noninterest income	1,538	1,387	5,666	4,523	3,962
Noninterest expense	7,184	5,701	24,844	19,204	15,125
Income taxes	1,117	991	4,114	2,549	2,206
Net earnings	2,291	1,847	8,927	6,669	5,701
Earnings per common share	0.32	0.27	1.29	1.03	0.91

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated balance sheet (the "pro forma balance sheet") as of March 31, 1997, and the unaudited pro forma consolidated statements of earnings (the "pro forma earnings statements") for the three months ended March 31, 1997, and for each of the three years in the period ended December 31, 1996, combine the historical financial statements of United with First Clayton after giving effect to the Merger to using the pooling of interests method of accounting. Pro forma adjustments to the balance sheet are computed as if the transaction occurred at March 31, 1997, while the pro forma adjustments to the statements of earnings are computed as if the transactions were consummated on January 1994, the earliest period presented. In addition, the following financial statements do not reflect any anticipated cost savings, which may be realized by United after consummation of the Merger.

The pro forma information does not purport to represent what United's and First Clayton's combined results of operations actually would have been if the Merger had occurred on January 1, 1994.

UNITED COMMUNITY BANKS, INC.
 Unaudited Pro Forma Consolidated Balance Sheet
 March 31, 1997

	Historical United -----	Historical First Clayton -----	Adjustments -----	Pro Forma Consolidated -----
ASSETS				
Cash and due from banks	\$ 27,562	2,486	-	30,048
Federal funds sold	17,170	1,300	-	18,470
	-----	-----	-----	-----
Cash and cash equivalents	44,732	3,786	-	48,470
Investment securities	166,357	11,935	-	178,292
Mortgage loans held for sale	5,523	-	-	5,523
Loans	643,613	45,399	-	689,012
Less: Allowance for loan	(8,156)	(459)	-	(8,615)
	-----	-----	-----	-----
Loans, net	635,457	44,940	-	680,397
Premises and equipment	19,297	1,436	-	20,733
Other assets	20,150	1,176	-	21,326
	-----	-----	-----	-----
	\$ 891,516	63,273	-	954,789
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest bearing	\$ 80,737	5,527	-	86,264
Interest-bearing	698,161	52,043	-	750,204
	-----	-----	-----	-----
Total deposits	778,898	57,570	-	836,468
Borrowed funds	43,424	-	-	43,424
Long-term debt	10,170	-	-	10,170
Other liabilities	5,112	271	-	5,383
	-----	-----	-----	-----
Total liabilities	837,604	57,841	-	895,445
Stockholders' equity:				
Preferred stock	-	-	-	-
Common stock	6,439	428	(428)	7,085
			646	
Capital surplus	15,341	3,850	(3,850)	18,522
			3,180	
Retained earnings	32,634	1,658	-	34,292
Unrealized securities losses	(502)	(53)	-	(555)
	-----	-----	-----	-----
53,912	5,883	(451)	59,344	
Less: Cost of 27,436 shares of treasury stock	-	(451)	451	-
	-----	-----	-----	-----
Total stockholders' equity	53,912	5,432	-	59,344
	-----	-----	-----	-----
	\$ 891,516	63,273	-	954,789
	=====	=====	=====	=====
Outstanding common shares	6,438,848	400,391		7,084,919
Book value per common share	8.37	13.57		8.38

See accompanying notes to pro forma consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
 Unaudited Pro Forma Consolidated Statement of Earnings
 For the Three Months Ended March 31, 1997

	Historical United -----	Historical First Clayton -----	Adjustments -----	Pro Forma Consolidated -----
Interest income	\$ 18,449	1,362	-	19,811
Interest expense	9,495	665	-	10,160
	-----	-----	-----	-----
Net interest income	8,954	697	-	9,651
	-----	-----	-----	-----
Provision for loan losses	564	33	-	597
	-----	-----	-----	-----
Net interest income after provision for loan losses	8,390	664	-	9,054
	-----	-----	-----	-----
Noninterest income	1,462	76	-	1,538
Noninterest expense	6,737	447	-	7,184
	-----	-----	-----	-----
Earnings before income taxes	3,115	293	-	3,408
Income taxes	1,015	102	-	1,117
	-----	-----	-----	-----
Net earnings	\$ 2,100	191	-	2,291
	=====	=====	=====	=====
Earnings per common share	0.33	0.48		0.32
Weighted average shares outstanding	6,438,848	400,391		7,084,919

See accompanying notes to pro forma consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
 Unaudited Pro Forma Consolidated Statement of Earnings
 For the Three Months Ended March 31, 1996

	Historical United -----	Historical First Clayton -----	Adjustment -----	Pro Forma Consolidated -----
Interest income	\$ 14,379	1,145	-	15,524
Interest expense	7,487	581	-	8,068
Net interest income	----- 6,892	----- 564	----- -	----- 7,456
Provision for loan losses	----- 279	----- 25	----- -	----- 304
Net interest income after provision for loan	----- 6,613	----- 539	----- -	----- 7,152
Noninterest income	1,320	67	-	1,387
Noninterest expense	5,351	350	-	5,701
Earnings before income taxes	----- 2,582	----- 256	----- -	----- 2,838
Income taxes	909	82	-	991
Net earnings	----- \$ 1,673 =====	----- 174 =====	----- - =====	----- 1,847 =====
Earnings per common share	0.27	0.41		0.27
Weighted average shares outstanding	6,260,280	424,393		6,945,081

See accompanying notes to pro forma consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
 Unaudited Pro Forma Consolidated Statement of Earnings
 For the Year Ended December 31, 1996

	Historical United -----	Historical First Clayton -----	Adjustments -----	Pro Forma Consolidated -----
Interest income	63,126	4,781	-	67,907
Interest expense	31,758	2,333	-	34,091
	-----	-----	-----	-----
Net interest income	31,368	2,448	-	33,816
	-----	-----	-----	-----
Provision for loan losses	1,411	186	-	1,597
	-----	-----	-----	-----
Net interest income after provision for loan losses	29,957	2,262	-	32,219
	-----	-----	-----	-----
Noninterest income	5,368	298	-	5,666
Noninterest expense	23,313	1,531	-	24,844
	-----	-----	-----	-----
Earnings before income taxes	12,012	1,029	-	13,041
	-----	-----	-----	-----
Income taxes	3,811	303	-	4,114
	-----	-----	-----	-----
Net earnings	\$ 8,201	726	-	8,927
	=====	=====	=====	=====
Earnings per common share	1.31	1.78		1.29
Average shares outstanding	6,260,769	408,198		6,919,437

See accompanying notes to pro forma consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
 Unaudited Pro Forma Consolidated Statement of Earnings
 For the Year Ended December 31, 1995

	Historical United -----	Historical First Clayton -----	Adjustments -----	Pro Forma Consolidated -----
Interest income	\$ 49,127	4,082	-	53,209
Interest expense	26,208	1,986	-	28,194
Net interest income	22,919	2,096	-	25,015
Provision for loan losses	1,040	76	-	1,116
Net interest income after provision for loan losses	21,879	2,020	-	23,899
Noninterest income	4,264	259	-	4,523
Noninterest expense	17,854	1,350	-	19,204
Earnings before income taxes	8,289	929	-	9,218
Income taxes	2,238	311	-	2,549
Net earnings	\$ 6,051 =====	618 =====	- =====	6,669 =====
Earnings per common share	1.04	1.46		1.03
Average shares outstanding	5,813,615	424,919	259,703	6,499,264

See accompanying notes to pro forma consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES
 Unaudited Pro Forma Consolidated Statement of Earnings
 For the Year Ended December 31, 1994

	Historical United -----	Historical First Clayton -----	Adjustments -----	Pro Forma Consolidated -----
Interest income	\$ 33,855	2,989	-	36,844
Interest expense	15,638	1,138	-	16,776
Net interest income	----- 18,217	----- 1,851	----- -	----- 20,068
Provision for loan losses	----- 935	----- 63	----- -	----- 998
Net interest income after provision for loan losses	----- 17,282	----- 1,788	----- -	----- 19,070
Noninterest income	3,762	200	-	3,962
Noninterest expense	----- 13,902	----- 1,223	----- -	----- 15,125
Earnings before income taxes	7,142	765	-	7,907
Income taxes	----- 1,942	----- 264	----- -	----- 2,206
Net earnings	----- \$ 5,200 =====	----- 501 =====	----- - =====	----- 5,701 =====
Earnings per common share	0.93	1.18		0.91
Average shares outstanding	5,589,365	424,919		6,275,014

See accompanying notes to pro forma consolidated financial statements.

NOTES TO PRO FORMA CONDENSED FINANCIAL INFORMATION

- (1) The unaudited pro forma consolidated balance sheet as of March 31, 1997 and consolidated statements of earnings for the three months ended March 31, 1997 and 1996 and for the years ended December 31, 1996, 1995 and 1994 have been prepared based on the historical consolidated balance sheets and statements of earnings, which give effect to the merger of United with First Clayton accounted for as a pooling of interests, based on the exchange of 1.6136 shares of United for each outstanding common share of First Clayton.
- (2) In the opinion of management of the respective companies included above, all adjustments considered necessary for a fair presentation of the financial position and results for the period presented have been included. Adjustments, if any, are normal and recurring in nature.

THE PROPOSED MERGER

BACKGROUND OF AND REASONS FOR THE MERGER

During the first quarter of 1997, the Chief Executive Officer of United and the Chief Executive Officer of First Clayton began to explore the possibility of combining First Clayton with United. On April 17, 1997 at the regularly scheduled quarterly meeting of the Board of Directors of United, United's management presented to United's Board an analysis of certain strategic options of United, one of which pertained to a possible merger with First Clayton Bank. After a discussion by and among United's management and directors, United's Chief Executive Officer was authorized to submit a preliminary proposal to First Clayton.

On April 11, 1997, after the regularly scheduled Annual Shareholder Meeting for First Clayton, the full board of First Clayton reviewed publicly filed information pertaining to United after which meeting the board issued an invitation for the Chief Executive Officer of United to make a presentation to the full board of First Clayton.

On April 29, 1997, at a called meeting of the board of First Clayton, the Chief Executive Officer of United submitted a proposal. This proposal, which generally outlined the terms of the Merger, was discussed at length together with the benefits of the Merger. Subsequent to his presentation, the Chief Executive Officer of United was excused and the Board continued its discussion of the Merger. The board of directors of First Clayton authorized the Chairman of the Board and the Chief Executive Officer and any other interested board member to meet with the First Clayton's legal counsel to further discuss the terms of the merger as well as the benefits.

On May 22, 1997, both parties executed a Confidentiality Agreement as the final terms of the Merger were being negotiated.

On June 9, 1997 the Board of United approved the execution of the Acquisition Agreement, subject to satisfactory completion of its due diligence examination of First Clayton. On June 11, 1997, on site due diligence of First Clayton was conducted by representatives of United. Similarly, off-site due diligence of United was conducted by financial advisors of First Clayton on June 20, 1997. Subsequently, both companies undertook additional off-site due diligence and discussions with legal counsel and financial advisors.

At a Board of Directors meeting held on June 12, 1997, the Board of First Clayton considered a number of factors in evaluating the Merger. Without assigning any relative or specific weights to the factors, the Board of Directors of First Clayton considered the following material factors:

- (a) The alternatives to the Merger, including remaining an independent institution in light of the current economic condition of the market and

the competitive disadvantages as compared to the larger financial institutions operating in the market;

- (b) The value of the consideration to be received by First Clayton shareholders relative to the book value and earnings per share of First Clayton Common Stock;
- (c) Certain information concerning the financial condition, results of operations and business prospects of United;
- (d) The financial terms of recent business combinations in the financial services industry and a comparison of the multiples of selected combinations with the terms of the proposed transaction with United;
- (e) The marketability of First Clayton Common Stock;
- (f) The competitive and regulatory environment for financial institutions generally;
- (g) The fact that the Merger will enable First Clayton shareholders to exchange their shares of First Clayton Common stock, in a tax-free transaction, for shares of common stock of a regional company; and
- (h) United's ability to provide comprehensive financial services through First Clayton Bank to its market;

On June 12, 1997, the parties executed the Acquisition Agreement and on June 23, 1997 after completion of due diligence and the delivery of the disclosure memorandum by both parties, a joint press release announcing the execution of the Acquisition Agreement was issued.

The Board of Directors of First Clayton believes the Merger is in the best interest of its shareholders because the Merger will permit them to exchange their ownership interest in First Clayton for an equity interest in United, which has greater financial resources than First Clayton. The Board of Directors of First Clayton also believes that the terms of the Merger, including the basis of exchange, 1.6136 shares of United Stock for each share of First Clayton Stock, which was determined through arms-length negotiations between United and the Board of Directors of First Clayton, are fair and equitable and take into account the relative earning power of United and First Clayton, historic and anticipated operations, the economies of scale to be achieved through the Merger, the trading prices of the stocks of the respective companies and other pertinent factors. The exchange ratio of 1.6136 shares of United Stock for each share of First Clayton Stock represents a multiple of 2.616 times First Clayton's book value as of March 31, 1997 and 19.19 times trailing twelve months earning per share if United Stock is valued at \$22 a share.

The Board of Directors of First Clayton believes that the size of the combined organization, approximately \$1,053,000,000 in assets as of June 30, 1997, is sufficiently large to take advantage over time of significant economies of scale, but is still small enough to maintain the competitive advantages management believes are afforded community-oriented banks over the larger regional and super-regional banks. It has become increasingly apparent to the management of First Clayton that in the current regulatory and competitive environment, larger organizations with their greater economies of scale, including their ability to spread largely fixed regulatory compliance costs over a larger gross income base and their ability to attract management talent who are able to compete in a more sophisticated financial-services environment, will be more successful than smaller organizations such as First Clayton separately. Management of United and First Clayton believe that there is a future for community banks in the banking industry, but that community banks will be required to achieve a critical size to maintain above-average economic performance.

THE AGREEMENT AND PLAN OF REORGANIZATION AND THE AGREEMENT AND PLAN OF MERGER

The material features of the Acquisition Agreement and the Merger Agreement are summarized below. This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Acquisition Agreement which is incorporated herein and the Merger Agreement which is attached as Appendix A hereto.

EFFECTIVE DATE. The Merger Agreement provides that the Merger will be effective on the first business day following the receipt of all required approvals from any governmental authorities and following the expiration of any waiting period required by law or at such other time as the parties may mutually agree. The Merger is subject to approval by the Federal Reserve and the DBF. See "THE PROPOSED MERGER -- Regulatory Approvals." It is anticipated that the Merger will become effective prior to _____, 1997.

TERMS OF THE MERGER. On the Effective Date, each outstanding share of First Clayton Stock first will be converted into and exchanged for 1.6136 shares of United Stock. If, prior to the Effective Date, the outstanding shares of the United Stock are increased by means of any stock dividend, stock split, subdivision, recapitalization or reclassification of shares, or are combined into a lesser number of shares by reclassification, recapitalization or reduction of capital, the number of shares of United Stock to be delivered pursuant to the Merger in exchange for a share of First Clayton Stock will be proportionately adjusted.

No scrip or fractional share certificate of United Stock will be issued in connection with the Merger, and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to any rights of a shareholder of United with respect to such fractional interest.

In lieu of the issuance of any fractional shares of United Stock, United will pay in cash an amount (computed to the nearest cent) equal to such fraction multiplied by \$22.00 per share.

If the Merger is consummated, shareholders of First Clayton will become shareholders of United, and First Clayton will be merged with and into United. The Articles of Incorporation, Bylaws, corporate identity and existence of United will not be changed as a result of the Merger, but First Clayton will cease to exist as a separate entity following the Merger.

TERMINATION AND CONDITIONS OF CLOSING. The Merger Agreement and the Acquisition Agreement may be terminated and the Merger abandoned at any time either before or after approval of the Merger Agreement by the shareholders of First Clayton, but not later than the Effective Date:

(i) by United, if there is any material adverse change in the financial condition or business of First Clayton which change would reasonably be expected to have a material adverse effect on the market price of First Clayton Stock, or if First Clayton suffers a material loss or damage to any of its properties or assets, which change, loss or damage materially affects or impairs the ability of First Clayton to conduct its business; or by First Clayton, if there is any material adverse change in the financial condition or business of United which change would reasonably be expected to have a material adverse effect on the market price of United Stock, or if United suffers a material loss or damage to any of its properties or assets, which change, loss or damage materially affects or impairs United's ability to conduct its business;

(ii) by United, if the terms, covenants or conditions of the Acquisition Agreement are not complied with or performed by First Clayton at or before the closing of the transactions contemplated therein and such noncompliance or nonperformance is not waived by United; or by First Clayton, if the terms, covenants and conditions of the Acquisition Agreement are not complied with or performed by United at or before the closing of the transactions contemplated therein and such noncompliance or nonperformance is not waived by First Clayton;

(iii) by United, if it learns of any fact or condition not disclosed in the Acquisition Agreement, or the documents delivered in connection therewith, which was required to be disclosed by First Clayton pursuant to the provisions of the Acquisition Agreement at or prior to the date of execution thereof with respect to the business, properties, assets or earnings of First Clayton, which materially and adversely affects such business, properties, assets or earnings or the ownership, value or continuance thereof; or by First Clayton, if it learns of any fact or condition not disclosed in the Acquisition Agreement, or the documents delivered in connection therewith, which was required to be disclosed by United pursuant to the provisions of the Acquisition Agreement at or prior to the date of execution thereof with respect to the business,

properties, assets or earnings of United, which materially and adversely affects such business, properties, assets or earnings or the ownership, value or continuance thereof;

(iv) by First Clayton or United, if any action, suit or proceeding is instituted or threatened against any party to restrain or prohibit, or to obtain substantial damages in respect of, the Acquisition Agreement, or the consummation of the transactions contemplated therein, which, in the good faith opinion of First Clayton or United, makes consummation of the transactions contemplated therein inadvisable;

(v) by any party, if the date of Closing of the Merger does not occur on or before November 30, 1997.

(vi) by United, if the holders of more than 15,000 of the outstanding shares of First Clayton Stock elect to exercise their statutory right to dissent from the Merger and demand payment in cash;

(vii) by either party, if the Merger Agreement is not approved by the vote of the holders of First Clayton Stock as required by applicable law;

(viii) by United, if it learns of any potential liability of First Clayton arising from non-compliance with any federal, state or local environmental law by First Clayton, or any potential liability of First Clayton arising from any environmental condition of the properties or assets of First Clayton, including any properties or assets in which First Clayton holds a security interest; and

(ix) by First Clayton, if it learns of any potential liability of United arising from non-compliance with any federal, state or local environmental law by United, or any potential liability of United arising from any environmental condition of the properties or assets of United, including any properties or assets in which United holds a security interest.

Among the required conditions of closing are:

(i) the accuracy and veracity, in all material respects, of the representations and warranties of all parties contained in the Acquisition Agreement or in any certificate, schedule or other document delivered in connection therewith as of the date when made and the Effective Date;

(ii) the performance of all agreements and conditions required by the Acquisition Agreement;

(iii) the delivery of certain officers certificates, resolutions and legal opinions to First Clayton and United.

(iv) approval of the Merger by the vote of the holders of a majority of the First Clayton Stock entitled to vote at the Special Meeting;

(v) the obtaining from any and all governmental authorities, bodies or agencies having jurisdiction over the transactions contemplated in the Acquisition Agreement and the Merger Agreement, including, but not limited to the Federal Reserve (or its lawful delegate) and the DBF, such consents, authorizations and approvals as are necessary for the consummation thereof and all applicable waiting or similar periods required by law shall have expired;

(vi) the declaration by the Securities and Exchange Commission of the effectiveness of the Registration Statement of United, of which this Proxy Statement is a part, and the absence of any stop order entered with respect thereto;

(vii) the receipt by First Clayton of the tax opinion of Kilpatrick Stockton LLP as described in the Acquisition Agreement; and

(viii) the issuance of a certificate of merger by the Secretary of State of Georgia with respect to the Merger in accordance with the provisions of Georgia law.

Surrender of Certificates. As soon as practicable after the Effective Date, each holder as of the Effective Date of any shares of First Clayton Stock will, upon presentation and surrender of the certificates representing such shares to United's transfer agent, SunTrust Bank, Atlanta, be entitled to receive in exchange therefor a certificate or certificates representing the number of whole shares of United Stock to which such holder shall be entitled based upon the above-described basis of exchange, together with the amount of cash payable in lieu of a fractional interest in United Stock. Until so surrendered, the certificates representing shares of First Clayton Stock will be deemed to represent the number of shares of United Stock into which the same shall have been converted. A SHAREHOLDER OF FIRST CLAYTON WHO IS ENTITLED TO RECEIVE COMMON STOCK IN EXCHANGE FOR HIS FIRST CLAYTON STOCK WILL NOT BE ENTITLED TO RECEIVE PAYMENT OF ANY DIVIDENDS OR OTHER DISTRIBUTIONS ON SHARES OF UNITED STOCK INTO WHICH HIS SHARES OF FIRST CLAYTON STOCK HAVE BEEN CONVERTED OR TO RECEIVE ANY NOTICES SENT BY UNITED TO ITS SHAREHOLDERS WITH RESPECT TO, OR TO VOTE, SUCH SHARES, UNTIL THE CERTIFICATES REPRESENTING HIS SHARES OF FIRST CLAYTON STOCK HAVE BEEN SURRENDERED TO UNITED. Upon surrender of any certificate which prior to the Merger represented shares of First Clayton Stock, the holder thereof shall be entitled to receive any dividends or other distributions (without interest) which shall have become payable after the Merger but prior to the surrender of such shares and which shall not have been paid with respect to the number of shares of United Stock represented by the certificate issued upon such surrender.

SHAREHOLDER APPROVAL

The affirmative vote of the holders of at least a majority of the outstanding shares of First Clayton Stock entitled to vote at the Special Meeting is required for approval of the Merger. Abstentions from voting and broker non-votes will be included in determining whether a quorum is present and will have the effect of a vote against the Merger Agreement.

On _____, 1997, the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting, the outstanding voting securities of First Clayton consisted of 400,691 shares of First Clayton Stock with registered holders thereof being entitled to one vote per share. Certain executive officers and members of the First Clayton's Board of Directors, who have entered into agreements with United to vote their shares of First Clayton Stock in favor of the Merger, own or control 135,772 shares or the approximately 34% of the outstanding shares of First Clayton.

CONDUCT OF BUSINESS OF FIRST CLAYTON PENDING CLOSING

The Acquisition Agreement provides that, pending consummation of the Merger, First Clayton, except with the written consent of United, will:

(i) conduct its business only in the ordinary course, without the creation of any indebtedness for borrowed money (other than deposit and similar accounts and customary credit arrangements between banks in the ordinary course of business);

(ii) maintain its properties and assets in good operating condition, ordinary wear and tear excepted;

(iii) maintain and keep in full force and effect all of its current insurance policies or other insurance policies equivalent thereto in all material respects;

(iv) not make any change in the authorized or issued capital stock or other securities of First Clayton, and First Clayton will not issue or grant any right or option to purchase or otherwise acquire any of the capital stock or other securities of First Clayton;

(v) not declare or make any dividend, distribution or payment will be declared or made in respect to the capital stock of First Clayton, and First Clayton will not, directly or indirectly, redeem, purchase or otherwise acquire any of its capital stock;

(vi) not amend its Articles of Incorporation or Bylaws, and will maintain its corporate existence and powers;

(vii) not acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other entity or division thereof or otherwise acquire or agree to acquire any assets which

are material, individually or in the aggregate, to it;

(viii) not sell, mortgage, lease, buy or otherwise acquire, transfer or dispose of any real property or interest therein (except for sales in the ordinary course of business) and will not, except in the ordinary course of business, sell or transfer, mortgage, pledge or subject to any lien, charge or other encumbrance any other tangible or intangible asset;

(ix) not change any of its banking arrangements;

(x) not enter into any new material contracts;

(xi) maintain its books and records in the usual, regular and ordinary course; and

(xii) advise United of any material adverse change in First Clayton's business.

INTEREST OF MANAGEMENT IN THE TRANSACTION; CONDUCT OF BUSINESS AFTER THE MERGER

Except as set forth below, no director or officer of First Clayton, or any of their associates has any direct or indirect material interest in the Merger, except that such persons may own shares of First Clayton Stock which will be converted in the Merger into United Stock. The directors of United currently anticipate that after the Merger, one director of First Clayton will be elected to serve on United's Board of Directors. It is not anticipated that the Merger will result in any material change in compensation to employees of First Clayton. After the consummation of the Merger, each of J. Mark Smith, President of First Clayton, and Rodney Hickox, Executive Vice President of First Clayton, will be granted an option to purchase 12,102 shares of United Stock at the market price on the date of grant. Each option will expire on the earlier of the tenth anniversary of the date of grant or three months following the date the optionee terminates employment unless the optionee dies while employed, in which case the option will continue for the original term and may be exercised to the extent exercisable by the optionee's estate. The options are exercisable immediately and can be exercised for cash, certified check or by cashless exercise. Messrs. Smith and Hickox have also entered into deferred compensation agreements with First Clayton which provide that they will each receive deferred compensation in the amount of \$108,750. These agreements are the unfunded obligations of First Clayton which will be assumed by United in the Merger. The payment for this obligation will be made in cash in a lump sum after the earliest to occur of the following events: (1) passage of ten years; (2) termination of employment other than for "Cause;" and (3) a change in control (other than a change in control of First Clayton). "Cause" for the purposes of this obligation means (1) conviction of the employee of a felony or (2) conduct of the employee that results in the removal from his position as employee of First Clayton pursuant to a written order of any regulatory agency with authority or jurisdiction over First Clayton or United or its subsidiaries. In addition, the Acquisition Agreement provides an explicit agreement by United to continue employee benefits for First Clayton employees that are substantially similar to those United currently provides to its employees and that United will indemnify each person

entitled to indemnification by First Clayton or First Clayton Bank for liabilities arising from acts or omissions arising prior to the effective date of the Merger.

EFFECT OF THE MERGER ON FIRST CLAYTON SHAREHOLDERS AND COMPARISON OF THE SECURITIES OF FIRST CLAYTON AND UNITED

At the Effective Time, holders of First Clayton Stock (other than dissenting shareholders) will become shareholders of United. The following is a summary of material differences between the rights of holders of United Stock and holders of First Clayton Stock. Since United and First Clayton are both organized under the laws of Georgia, any such differences arise from differing provisions of the corporations' respective articles of incorporation and bylaws.

The following summary does not purport to be a complete statement of the provisions affecting, and differences between, the rights of holders of United Stock and those of holders of First Clayton Stock. This summary is qualified in its entirety by reference to the governing corporate instruments of United and First Clayton, to which the shareholders of First Clayton are referred.

DIRECTORS

UNITED. The United Bylaws, as amended, provide for a board of directors consisting of eleven (11) members. Under the United Bylaws, United directors may be removed with or without cause by the vote of a majority of the outstanding shares of the corporation.

FIRST CLAYTON. The First Clayton Bylaws provide for a board of directors consisting of nine (9) members. The First Clayton Articles provide for the board to be divided into three classes serving staggered terms as long as the board consists of nine or more members. Under the First Clayton Articles, a director may be removed without cause only by the vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the outstanding common stock of the corporation.

NOTICE OF SHAREHOLDER NOMINATIONS AND SHAREHOLDER PROPOSALS

UNITED. The United Articles and the United Bylaws provide no limitations or procedures relating to shareholders nominations for directors or shareholder proposals.

FIRST CLAYTON. The First Clayton Articles provide that any shareholder entitled to vote for the election of directors may make nominations for the election of directors only by giving written notice to the secretary of the corporation at least 30 days but not more than 60 days prior to the annual meeting at which directors are to be elected.

MERGERS, SHARE EXCHANGES AND SALES OF ASSETS

United. Neither the United Articles nor the United Bylaws provide for procedures relating to mergers, share exchanges or sales of assets. In general, the Georgia Business

Corporation Code requires that any merger, share exchange or transfer of substantially all the assets other than in the ordinary course of business of a Georgia corporation be approved by a majority of the votes entitled to be cast within each voting group entitled to vote on the proposed transaction.

FIRST CLAYTON. The First Clayton Articles provide that the vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the outstanding common stock of First Clayton is required to approve (i) the merger or consolidation with any other corporation, partnership, trust, estate or association if such other corporation and its affiliates in the aggregate are directly or indirectly the beneficial owners of more than five percent (5%) of the outstanding shares of common stock of First Clayton (a "Related Entity"), (ii) the sale or exchange by First Clayton of all or a substantial part of its assets to or with such Related Entity, (iii) the issuance or delivery by First Clayton of any stock or other securities issued by it in exchange or payment for any properties or assets of such Related Entity or securities issued by such Related Entity, or any merger of any affiliate of First Clayton with or into such Related Entity or any of its affiliates, or (iv) the dissolution of First Clayton. The above voting requirement shall not apply to any transaction which was approved by the affirmative vote of not less than sixty-six and two-thirds percent (66 2/3%) of the directors.

AMENDMENTS TO ARTICLES OF INCORPORATION AND BYLAWS

UNITED. In general, the Georgia Business Corporation Code provides that the bylaws or articles of a Georgia corporation may be amended by a majority of the votes entitled to be cast within each voting group entitled to vote.

FIRST CLAYTON. The First Clayton Articles provide that the affirmative vote of not less than sixty-six and two-thirds percent (66 2/3%) of the shareholders shall be required to amend the portions of such articles relating to classification and staggered terms of the board, removal of directors, shareholder notice of nomination of directors, or any requirement for a supermajority vote on such amendment, unless such proposed amendment is approved by eighty percent (80%) of the directors.

ACCOUNTING TREATMENT

United will account for the Merger as a "pooling of interests" transaction in accordance with generally accepted accounting principles. Under this accounting method, holders of First Clayton Stock will be deemed to have combined their existing voting common stock interests with the holders of United Stock by exchanging their shares for shares of United Stock, and as a result, the assets and liabilities of First Clayton will be added to those of United at their recorded book value and the

stockholders' equity accounts of First Clayton and United would be combined on United's consolidated balance sheet. The unaudited pro forma financial information contained in this proxy statement prospectus has been prepared using the pooling of interests accounting method to account for the Merger. See "Pro Forma Consolidated Financial Information".

RESALES OF UNITED STOCK

Although the United Stock to be issued upon consummation of the Merger has been registered under the Securities Act, the directors, officers and shareholders of First Clayton who are deemed to be affiliates of First Clayton may not resell the United Stock received by them unless such sales are made pursuant to an effective registration statement under the Securities Act or pursuant to Rule 144 promulgated under the Securities Act or another exemption from registration under such Act. Rule 144 limits the amount of United Stock or other equity securities of United that such persons may sell during any three month period and requires that there be available certain current public information with respect to United and that the United Stock be sold in a broker's transaction or directly to a market maker in the United Stock. Because the United Stock is not publicly traded and is not listed on a stock exchange or quoted in the over-the-counter market, affiliates will not be able to sell the United Stock pursuant to Rule 144.

REGULATORY APPROVALS

The Merger is subject to the approval of the Federal Reserve and the DBF. The Federal Reserve and the DBF consider the effect on the financial and managerial resources and future prospects of the companies and banks concerned and the convenience and needs of the communities served.

RIGHTS OF DISSENTING SHAREHOLDERS

Any shareholder of record of First Clayton Stock who objects to the Merger and who fully complies with Section 14-2-1301 et seq. of the Georgia Business Corporation Code will be entitled to demand and receive payment in cash of an amount equal to the fair value of all, but not less than all, of his or her shares of First Clayton Stock if the Merger is consummated. A shareholder of record may assert dissenters' rights as to fewer than the shares registered in such shareholder's name only if he or she dissents with respect to all shares beneficially owned by any one beneficial owner and notifies First Clayton in writing of the name and address of each person on whose behalf he asserts dissenters' rights. For the purpose of determining the amount to be received in connection with the exercise of statutory dissenters' rights under the Georgia Business Corporation Code, the fair value of a dissenting shareholder's First Clayton Stock equals the value of the shares immediately before the Effective Date of the Merger, excluding any appreciation or depreciation in anticipation of the Merger.

Any First Clayton shareholder desiring to receive payment of the fair value of his or her First Clayton Stock in accordance with the requirements of the Georgia Business

Corporation Code: (a) must deliver to First Clayton prior to the time the shareholder vote on the Merger Agreement is taken, a written notice of his or her intent to demand payment for his shares if such Merger is consummated; (b) must not vote his or her shares in favor of the Merger Agreement; and (c) must demand payment and deposit stock certificates representing First Clayton Stock in accordance with the terms of a notice which will be sent to the shareholder by First Clayton no later than 10 days after such Merger Agreement is consummated. A filing of the written notice of intent to dissent with respect to either Merger Agreement should be sent to: Ronald E. Vandiver, Secretary, First Clayton Bancshares, Inc., P. O. Box 1250, Clayton, Georgia 30525-9723. A VOTE AGAINST THE MERGER AGREEMENT ALONE WILL NOT SATISFY THE REQUIREMENTS FOR THE SEPARATE WRITTEN NOTICE OF INTENT TO DISSENT TO THE MERGER, THE SEPARATE WRITTEN DEMAND FOR PAYMENT OF THE FAIR VALUE OF SHARES OF FIRST CLAYTON STOCK AND THE DEPOSIT OF THE STOCK CERTIFICATES, WHICH ARE REFERRED TO IN CONDITIONS (A) AND (C) ABOVE. RATHER, A DISSIDENTING SHAREHOLDER MUST SEPARATELY COMPLY WITH ALL OF THOSE CONDITIONS.

Within 10 days of the later of the Effective Date or receipt of a payment demand by a shareholder who deposits his or her stock certificates in accordance with the First Clayton's dissenters' notice sent to those shareholders who notified First Clayton of their intent to dissent, described in (c) above, First Clayton must offer to pay to each dissenting shareholder the amount First Clayton estimates to be the fair value of the dissenting shareholder's shares, plus accrued interest. Such notice and offer must be accompanied by: (a) First Clayton's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of making an offer, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any; (b) an explanation of how the interest was calculated; (c) a statement of the dissenting shareholder's right to demand payment of a different amount under Section 14-2-1327 of the Georgia Business Corporation Code; and (d) a copy of the dissenters' rights provisions of the Georgia Business Corporation Code.

If the dissenting shareholder accepts First Clayton's offer, by written notice to such entity, within 30 days after First Clayton's offer or is deemed to have accepted the offer by reason of failing to respond to such offer, First Clayton must make payment for his or her shares within 60 days after the making of the offer or the Effective Date, whichever is later. Upon payment of the agreed value, the dissenting shareholder will cease to have any interest in his shares of First Clayton Stock.

If within 30 days after First Clayton offers payment for the shares of a dissenting shareholder, the dissenting shareholder does not accept the estimate of fair value of his or her shares and interest due thereon and demands payment of his or her own estimate of the fair value of the shares and interest due thereon, then First Clayton, within 60 days after receiving the payment demand of a different amount from a dissenting shareholder, must file an action in a court of competent jurisdiction in Rabun County, Georgia, requesting that the fair value of such shares be found and determined. First Clayton must

make all dissenting shareholders whose demands remain unsettled parties to the proceeding. If First Clayton does not commence the proceeding within such 60-day period, it shall be required to pay each dissenting shareholder whose demand remains unsettled the amount demanded by the dissenting shareholder.

The foregoing does not purport to be a complete statement of the provisions of the Georgia Business Corporation Code relating to statutory dissenters' rights and is qualified in its entirety by reference to the Dissenters' Rights provisions of the Georgia Business Corporation Code, which are reproduced in full in Appendix B to this Proxy Statement and which are incorporated herein by reference.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER AND OPINION OF TAX COUNSEL

First Clayton has received an opinion from Kilpatrick Stockton LLP, Atlanta, Georgia (the "Tax Opinion") to the effect that, assuming the Merger is consummated in accordance with the terms of the Acquisition Agreement and the Merger Agreement:

(a) The merger of First Clayton into United and the issuance of shares of United Stock in connection therewith, as described herein and in the Merger Agreement, will constitute a tax-free reorganization under Section 368(c)(1)(A) of the Internal Revenue Code of 1986 (the "Code"), as amended.

(b) No gain or loss will be recognized by holders of First Clayton Stock upon the exchange of such stock for United Stock as a result of the Merger.

(c) Gain or loss will be recognized pursuant to Section 302 of the Code by holders of First Clayton Stock upon their receipt of cash in lieu of fractional shares of United Stock and upon their exercise of dissenter's rights.

(d) No gain or loss will be recognized by First Clayton as a result of the Merger.

(e) The aggregate tax basis of the United Stock received by shareholders of First Clayton pursuant to the Merger will be the same as the tax basis of the shares of First Clayton Stock exchanged therefor decreased by any portion of each tax basis allocated to fractional shares of United Stock that are treated as redeemed by United.

(f) The holding period of the shares of United Stock received by the shareholders of First Clayton will include the holding period of the shares of First Clayton Stock exchanged therefor, provided that the First Clayton Stock is held as a capital asset on the date of the consummation of the Merger.

No ruling will be requested from the Internal Revenue Service with respect to any Federal income tax consequences of the Merger.

The Tax Opinion and the preceding discussion relate to the material federal income tax consequences of the Merger to First Clayton Shareholders. The First Clayton shareholders are advised to consult their own tax advisors as to any state, local or other tax consequences of the Merger.

INFORMATION ABOUT FIRST CLAYTON BANCSHARES, INC.

DESCRIPTION OF BUSINESS

First Clayton is a one-bank holding company which engages through its subsidiary, First Clayton Bank, in providing banking services to customers of First Clayton Bank from its main office in Clayton, Georgia. The Company's executive office is located at U.S. 441, Village Center, Clayton, Georgia 30525, and its telephone number is (706) 782-7100.

First Clayton was incorporated on February 3, 1989 as a Georgia business corporation. On February 2, 1990, First Clayton purchased all of the shares of common stock of First Clayton Bank which was organized as a Georgia banking corporation in 1990. First Clayton's primary business is to manage the business and affairs of its bank subsidiary. First Clayton's subsidiary bank provides a full range of banking services to its customers, except for trust services. Additional information about First Clayton is included in the Form 10-KSB for the year ended December 31, 1996 and the Form 10-QSB for the quarter ended March 31, 1997, that are contained in the separately bound document which accompanies this Proxy Statement/Prospectus.

INFORMATION ABOUT UNITED COMMUNITY BANKS, INC.

DESCRIPTION OF BUSINESS

GENERAL. United was incorporated under the laws of Georgia in 1987 and commenced operations in 1988 by acquiring 100% of the outstanding shares of UCB. United is a registered bank holding company. All of United's activities are currently conducted by its wholly-owned subsidiaries, UCB, which was organized as a Georgia banking corporation in 1950, Carolina, which United acquired in 1990, Peoples, which United acquired in 1992, Towns, which United also acquired in 1992 and White, which United acquired in 1995. Additional information with respect to United is included in its 1997 Proxy Statement (which includes its 1996 Annual Report to Shareholders) and Form 10-Q quarterly report for the period ended March 31, 1997, which are contained in the separately bound document which accompanies these proxy materials.

RECENT DEVELOPMENTS

PUBLIC STOCK OFFERINGS. In May 1997, United completed an offering to the public of 300,000 shares of United Common Stock registered under the Securities Act pursuant to which \$6,476,000 in additional capital was raised. The additional capital was invested in UCB and Carolina. In August 1995 United completed an offering to the public of 215,515 shares of United Stock registered under the Securities Act pursuant to which \$2,434,000 in additional capital was raised. United used the proceeds of the offering primarily to invest additional capital in Carolina and Towns. The additional capital for Towns was used to support the asset growth experienced by Towns. The additional capital for Carolina was necessitated by Carolina's asset growth and the acquisition of the Franklin and Waynesville branch banking offices.

PRIVATE PLACEMENT OF \$3,500,000 CONVERTIBLE SUBORDINATED PAYABLE-IN-KIND DEBENTURES DUE DECEMBER 31, 2006. On December 31, 1996, United completed a private placement of convertible subordinated payable-in-kind debentures due December 31, 2006 (the "2006 Debentures"). The 2006 Debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum as quoted in The Wall Street Journal, payable on April 1, July 1, October 1, and January 1 of each year commencing on April 1, 1997, to holders of record at the close of business on the 15th day of the month immediately preceding the interest payment date. For additional information on the 2006 Debentures, see "Description of Securities of United."

BRANCHING TO NEW MARKETS. Effective July 1, 1996, the Georgia bank branching laws were amended to permit subsidiary banks of Georgia bank holding companies to branch in an aggregate of three additional counties prior to July 1, 1998, after which time statewide branching would be permitted. On July 1, 1996, UCB changed its name from Union County Bank to United Community Bank and established a branch office in Dahlonga, Lumpkin County, Georgia. UCB simultaneously filed a tradename filing to permit it to conduct its operations in Union County, Georgia under the tradename Union County Bank. On September 28, 1996,

UCB assumed deposits of \$23.7 million and purchased assets of \$33.2 million in Cornelia, Habersham County, Georgia, from a banking institution which sold all of its operations in the county. In Habersham County, UCB operates under the trade name of First Bank of Habersham, and in Lumpkin County, UCB does business as United Community Bank. In July 1996, Carolina opened a loan production office in Sylva, North Carolina, and in June 1997 Carolina opened a branch in Bryson City, North Carolina.

DESCRIPTION OF SECURITIES OF UNITED

The following is a summary of certain provisions of the United Stock, Preferred Stock and the 2006 Debentures.

GENERAL. The authorized capital stock of United consists of 10,000,000 shares of common stock, \$1.00 par value per share, and 10,000,000 shares of preferred stock, \$1.00 par value per share. As of June 30, 1997, 6,956,748 shares, including 140,000 shares deemed outstanding pursuant to the 2006 Debentures and presently exercisable options to acquire 77,900 shares of United's common stock, were issued and outstanding and no shares of preferred stock were issued and outstanding. At the same date, 2006 Debentures in the principal amount of \$3,500,000 were outstanding.

PREFERRED STOCK. United is authorized to issue 10,000,000 shares of preferred stock, issuable in such series and bearing such voting, of United dividend, conversion, liquidation and other rights and preferences as the Board of Directors of United may determine. The preferred stock could be issued for any lawful corporate purpose without further action by the shareholders. The issuance of any preferred stock having conversion rights might have the effect of diluting the interests of the other shareholders. Shares of preferred stock could be issued with such rights, privileges and preferences as would deter a further tender or exchange offer or to discourage the acquisition of control of the Company. The Board of Directors presently has no plans to issue any preferred stock.

COMMON STOCK. All voting rights are vested in the holders of the common stock. Each holder of common stock is entitled to one vote per share on any issue requiring a vote at any meeting. The shares do not have cumulative voting rights in the election of directors. All shares of United Stock are entitled to share equally in such dividends as the Board of Directors of United may declare on United's common stock from sources legally available therefor. The determination and declaration of dividends is within the discretion of the Board of Directors of United. United's common stock will be entitled to receive on a pro rata basis, after payment or provision for payment of all debts and liabilities of United, all assets of United available for distribution, in cash or in kind.

The outstanding shares of United Stock are, and the shares of United Stock to be issued by United in connection with the Merger will be, duly authorized, validly issued, fully paid and nonassessable.

DEBENTURES. Debentures in the principal amount of \$3,500,000 which are due on December 31, 2006 are outstanding as of the date hereof (the "2006 Debentures"). The 2006 Debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum as quoted in The Wall Street Journal, payable on April 1, July 1, October 1, and January 1 of each year commencing on April 1, 1997, to holders of record at the close of business on the 15th day of the month immediately preceding the interest payment date. Interest is computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as applicable. Interest on the 2006 Debentures is payable, at the option of the Board of Directors of United, in cash or in an additional debenture with the same terms as the 2006 Debentures.

The 2006 Debentures may be redeemed, in whole or in part from time to time on or after January 1, 1998, at the option of United upon at least 20 days and not more than 60 days notice, at a redemption price equal to 100% of the principal amount of the Debentures to be redeemed plus interest accrued and unpaid as of the date of redemption.

The holder of any 2006 Debentures not called for redemption will have the right, exercisable at any time up to December 31, 2006, to convert such Debenture at the principal amount thereof into shares of United Stock of United at the conversion price of \$25 per share, subject to adjustment for stock splits and stock dividends.

The 2006 Debentures are unsecured obligations of United and are subordinate in right of payment to all obligations of United to its other creditors, except obligations ranking on a parity with or junior to such debentures. The 2006 Debentures were not issued pursuant to an indenture nor is there a trustee to act on behalf of debentureholders.

TRANSFER AGENT AND REGISTRAR. The Transfer Agent and Registrar for United's common stock and the Debentures is SunTrust Bank, Atlanta, 58 Edgewood Avenue, Room 2000, Atlanta, Georgia 30303.

LEGAL OPINIONS

The legality of the common stock to be issued in connection with the Merger will be passed on by Kilpatrick Stockton LLP, Suite 2800, 1100 Peachtree Street, Atlanta, Georgia 30309-4530, counsel to United. Certain income tax consequences of the Merger will be passed upon by Kilpatrick Stockton LLP. As of the date of this Proxy Statement/Prospectus, certain members of Kilpatrick Stockton LLP own an aggregate of 2,000 shares of United Stock.

EXPERTS

The audited consolidated financial statements of United and its subsidiaries included or incorporated by reference in this Proxy Statement/Prospectus and elsewhere in the registration statement have been audited by Porter Keadle Moore LLP, independent certified public accountants, as indicated in their reports with respect thereto, and are included herein upon the authority of said firm as experts in giving said reports.

The audited consolidated financial statements of First Clayton included or incorporated by reference in this Proxy Statement/Prospectus and elsewhere in the registration statement have been audited by Mauldin & Jenkins, LLC independent certified public accountants, as indicated in their reports with respect thereto, and are included herein upon the authority of said firm as experts in giving said reports.

OTHER MATTERS

Management of First Clayton knows of no other matters which may be brought before the Special Meeting. If any matter other than the proposed Merger or matters incident thereto should properly come before such Special Meeting, however, the persons named in the enclosed proxies will vote such proxy in accordance with their judgment on such matters.

Clayton, Georgia

By Order of the Board of Directors,

_____, 1997

Ronald E. Vandiver
Secretary

APPENDIX A

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of this 12th day of June, 1997, by and between UNITED COMMUNITY BANKS, INC. ("United") and FIRST CLAYTON BANCSHARES, INC. ("Clayton"), both Georgia corporations (said corporations are hereinafter collectively referred to as the "Constituent Corporations").

R E C I T A L S:

WHEREAS, the authorized capital stock of United consists of 10,000,000 shares of Common Stock, \$1.00 par value per share (the "United Stock"), of which 6,738,848 shares are issued and outstanding; and

WHEREAS, the authorized capital stock of Clayton consists of 10,000,000 shares of Common Stock, \$1.00 par value per share, of which 400,691 shares are issued and outstanding and 5,000,000 shares of special stock \$1.00 par value per share, none of which is issued and outstanding ("Clayton Stock"); and

WHEREAS, the respective Boards of Directors of the Constituent Corporations deem it advisable and in the best interests of each such corporation and its shareholders that Clayton merge with United, with United being the surviving corporation; and

WHEREAS, the respective Boards of Directors of the Constituent Corporations, by resolutions duly adopted, have unanimously approved and adopted this Agreement, and the Board of Directors of Clayton, by resolution duly adopted, has directed that this Agreement be submitted to the shareholders of Clayton for their approval; and

WHEREAS, United has agreed to issue shares of United Stock which shareholders of Clayton will be entitled to receive, according to the terms and conditions contained herein, on or after the Effective Date (as defined herein) of the merger provided for herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which as legally sufficient consideration are hereby acknowledged, the parties hereto have agreed and do hereby agree, as follows:

1. MERGER.

Pursuant to and with the effects provided in the applicable provisions of Article 11 of the Georgia Business Corporation Code, as amended (Chapter 2 of Title 14 of the Official Code of Georgia), Clayton (hereinafter sometimes referred to as the "Merged Corporation") shall be merged with and into United (the "Merger"). United shall be the surviving

corporation (the "Surviving Corporation") and shall continue under the name "United Community Banks, Inc.". On the Effective Date (as defined herein) of the Merger, the individual existence of the Merged Corporation shall cease and terminate.

2. ACTIONS TO BE TAKEN.

The acts and things required to be done by the Georgia Business Corporation Code in order to make this Agreement effective, including the submission of this Agreement to the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in said Code, shall be attended to and done by the proper officers of the Constituent Corporations with the assistance of counsel as soon as practicable.

3. EFFECTIVE DATE.

The Merger shall be effective upon the approval of this Agreement by the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in the Georgia Business Corporation Code (the "Effective Date").

4. ARTICLES OF INCORPORATION AND BYLAWS OF THE SURVIVING CORPORATION.

(a) The Articles of Incorporation of United, as heretofore amended, shall on the Effective Date be the Articles of Incorporation of the Surviving Corporation.

(b) Until altered, amended or repealed, as therein provided, the Bylaws of United as in effect on the Effective Date shall be the Bylaws of the Surviving Corporation.

5. MANNER AND BASIS OF CONVERTING SHARES OF CAPITAL STOCK; CAPITAL STRUCTURE OF THE SURVIVING CORPORATION.

The manner and basis of converting the shares of capital stock of each of the Constituent Corporations into shares of the Surviving Corporation shall be as follows:

(a) Upon the Effective Date each of the shares of Clayton Stock outstanding on the Effective Date shall be converted into fully paid and nonassessable shares of United Stock at the rate of 1.6136 shares of United Stock for each outstanding share of Clayton Stock. If either party should change the number of its outstanding shares as a result of a stock split, stock dividend, or similar recapitalization with respect to such shares prior to the Effective Date then the shares to be issued hereunder to holders of Clayton Stock shall be proportionately adjusted.

(b) No scrip or fractional share certificates of United Stock shall be issued in connection with the Merger and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to have any of the rights of a shareholder with respect to such fractional interest. In lieu of any fractional interest, there shall be paid in cash

an amount (computed to the nearest cent) equal to such fraction multiplied by \$22.00.

(c) As soon as practicable after the Effective Date, each holder as of the Effective Date of any of the shares of Clayton Stock, upon presentation and surrender of the certificates representing such shares to United, shall be entitled to receive in exchange therefor a certificate representing the number of shares of United Stock to which such shareholder shall be entitled according to the terms of this Agreement. Until such surrender, each such outstanding certificate which prior to the Effective Date represented Clayton Stock shall be deemed for all corporate purposes to evidence ownership of the number of shares of United Stock into which the same shall have been converted and the right to receive payment for fractional shares.

(d) Upon the Effective Date, each share of United Stock issued and outstanding immediately prior to the Effective Date shall continue unchanged and shall continue to evidence a share of common stock of the Surviving Corporation.

6. TERMINATION OF SEPARATE EXISTENCE.

Upon the Effective Date, the separate existence of the Merged Corporation shall cease and the Surviving Corporation shall possess all of the rights, privileges, immunities, powers and franchises, as well of a public nature as of a private nature, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest of or belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed, and the title to any real estate or any interest therein, vested in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger. The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities, obligations and penalties of each of the Constituent Corporations; and any claim existing or action or proceeding, civil or criminal, pending by or against either of said Constituent Corporations may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in its place, and any judgment rendered against either of the Constituent Corporations may thenceforth be enforced against the Surviving Corporation; and neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the Merger.

7. FURTHER ASSIGNMENTS.

If at any time the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other things are necessary or desirable to vest in said corporation, according to the terms hereof, the title to any property or rights of the Merged Corporation, the proper officers and directors of the Merged Corporation shall and will execute and make all such proper assignments and assurances and do all things necessary and proper to vest title in such property or

rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement.

8. CONDITIONS PRECEDENT TO CONSUMMATION OF THE MERGER.

This Agreement is subject to, and consummation of the Merger is conditioned upon, the fulfillment as of the Effective Date of each of the following conditions:

(a) Approval of this Agreement by the affirmative vote of the holders of a majority of the outstanding voting shares of Clayton Stock; and

(b) All the terms, covenants, agreements, obligations and conditions of the Agreement and Plan of Reorganization (the "Acquisition Agreement") of even date herewith by and between Clayton and United to be complied with, satisfied and performed on or prior to the Closing Date (as defined therein), shall have been complied with, satisfied and performed in all material respects unless accomplishment of such covenants, agreements, obligations and conditions has been waived by the party benefited thereby.

9. TERMINATION.

This Agreement may be terminated and the Merger abandoned in accordance with the terms of the Acquisition Agreement, at any time before or after adoption of this Agreement by the directors of either of the Constituent Corporations, notwithstanding favorable action on the Merger by the shareholders of the Merged Corporation, but not later than the issuance of the certificate of merger by the Secretary of State of Georgia with respect to the Merger in accordance with the provisions of the Georgia Business Corporation Code.

10. COUNTERPARTS; TITLE; HEADINGS.

This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The title of this Agreement and the headings herein set out are for the convenience of reference only and shall not be deemed a part of this Agreement.

11. AMENDMENTS; ADDITIONAL AGREEMENTS.

At any time before or after approval and adoption by the shareholders of Clayton, this Agreement may be modified, amended or supplemented by additional agreements, articles or certificates as may be determined in the judgment of the respective Boards of Directors of the Constituent Corporations to be necessary, desirable or expedient to further the purposes of this Agreement, to clarify the intention of the parties, to add to or modify the covenants, terms or conditions contained herein or to effectuate or facilitate any governmental approval of the Merger or this Agreement, or otherwise to effectuate or facilitate the consummation of the transactions contemplated hereby; provided, however, that no such modification, amendment or supplement shall reduce to any extent the consideration into

which shares of Clayton Stock shall be converted in the Merger pursuant to Section 5 hereof.

IN WITNESS WHEREOF, the Constituent Corporations have each caused this Agreement to be executed on their respective behalfs and their respective corporate seals to be affixed hereto as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

(CORPORATE SEAL)

By: /s/ Jimmy Tallent

ATTEST:

Jimmy Tallent
President

/s/ Billy M. Decker
Billy M. Decker
Secretary

FIRST CLAYTON BANCSHARES, INC.

(CORPORATE SEAL)

By: /s/ J. Mark Smith
J. Mark Smith
President

ATTEST:

/s/ Ronald E. Vandiver
Ronald E. Vandiver
Secretary

APPENDIX B

Georgia Dissenters' Rights Statutes

14-2-1301. DEFINITIONS.

As used in this article, the term:

(1) "Beneficial shareholder" means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(2) "Corporate action" means the transaction or other action by the corporation that creates dissenters' rights under Code Section 14-2-1302.

(3) "Corporation" means the issuer of shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(4) "Dissenter" means a shareholder who is entitled to dissent from corporate action under Code Section 14-2-1302 and who exercises that right when and in the manner required by Code Sections 14-2-1320 through 14-2-1327.

(5) "Fair value," with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action.

(6) "Interest" means interest from the effective date of the corporate action until the date of payment, at a rate that is fair and equitable under all the circumstances.

(7) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(8) "Shareholder" means the record shareholder or the beneficial shareholder. (Code 1981, Section 14-2-1301, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1993, p. 1231, Section 16.)

14-2-1302. RIGHT TO DISSENT.

(a) A record shareholder of the corporation is entitled to dissent from, and obtain payment of the fair value of his shares in the event of, any of the following corporate actions:

(1) Consummation of a plan of merger to which the corporation is a party:

(A) If approval of the shareholders of the corporation is required for the merger by Code Section 14-2-1103 or the articles of incorporation and the shareholder is entitled to vote on the merger; or

(B) If the corporation is a subsidiary that is merged with its parent under Code Section 14-2-1104;

(2) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(3) Consummation of a sale or exchange of all or substantially all of the property of the corporation if a shareholder vote is required on the sale or exchange pursuant to Code Section 14-2-1202, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale;

(4) An amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter's shares because it:

(A) Alters or abolishes a preferential right of the shares;

(B) Creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares;

(C) Alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities;

(D) Excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights;

(E) Reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under Code Section 14-2-604; or

(F) Cancels, redeems, or repurchases all or part of the shares of the class; or

(5) Any corporate action taken pursuant to a shareholder vote to the extent that Article 9 of this chapter, the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

(b) A shareholder entitled to dissent and obtain payment for his shares under this article may not challenge the corporate action creating his entitlement unless the corporate action fails to comply with procedural requirements of this chapter or the articles of incorporation or bylaws of the corporation or the vote required to obtain approval of the corporate action was

obtained by fraudulent and deceptive means, regardless of whether the shareholder has exercised dissenter's rights.

(c) Notwithstanding any other provision of this article, there shall be no right of dissent in favor of the holder of shares of any class or series which, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at a meeting at which a plan of merger or share exchange or a sale or exchange of property or an amendment of the articles of incorporation is to be acted on, were either listed on a national securities exchange or held of record by more than 2,000 shareholders, unless:

(1) In the case of a plan of merger or share exchange, the holders of shares of the class or series are required under the plan of merger or share exchange to accept for their shares anything except shares of the surviving corporation or another publicly held corporation which at the effective date of the merger or share exchange are either listed on a national securities exchange or held of record by more than 2,000 shareholders, except for scrip or cash payments in lieu of fractional shares; or

(2) The articles of incorporation or a resolution of the board of directors approving the transaction provides otherwise. (Code 1981, Sec. 14-2-1302, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1989, p. 946, Section 58.)

14-2-1303. DISSENT BY NOMINEES AND BENEFICIAL OWNERS.

A record shareholder may assert dissenters' rights as to fewer than all the shares registered in his name only if he dissents with respect to all shares beneficially owned by any one beneficial shareholder and notifies the corporation in writing of the name and address of each person on whose behalf he asserts dissenters' rights. The rights of a partial dissenter under this Code section are determined as if the shares as to which he dissents and his other shares were registered in the names of different shareholders. (Code 1981, Section 14-2-1303, enacted by Ga. L. 1988, p. 1070, Section 1.)

14-2-1320. NOTICE OF DISSENTERS' RIGHTS.

(a) If proposed corporate action creating dissenters' rights under Code Section 14-2-1302 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this article and be accompanied by a copy of this article.

(b) If corporate action creating dissenters' rights under Code Section 14-2-1302 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in Code Section 14-2-1322 no later than ten days after the corporate action was taken. (Code 1981, Section 14-2-1320, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1993, p. 1231, Section 17.)

14-2-1321. NOTICE OF INTENT TO DEMAND PAYMENT.

(a) If proposed corporate action creating dissenters' rights under Code Section 14-2-1302 is submitted to a vote at a shareholders' meeting, a record shareholder who wishes to assert dissenters' rights:

(1) Must deliver to the corporation before the vote is taken written notice of his intent to demand payment for his shares if the proposed action is effectuated; and

(2) Must not vote his shares in favor of the proposed action.

(b) A record shareholder who does not satisfy the requirements of subsection (a) of this Code section is not entitled to payment for his shares under this article. (Code 1981, Section 14-2-1321, enacted by Ga. L. 1988, p. 1070, Section 1.)

14-2-1322. DISSENTERS' NOTICE.

(a) If proposed corporate action creating dissenters' rights under Code Section 14-2-1302 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of Code Section 14-2-1321.

(b) The dissenters' notice must be sent no later than ten days after the corporate action was taken and must:

(1) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

(2) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(3) Set a date by which the corporation must receive the payment demand, which date may not be fewer than 30 nor more than 60 days after the date the notice required in subsection (a) of this Code section is delivered; and

(4) Be accompanied by a copy of this article. (Code 1981, Section 14-2-1322, enacted by Ga. L. 1988, p. 1070, Section 1.)

14-2-1323. DUTY TO DEMAND PAYMENT.

(a) A record shareholder sent a dissenters' notice described in Code Section 14-2-1322 must demand payment and deposit his certificates in accordance with the terms of the notice.

(b) A record shareholder who demands payment and deposits his shares under subsection (a) of this Code section retains all other rights of a shareholder until these rights are canceled or

modified by the taking of the proposed corporate action.

(c) A record shareholder who does not demand payment or deposit his share certificates where required, each by the date set in the dissenters' notice, is not entitled to payment for his shares under this article. (Code 1981, Section 14-2-1323, enacted by Ga. L. 1988, p. 1070, Section 1.)

14-2-1324. SHARE RESTRICTIONS.

(a) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under Code Section 14-2-1326.

(b) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action. (Code 1981, Section 14-2-1324, enacted by Ga. L. 1988, p. 1070, Section 1.)

14-2-1325. OFFER OF PAYMENT.

(a) Except as provided in Code Section 14-2-1327, within ten days of the later of the date the proposed corporate action is taken or receipt of a payment demand, the corporation shall by notice to each dissenter who complied with Code Section 14-2-1323 offer to pay to such dissenter the amount the corporation estimates to be the fair value of his or her shares, plus accrued interest.

(b) The offer of payment must be accompanied by:

(1) The corporation's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(2) A statement of the corporation's estimate of the fair value of the shares;

(3) An explanation of how the interest was calculated;

(4) A statement of the dissenter's right to demand payment under Code Section 14-2-1327; and

(5) A copy of this article.

(c) If the shareholder accepts the corporation's offer by written notice to the corporation within 30 days after the corporation's offer or is deemed to have accepted such offer by failure to respond within said 30 days, payment for his or her shares shall be made within 60 days after the making of the offer or the taking of the proposed corporate action, whichever is later. (Code 1981, Section 14-2-1325, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1989, p. 946, Section 59; Ga. L. 1993, p. 1231, Section 18.)

14-2-1326. FAILURE TO TAKE ACTION.

(a) If the corporation does not take the proposed action within 60 days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

(b) If, after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it must send a new dissenters' notice under Code Section 14-2-1322 and repeat the payment demand procedure. (Code 1981, Section 14-2-1326, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1990, p. 257, Section 20.)

14-2-1327. PROCEDURE IF SHAREHOLDER DISSATISFIED WITH PAYMENT OR OFFER.

(a) A dissenter may notify the corporation in writing of his own estimate of the fair value of his shares and amount of interest due, and demand payment of his estimate of the fair value of his shares and interest due, if:

(1) The dissenter believes that the amount offered under Code Section 14-2-1325 is less than the fair value of his shares or that the interest due is incorrectly calculated; or

(2) The corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within 60 days after the date set for demanding payment.

(b) A dissenter waives his or her right to demand payment under this Code section and is deemed to have accepted the corporation's offer unless he or she notifies the corporation of his or her demand in writing under subsection (a) of this Code section within 30 days after the corporation offered payment for his or her shares, as provided in Code Section 14-2-1325.

(c) If the corporation does not offer payment within the time set forth in subsection (a) of Code Section 14-2-1325:

(1) The shareholder may demand the information required under subsection (b) of Code Section 14-2-1325, and the corporation shall provide the information to the shareholder within ten days after receipt of a written demand for the information; and

(2) The shareholder may at any time, subject to the limitations period of Code Section 14-2-1332, notify the corporation of his own estimate of the fair value of his shares and the amount of interest due and demand payment of his estimate of the fair value of his shares and interest due. (Code 1981, Section 14-2-1327, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1989, p. 946, Section 60; Ga. L. 1990, p. 257, Section 21; Ga. L. 1993, p. 1231, Section 19.)

14-2-1330. COURT ACTION.

(a) If a demand for payment under Code Section 14-2-1327 remains unsettled, the corporation shall commence a proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the 60 day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(b) The corporation shall commence the proceeding, which shall be a nonjury equitable valuation proceeding, in the superior court of the county where a corporation's registered office is located. If the surviving corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(c) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled parties to the proceeding, which shall have the effect of an action quasi in rem against their shares. The corporation shall serve a copy of the petition in the proceeding upon each dissenting shareholder who is a resident of this state in the manner provided by law for the service of a summons and complaint, and upon each nonresident dissenting shareholder either by registered or certified mail or by publication, or in any other manner permitted by law.

(d) The jurisdiction of the court in which the proceeding is commenced under subsection (b) of this Code section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them or in any amendment to it. Except as otherwise provided in this chapter, Chapter 11 of Title 9, known as the "Georgia Civil Practice Act," applies to any proceeding with respect to dissenters' rights under this chapter.

(e) Each dissenter made a party to the proceeding is entitled to judgment for the amount which the court finds to be the fair value of his shares, plus interest to the date of judgment. (Code 1981, Section 14-2-1330, enacted by Ga. L. 1988, p. 1070, Section 1; Ga. L. 1989, p. 946, Section 61; Ga. L. 1993, p. 1231, Section 20.)

14-2-1331. COURT COSTS AND COUNSEL FEES.

(a) The court in an appraisal proceeding commenced under Code Section 14-2-1330 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, but not including fees and expenses of attorneys and experts for the respective parties.

The court shall assess the costs against the corporation, except that the court may assess the costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under Code Section 14-2-1327.

(b) The court may also assess the fees and expenses of attorneys and experts for the respective parties, in amounts the court finds equitable;

(1) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of Code Sections 14-2-1320 through 14-2-1327; or

(2) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this article.

(c) If the court finds that the services of attorneys for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these attorneys reasonable fees to be paid out of the amounts awarded the dissenters who were benefited. (Code 1981, Section 14-2-1331, enacted by Ga. L. 1988, p. 1070, Section 1.)

14-2-1332. LIMITATION OF ACTIONS.

No action by any dissenter to enforce dissenters' rights shall be brought more than three years after the corporate action was taken, regardless of whether notice of the corporate action and of the right to dissent was given by the corporation in compliance with the provisions of Code Section 14-2-1320 and Code Section 14-2-1322. (Code 1981, Section 14-2-1332, enacted by Ga. L. 1988, p. 1070, Section 1.)

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under Article Seven of United's Bylaws, United is required to indemnify and hold harmless its directors, officers and agents against judgments, fines, penalties, amounts paid in settlement, and expenses, including attorney's fees, resulting from various types of legal actions or proceedings if the actions of the party being indemnified meet the standards of conduct specified therein. Determination concerning whether or not the applicable standard of conduct has been met can be made by (a) a disinterested majority of the Board of Directors, (b) independent legal counsel, or (c) an affirmative vote of a majority of shares held by the shareholders. No indemnification may be made to or on behalf of a corporate director, officer, employee or agent (a) in connection with a proceeding by or in the right of the corporation in which such person was adjudged liable to the corporation or (b) in connection with any other proceeding in which such person was adjudged liable on the basis that personal benefit was improperly received by him. As provided under Georgia law, the liability of a director may not be eliminated or limited (a) for any appropriation, in violation of his duties, of any business opportunity of United, (b) for acts or omissions which involve intentional misconduct or a knowing violation of law, (c) for unlawful corporate distributions or (d) for any transaction from which the director received an improper benefit.

United's directors and officers are insured against losses arising from any claim against them as such for wrongful acts or omissions, subject to certain limitations.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits.	Description of Exhibit
-----	-----
2.1 --	Agreement and Plan of Reorganization by and between United and First Clayton, dated as of June 12, 1997.
2.2 --	Agreement and Plan of Merger between United and First Clayton, dated as of June 12, 1997.
3.1 --	Articles of Incorporation of United, as amended (included as Exhibit 3.1 to United's Registration Statement on Form S-4, Commission File No. 33-93286, previously filed with the Commission and incorporated herein by reference).
3.2 --	Bylaws of United, as amended (included as Exhibit 3.2 to 10.12 Annual Report on Form 10-K for the year ended December 31, 1993, previously filed with the Commission and incorporated herein by reference).
II-1	
4.1(a) --	Form of 9% Convertible Subordinated Debenture due 2000 (included as Exhibit 4.1 to United's Registration Statement on Form S-18, Commission File No. 33-32205-A, previously filed with the Commission and incorporated herein by reference).
4.1(b) --	Form of Floating Rate Convertible Subordinated Payable In Kind Debenture due December 31, 2006 (included as Exhibit 4.2 to United's Registration Statement on Form S-1, Commission File Number 33-93278, previously filed with the Commission and incorporated herein by reference).
4.2 --	See exhibits 3.1 and 3.2 for provisions of Articles of Incorporation and Bylaws, as amended, which define the rights of the holders of United Stock of United.
5 --	Opinion and Consent of Kilpatrick Stockton LLP.
8 --	Opinion and Consent of Kilpatrick Stockton LLP as to the federal income tax consequences to the merger.
10.1 --	Agreement, dated May 3, 1984, by and between Cornelia Bank and Union County Bank (included as Exhibit 10.8 to United's Registration Statement on Form S-18, Commission File No. 33-32205-A, previously filed with the Commission and incorporated herein by reference).
10.2(a) --	Union County Bank Retirement Plan and Trust Agreement, as amended and restated as of

January 1, 1993 (included as Exhibit 10.4 to United's Form 10-K for the year ended December 31, 1992, previously filed with the Commission and incorporated herein by reference).

- 10.2(b) -- Amendment No. 1 to the Union County Bank Retirement Plan and Trust, dated December 29, 1993 (included as Exhibit 10.3(b) to United's Annual Report on Form 10-K for the year ended December 31, 1993, previously filed with the Commission and incorporated herein by reference).

- 10.3 -- United Community Banks, Inc. Key Employee Stock Ownership Plan (included as Exhibit 10.3 to United's Form 10-K for the year ended December 31, 1994, previously filed with the Commission and incorporated herein by reference).

- 10.4 -- Loan Agreement dated April 26, 1995 by and between the Bankers Bank and United, together with the related Promissory Note in the principal amount of \$12,000,000 and Stock Pledge Agreement (included as Exhibit 10.17 to United's Registration Statement on Form S-1, Commission File Number 33-

93278, previously filed with the Commission and incorporated herein by reference.)

- 10.5 -- Split-Dollar Agreement between United and Jimmy C. Tallent dated June 1, 1994 (included as Exhibit 10.11 to United's Annual Report on Form 10-K of the year ended December 31, 1994, previously filed with the Commission and incorporated herein by reference).
- 10.6 -- Agreement and Plan of Reorganization by and among White County Bancshares, Inc., White County Bank and United, dated as of April 11, 1995 (included as Exhibit 2.1 to United's Registration Statement on Form S-4, Commission File Number 33-93286, previously filed with the Commission and incorporated herein by reference).
- 10.7 -- Agreement and Plan of Merger by and between United and White County Bancshares, Inc., dated as of April 11, 1995 (included as Exhibit 2.2 to United's Registration Statement on Form S-4, Commission File Number 33-93286, previously filed with the Commission and incorporated herein by reference).
- 10.8 -- Agreement and Plan of Merger by and between White County Bank and White Interim Bank, dated as of June 12, 1995 (included as Exhibit 2.3 to United's Registration Statement on Form S-4, Commission File No. 33-93286, previously filed with the Commission and incorporated herein by reference).
- 10.9 -- Purchase and Assumption Agreement by and between Carolina Bank and NationsBank, N.A. (Carolinas) dated May 25, 1995 (included as Exhibit 10.16 to United's Registration Statement on Form S-1, Commission File Number 33-93278, previously filed with the Commission and incorporated herein by reference).
- 10.10 -- Loan Agreement dated April 26, 1995, by and between The Bankers Bank and United, together with the related Promissory Note in the principal amount of \$15,000,000 Stock Pledge Agreement (included as Exhibit 10.17 to United's Registration Statement on Form S-1, Commission File Number 33-93278, previously filed with the Commission and incorporated herein by reference).
- 10.11 -- Broker Dealer Agreement between United and The Carson Medlin Company (included as Exhibit 10.10 to United's Registration Statement on Form S-1, Commission File Number 33-93278, previously filed with the Commission and incorporated herein by reference).
- 10.12 -- Amendment to Broker Dealer Agreement between

United and The Carson Medlin Company dated March 3, 1997 (included as Exhibit 10.11 to United's Registration Statement on Form S-1, Commission File Number 33-93278, previously filed with the Commission and incorporated herein by reference).

- 21 -- Subsidiaries of United.
- 23.1 -- Consent of Porter Keadle Moore, LLP.
- 23.2 -- Consent of Mauldin & Jenkins, LLC.
- 23.3 -- Consent of Kilpatrick Stockton LLP (included as part of Exhibits 5 and 8).
- 24 -- Power of Attorney (included on the Signature Page to the Registration Statement).
- 99.1 -- Proxy Statement for the 1997 Annual Meeting of Shareholders of United previously filed by United and incorporated herein by reference.
- 99.2 -- Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 for United previously filed by United and incorporated herein by reference
- 99.3 -- Annual Report on Form 10-KSB for the year ended December 31, 1996 for First Clayton previously filed by First Clayton and incorporated herein by reference.
- 99.4 -- Quarterly Report on Form 10-QSB for the quarter ended March 31, 1997 for First Clayton previously filed by First Clayton and incorporated herein by reference

* To be filed by amendment.

(b) Financial Statement Schedules.

No financial statements schedules are required to be filed as part of this Registration Statement.

ITEM 22. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(b) The undersigned registrant hereby undertakes that every prospectus (i) that is filed pursuant to paragraph (a) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, United Community Banks, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on July 24, 1997.

UNITED COMMUNITY BANKS, INC.

By:/s/ Jimmy C. Tallent
Jimmy C. Tallent
President

POWER OF ATTORNEY

Know all men by these presents, that each person whose signature appears below constitutes and appoints Jimmy C. Tallent and Robert L. Head, or either of them, as attorney-in-fact, with each having the power of substitution, for him in any and all capacities, to sign any amendments to this Registration Statement on Form S-4 and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED ON JULY 24, 1997.

Signature	Title
/s/ Jimmy C. Tallent Jimmy C. Tallent	President and Director (Principal Executive Officer)
/s/ Robert L. Head, Jr. Robert L. Head, Jr.	Chairman of the Board of Directors

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

/s/ Christopher J. Bledsoe Christopher J. Bledsoe	Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ James A. Brackett James A. Brackett	Director
/s/ Billy M. Decker Billy M. Decker	Director
/s/ Thomas C. Gilliland Thomas C. Gilliland	Director
/s/ Charles Hill Charles Hill	Director
/s/ Hoyt O. Holloway Hoyt O. Holloway	Director
/s/ P. Deral Horne P. Deral Horne	Director
/s/ Clarence William Mason, Sr. Clarence William Mason, Sr.	Director
/s/ W.C. Nelson, Jr. W.C. Nelson, Jr.	Director
/s/ Charles E. Parks Charles E. Parks	Director

THIS AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") is made and entered into as of this 12th day of June, 1997, by and between FIRST CLAYTON BANCSHARES, INC., a Georgia business corporation (hereinafter "Clayton," and unless the context otherwise requires, the term "Clayton" shall include both First Clayton Bancshares, Inc. and its subsidiary First Clayton Bank & Trust Company ("Clayton Bank")), and UNITED COMMUNITY BANKS, INC., a Georgia business corporation (hereinafter "United," and unless the context otherwise requires, the term "United" shall include United Community Banks, Inc. and its subsidiaries, United Community Bank, a Georgia banking corporation, Peoples Bank of Fannin County, a Georgia banking corporation, White County Bank, a Georgia banking corporation, Towns County Bank, a Georgia banking corporation, Carolina Community Bank, a North Carolina banking corporation, and United Family Finance Company, a Georgia business corporation).

R E C I T A L S:

WHEREAS, the respective boards of directors of Clayton and United deem it advisable and in the best interests of each such entity and their respective shareholders that Clayton merge with United (the "Merger"), with United being the surviving corporation and with all of the issued and outstanding shares of common stock, \$1.00 par value per share, of Clayton ("Clayton Stock") being converted into the right to receive shares of the authorized common stock, \$1 par value per share, of United ("United Stock"), all upon the terms and conditions hereinafter set forth and as set forth in the Agreement and Plan of Merger attached hereto as Exhibit A and incorporated herein by reference (the "Merger Agreement"); and

WHEREAS, the boards of directors of the respective entities believe that the merger of Clayton and United and the synergies produced thereby will greatly enhance and strengthen the franchises and future prospects of both companies;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which as legally sufficient consideration are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

CLOSING

The transactions contemplated herein shall be consummated (the "Closing") at the offices of Kilpatrick Stockton LLP, Suite 2800, 1100 Peachtree Street, Atlanta, Georgia, on the first business day following receipt of all approvals from any governmental authorities having jurisdiction over the transactions contemplated by this Agreement and the Merger Agreement, and the expiration of any waiting or similar period required by applicable law (the "Closing Date"), or at such other time and place as may be mutually satisfactory to the parties hereto.

ARTICLE II

MERGER

Pursuant to the terms and conditions provided herein, on the Closing Date Clayton and United shall be merged in accordance with and in the manner set forth in the Merger Agreement. The surviving corporation following the Merger will operate under the Articles of Incorporation of United and will be the parent holding company of First Clayton Bank & Trust Company, a Georgia banking corporation, United Community Bank, a Georgia banking corporation, Peoples Bank of Fannin County, a Georgia banking corporation, White County Bank, a Georgia banking corporation, Towns County Bank, a Georgia banking corporation, Carolina Community Bank, a North Carolina banking corporation, and United Family Finance Company, a Georgia business corporation, the latter six of which are currently wholly-owned subsidiaries of United. Upon the terms and conditions of this Agreement and the Merger Agreement, United shall make available on or before the Effective Date (as defined in the Merger Agreement) for delivery to the holders of Clayton Stock (i) the number of shares of United Stock to be issued upon conversion of the shares of Clayton Stock and (ii) sufficient funds to provide for cash payments in lieu of the issuance of fractional shares as provided in the Merger Agreement, provided, however, that unless and until a holder of Clayton Stock entitled to receive United Stock pursuant to the Merger shall have surrendered his Clayton Stock certificate(s) or unless otherwise required by law, the holder of such certificate(s) shall not have any right to receive payment of any dividends or other distributions on the shares of United Stock or receive any notices sent by United to its shareholders or to vote such shares.

ARTICLE III

OTHER AGREEMENTS

3.1 REGISTRATION OF UNITED STOCK. United agrees to file with the Securities and Exchange Commission (the "SEC") as soon as reasonably possible a registration statement (the "United Registration Statement") under the Securities Act of 1933, as amended (the "1933 Act"), on Form S-4 or some other appropriate form covering the issuance of the shares of United Stock to the shareholders of Clayton pursuant to this Agreement and the Merger Agreement and to use its best efforts to cause the United Registration Statement to become effective and to remain effective through the Closing Date. United agrees to take any action required to be taken under the applicable state securities laws in connection with the issuance of shares of United Stock upon consummation of the Merger. Clayton agrees to provide United reasonable assistance as necessary in the preparation of the United Registration Statement, including, without limitation, providing United with all material facts regarding the operations, business, assets, liabilities and personnel of Clayton, together with the audited financial statements of Clayton, all as required by the 1933 Act and the rules, regulations and practices of the SEC, for inclusion in the United Registration Statement. The United Registration Statement shall not cover resales of United Stock by any of the shareholders of Clayton, and United shall have no obligation to cause the United Registration Statement to continue to be effective after the Closing or to

prepare or file any post-effective amendments to the United Registration Statement after the Closing.

3.2 MEETING OF SHAREHOLDERS OF CLAYTON. Clayton shall call a special meeting of its shareholders (the "Special Meeting") to be held not more than forty-five (45) days after the United Registration Statement becomes effective under the 1933 Act for the purpose of submitting the Merger Agreement to such shareholders for their approval. In connection with the Special Meeting, Clayton shall prepare and submit to its shareholders a notice of meeting, proxy statement and proxy (the "Clayton Proxy Materials"), which shall include the final prospectus from the United Registration Statement in the form filed with the SEC.

3.3 ABSENCE OF BROKERS. Each party hereto represents and warrants to the other that no broker, finder or other financial consultant has acted on its behalf in connection with this Agreement or the transactions contemplated hereby. Each party agrees to indemnify the other and hold and save it harmless from any claim or demand for commissions or other compensation by any broker, finder, financial consultant or similar agent claiming to have been employed by or on behalf of such party.

3.4 ACCESS TO PROPERTIES, BOOKS, ETC. Each party hereto shall allow the other party and its authorized representatives full access during normal business hours from and after the date hereof and prior to the Closing Date to all of the respective properties, books, contracts, commitments and records of such party and its subsidiaries and shall furnish the other party and its authorized representatives such information concerning its affairs and the affairs of its subsidiaries as the other party may reasonably request provided that such request shall be reasonably related to the transactions contemplated by this Agreement and shall not interfere unreasonably with normal operations. Each party shall cause its and its subsidiaries' personnel, employees and other representatives to assist the other party in making any such investigation. During such investigation, the investigating party and its authorized representatives shall have the right to make copies of such records, files, tax returns and other materials as it may deem advisable and shall advise the other party of those items of which copies are made. No investigation made heretofore or hereafter by either party and its authorized representatives shall affect the representations and warranties of either such party hereunder.

3.5 CONFIDENTIALITY. Prior to consummation of the Merger, the parties to this Agreement will provide one another with information which may be deemed by the party providing the information to be confidential. Each party agrees that it will hold confidential and protect all information provided to it by the other party to this Agreement or such party's affiliates, except that the obligations contained in this Section 3.5 shall not in any way restrict the rights of any party or person to use information that (i) was known to such party prior to the disclosure by the other party; (ii) is or becomes generally available to the public other than by breach of this Agreement; (iii) is provided by one party for disclosure concerning such party in the United Registration Statement; or (iv) otherwise becomes lawfully available to a party to this Agreement on a nonconfidential basis from a third party who is not under an

obligation of confidence to the other party to this Agreement. If this Agreement is terminated prior to the Closing, each party hereto agrees to return all documents, statements and other written materials, whether or not confidential, and all copies thereof, provided to it by or on behalf of the other party to this Agreement. The provisions of this Section 3.5 shall survive termination, for any reason whatsoever, of this Agreement, and, without limiting the remedies of the parties hereto in the event of any breach of this Section 3.5, the parties hereto will be entitled to seek injunctive relief against the other party in the event of a breach or threatened breach of this Section 3.5.

3.6 FULL COOPERATION. The parties shall cooperate fully with each other in connection with any acts or actions required to be taken as part of their respective obligations under this Agreement.

3.7 EXPENSES. All of the expenses incurred by United in connection with the authorization, preparation, execution and performance of this Agreement and the Merger Agreement including, without limitation, all fees and expenses of its agents, representatives, counsel and accountants and the fees and expenses related to filing the United Registration Statement and all regulatory applications with state and federal authorities in connection with the transactions contemplated hereby and thereby, shall be paid by United. All expenses incurred by Clayton in connection with the authorization, preparation, execution and performance of this Agreement and the Merger Agreement, including, without limitation, all fees and expenses of its agents, representatives, counsel and accountants for Clayton and the cost of reproducing and mailing the Clayton Proxy Materials, shall be paid by Clayton.

3.8 PRESERVATION OF GOODWILL. Each party hereto shall use its best efforts to preserve its business organization and the business organization of its subsidiaries, to keep available the services of its present employees and of the present employees of its subsidiaries, and to preserve the goodwill of customers and others having business relations with such party or its subsidiaries.

3.9 APPROVALS AND CONSENTS. Each party hereto represents and warrants to and covenants with the other that it will use its best efforts, and will cause its officers, directors, employees and agents and its subsidiaries and any subsidiary's officers, directors, employees and agents to use their best efforts, to obtain as soon as is reasonably practicable all approvals and consents of state and federal departments or agencies required or deemed necessary for consummation of the transactions contemplated by this Agreement and the Merger Agreement.

3.10 AGREEMENT BY CLAYTON EXECUTIVE OFFICERS AND DIRECTORS. Contemporaneously with the execution of this Agreement, each of the directors and executive officers of Clayton will execute and deliver to United an agreement, the form of which is attached hereto as Exhibit B, pursuant to which each of them agrees (i) to recommend to Clayton shareholders approval of the Merger, (ii) to vote the capital stock of Clayton owned or controlled by them in favor of the Merger, and (iii) to transfer or assign shares of United Stock received by them in connection

with the Merger only in compliance with the 1933 Act, applicable state securities laws and the rules and regulations promulgated under either.

3.11 PRESS RELEASES. Prior to the Effective Date, Clayton and United shall agree with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby; provided, however, that nothing in this Section 3.11 shall be deemed to prohibit any Party from making any disclosure which its counsel deems necessary or advisable in order to satisfy such Party's disclosure obligations imposed by law.

3.12 EMPLOYEE BENEFITS AND CONTRACTS. Following the Effective Date, United or any Affiliate (within the meaning of Section 6.5.2(f) below) of United (collectively, the "United Group") shall provide generally to officers, employees and former employees of Clayton who continue employment with the United Group employee benefits on terms and conditions which, when taken as a whole, are substantially similar to those then currently provided by the United Group to its other similarly situated officers, employees and former employees. For purposes of eligibility to participate and any vesting determinations in connection with the provision of any such employee benefits, service with Clayton prior to the Effective Date shall be counted. The United Group shall also honor in accordance with their terms all employment, severance, consulting, option and other contracts of a compensatory nature to the extent disclosed in the Clayton Disclosure Memorandum between Clayton and any current or former director, officer or employee thereof and no other contracts of a compensatory nature to the extent disclosed in the Clayton Disclosure Memorandum between Clayton and any current or former director, officer or employee thereof and no other contracts of the types described that are not so disclosed shall be deemed to be assumed by the United Group by reason of this Section 3.12. If, during the calendar year in which falls the Effective Date, the United Group shall terminate any "group health plan", within the meaning of Section 4980B(g)(2) of the Internal Revenue Code, in which one or more Clayton employees participated immediately prior to the Effective Date (a "Clayton Plan"), United shall cause any successor group health plan to waive any underwriting requirements; to give credit for any such Clayton employee's participation in the Clayton Plan prior to the Effective Date for purposes of applying any pre-existing condition limitations set forth therein; and to give credit for covered expenses paid by any such Clayton employee under a Clayton Plan prior to the Effective Date towards satisfaction of any annual deductible limitation and out-of-pocket maximum applied under such successor group health plan. The United Group also shall be considered a successor employer for and shall provide to "qualified beneficiaries", determined immediately prior to the Effective Date, under any Clayton Plan appropriate "continuation coverage" (as those terms are defined in Section 4980B of the Internal Revenue Code) following the Effective Date under either the Clayton Plan or any successor group health plan maintained by the United Group.

3.13 INDEMNIFICATION. (a) Subject to the conditions set forth in paragraph (b) below, for a period of six (6) years after the Effective Date, United shall indemnify, defend, and

hold harmless each person entitled to indemnification from Clayton or Clayton Bank (each, an "Indemnified Party") against all Liabilities arising out of actions or omissions occurring at or prior to the Effective Date (including, without limitation, the transactions contemplated by this Agreement) to the full extent permitted by Georgia Law and Clayton's articles of incorporation and bylaws, in each case as in effect on the date hereof, including provisions relating to advances of expenses incurred in the defense of any litigation. Without limiting the foregoing, in any case in which approval by Clayton is required to effectuate any indemnification, United shall cause Clayton to direct, at the election of the Indemnified Party, that the determination of any such approval shall be made by independent counsel mutually agreed upon between United and the Indemnified Party.

(b) Any Indemnified Party wishing to claim indemnification under paragraph (a), upon learning of any such liability or litigation, shall promptly notify United thereof. In the event of any such litigation (whether arising before or after the Effective Date), (i) United or Clayton shall have the right to assume the defense thereof and United shall not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Parties in connection with the defense thereof, except that if United or Clayton elects not to assume such defense or counsel for the Indemnified Parties advises that there are substantive issues which raise conflicts of interest between United or Clayton and the Indemnified Parties, the Indemnified Parties may retain counsel satisfactory to them, and United or Clayton shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received; provided, however, that United shall be obligated pursuant to this paragraph (b) to pay for only one firm of counsel for all Indemnified Parties in any jurisdiction, (ii) the Indemnified Parties will cooperate in the defense of any such litigation, and (iii) United shall not be liable for any settlement effected without its prior written consent and provided further that Clayton shall not have any obligation hereunder to any Indemnified Party when and if a court of competent jurisdiction shall determine, and such determination shall have become final, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by applicable law.

(c) For purposes of this Section 3.13, "liability" shall mean any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, cost, or expense (including, without limitation, costs of investigation, collection, and defense), claim, deficiency, guaranty, or endorsement of or by any Person (other than endorsements of notes, bills, checks, and drafts presented for collection or deposit in the ordinary course of business) of any type, whether accrued, absolute, or contingent, liquidated or unliquidated, matured or unmatured, or otherwise.

(d) For purposes of this Section 3.13, "litigation" shall mean any action, arbitration, cause of action, claim, complaint, criminal prosecution, demand letter, governmental or other examination or investigation, hearing, inquiry, administrative or other proceeding or notice (written or oral) by

any Person alleging potential liability, but shall not include regular, periodic examinations of depository institutions and their affiliates by regulatory authorities.

3.14 STOCK OPTION AWARDS AND DEFERRED COMPENSATION.

Clayton and United agree that (i) Clayton will grant incentive stock options to J. Mark Smith and Rodney R. Hickox in the same amounts and on substantially the same terms as described in Exhibit C and (ii) Clayton will execute a Deferred Compensation Agreement with each of J. Mark Smith and Rodney R. Hickox on substantially the same terms as described in Exhibit C.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF CLAYTON

As an inducement to United to enter into this Agreement and to consummate the transactions contemplated hereby, Clayton represents, warrants, covenants and agrees as follows:

4.1 CLAYTON DISCLOSURE MEMORANDUM.

By June 19, Clayton will deliver to United a memorandum (the "Clayton Disclosure Memorandum") containing certain information regarding Clayton as indicated at various places in this Agreement. All information set forth in the Clayton Disclosure Memorandum or in documents incorporated by reference in the Clayton Disclosure Memorandum is true, correct and complete, does not omit to state any fact necessary in order to make the statements therein not misleading, and shall be deemed for all purposes of this Agreement to constitute part of the representations and warranties of Clayton under this Article IV. The information contained in the Clayton Disclosure Memorandum shall be deemed to be part of and qualify all representations and warranties contained in this Article IV and the covenants in Article V to the extent applicable. All information in each of the documents and other writings furnished to United pursuant to this Agreement or the Clayton Disclosure Memorandum is or will be true, correct and complete and does not and will not omit to state any fact necessary in order to make the statements therein not misleading. Clayton shall promptly provide United with written notification of any event, occurrence or other information necessary to maintain the Clayton Disclosure Memorandum and all other documents and writings furnished to United pursuant to this Agreement as true, correct and complete in all material respects at all times prior to and including the Closing. Clayton agrees that upon receipt of the Clayton Disclosure Memorandum, United shall have until June 23 to review the Clayton Disclosure Memorandum and to terminate this Agreement if for any reason in its sole discretion United believes that proceeding with the Merger in light of the contents of such memorandum would be detrimental to United.

4.2 CORPORATE AND FINANCIAL.

4.2.1 AUTHORITY.

Subject to the approval of various state and federal regulators and Clayton Shareholders, the execution, delivery and performance of this Agreement and the other transactions contemplated or required in connection herewith will not, with or without the giving of notice or the passage of time, or both, (a) violate any provision of federal or state law applicable to Clayton, the violation of which could be

reasonably expected to have a material adverse effect on the business, operations, properties, assets, financial condition or prospects of Clayton; (b) violate any provision of the articles of incorporation or bylaws of Clayton; (c) conflict with or result in a breach of any provision of, or termination of, or constitute a default under any instrument, license, agreement, or commitment to which Clayton is a party, which, singly or in the aggregate, could reasonably be expected to have a material adverse effect on the business, operations, properties, assets, financial condition or prospects of Clayton; or (d) constitute a violation of any order, judgment or decree to which Clayton is a party, or by which Clayton or any of its assets or properties are bound. Assuming this Agreement constitutes the valid and binding obligation of United, this Agreement constitutes the valid and binding obligation of Clayton, and is enforceable in accordance with its terms, except as limited by laws affecting creditors' rights generally and by the discretion of courts to compel specific performance.

4.2.2 CORPORATE STATUS. Clayton is a business corporation duly organized, validly existing and in good standing under the laws of the state of Georgia and has no direct or indirect subsidiaries other than Clayton Bank. Clayton Bank is a banking corporation duly organized and validly existing under the laws of the State of Georgia. Clayton and Clayton Bank have all of the requisite corporate power and authority and are entitled to own or lease their respective properties and assets and to carry on their respective businesses as and in the places where such properties or assets are now owned, leased or operated and such businesses are now conducted.

4.2.3 CAPITAL STRUCTURE. (a) Clayton has an authorized capital stock consisting of 10,000,000 shares, \$1.00 par value of common stock, of which 400,691 shares of common stock are issued and outstanding as of the date hereof, and 5,000,000 shares, \$1.00 par value of special stock, none of which is issued and outstanding. Clayton Bank has an authorized capital stock consisting solely of 5,000,000 shares of Common Stock, par value \$2.00 ("Clayton Bank Stock"), of which 1 share is issued and outstanding as of the date hereof. All of the outstanding shares of Clayton Stock and Clayton Bank stock are duly and validly issued, fully paid and non-assessable and were offered, issued and sold in compliance with all applicable federal and state securities laws. No person has any right of rescission or claim for damages under federal or state securities laws with respect to the issuance of any shares of Clayton Stock or Clayton Bank Stock previously issued. None of the shares of Clayton Stock or Clayton Bank Stock has been issued in violation of any preemptive or other rights of its shareholders. All of the issued and outstanding shares of Clayton Bank Stock are owned by Clayton.

(b) Except as set forth in the Clayton Disclosure Memorandum, Clayton does not have outstanding any securities which are either by their terms or by contract convertible or exchangeable into capital stock of Clayton, or any other securities or debt, of Clayton, or any preemptive or similar rights to subscribe for or to purchase, or any options or warrants or agreements or understandings for the purchase or the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock or securities

convertible into its capital stock. Clayton is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire, or to register, any shares of its capital stock.

(c) There is no agreement, arrangement or understanding to which Clayton is a party restricting or otherwise relating to the transfer of any shares of capital stock of Clayton.

(d) All shares of common stock or other capital stock, or any other securities or debt, of Clayton, which have been purchased or redeemed by Clayton have been purchased or redeemed in accordance with all applicable federal, state and local laws, rules, and regulations, including, without limitation, all federal and state securities laws and rules and regulations of any securities exchange or system on which such stock, securities or debt are, or at such time were, traded, and no such purchase or redemption has resulted or will, with the giving of notice or lapse of time, or both, result in a default or acceleration of the maturity of, or otherwise modify, any agreement, note, mortgage, bond, security agreement, loan agreement or other contract or commitment of Clayton.

4.2.4 CORPORATE RECORDS. The stock records and minute books of Clayton, whether heretofore or hereafter furnished or made available to United by Clayton, (a) fully and accurately reflect all issuances, transfers and redemptions of the Common Stock, (b) correctly show the record addresses and the number of shares of such stock issued and outstanding on the date hereof held by the shareholders of Clayton, (c) correctly show all corporate action taken by the directors and shareholders of Clayton (including actions taken by consent without a meeting) and (d) contain true and correct copies or originals of the respective articles of incorporation and all amendments thereto, bylaws as amended and currently in force, and the minutes of all meetings or consent actions of its directors and shareholders. No resolutions, regulations or bylaws have been passed, enacted, consented to or adopted by such directors or shareholders except those contained in the minute books. All corporate records have been maintained in accordance with all applicable statutory requirements and are complete and accurate.

4.2.5 TAX RETURNS; TAXES. (a) Clayton has duly filed (i) all required federal and state tax returns and reports, and (ii) all required returns and reports of other governmental units having jurisdiction with respect to taxes imposed upon its income, properties, revenues, franchises, operations or other assets or taxes imposed which might create a material lien or encumbrance on any of such assets or affect materially and adversely its business or operations. To the knowledge of the officers of Clayton (the "Clayton Management"), such returns or reports are, and when filed will be, true, complete and correct, and Clayton has paid, to the extent such taxes or other governmental charges have become due, all taxes and other governmental charges set forth in such returns or reports. To the knowledge of the Clayton Management, all federal, state and local taxes and other governmental charges paid or payable by Clayton have been paid, or have been accrued or reserved on its books in accordance with generally accepted accounting principles applied on a basis consistent with prior periods. To the

knowledge of the Clayton Management, adequate reserves for the payment of taxes have been established on the books of Clayton for all periods through the date hereof, whether or not due and payable and whether or not disputed. Until the Closing Date, Clayton shall continue to provide adequate reserves for the payment of expected tax liabilities in accordance with generally accepted accounting principles applied on a basis consistent with prior periods. Clayton has not received any notice of a tax deficiency or assessment of additional taxes of any kind and, to the knowledge of the Clayton Management, there is no threatened claim against Clayton, or to the knowledge of the Clayton Management, any basis for any such claim, for payment of any additional federal, state, local or foreign taxes for any period prior to the date of this Agreement in excess of the accruals or reserves with respect to any such claim shown in the 1996 Clayton Financial Statements described in Section 4.2.6 below or disclosed in the notes with respect thereto. There are no waivers or agreements by Clayton for the extension of time for the assessment of any taxes. The federal income tax returns of Clayton have not been examined by the Internal Revenue Service for any period since January 1, 1993.

(b) Except as set forth in the Clayton Disclosure Memorandum, to the knowledge of the Clayton Management, proper and accurate amounts have been withheld by Clayton from its employees for all periods in full and complete compliance with the tax withholding provisions of applicable federal, state and local tax laws, and proper and accurate federal, state and local tax returns have been filed by Clayton for all periods for which returns were due with respect to withholding, social security and unemployment taxes, and the amounts shown thereon to be due and payable have been paid in full.

4.2.6 FINANCIAL STATEMENTS. Clayton has delivered to United true, correct and complete copies of (i) the audited financial statements of Clayton for the years ended December 31, 1994, 1995 and 1996, including balance sheets, statements of income, statements of shareholders' equity, statements of cash flows and related notes (the audited financial statements for the year ended December 31, 1996 being referred to as the "1996 Clayton Financial Statements") and (ii) unaudited financial statements of Clayton for the period ended March 31, 1997, including a balance sheet, statement of income and related notes. All of such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly the assets, liabilities and financial condition of Clayton as of the dates indicated therein and the results of its operations for the respective periods then ended.

4.2.7 REGULATORY REPORTS. Clayton has made available to United for review and inspection the year-end Report of Condition and year-end Report of Income and Dividends as filed by Clayton Bank with the Federal Deposit Insurance Corporation (the "FDIC") for each of the three years ended December 31, 1996, 1995 and 1994, together with all such other reports filed for the same three-year period with the FDIC, and the Department of Banking and Finance of the State of Georgia (the "Department of Banking"), and other applicable regulatory agencies and the Form F.R. Y-6 filed by Clayton with the Board of Governors of the Federal Reserve System (the "Federal Reserve") for each of the three years ended December 31, 1996, 1995 and 1994 (collectively,

the "Clayton Reports"). All of the Clayton Reports, as amended, have been prepared in accordance with applicable rules and regulations applied on a basis consistent with prior periods and contain in all material respects all information required to be presented therein in accordance with such rules and regulations.

4.2.8 ACCOUNTS. The Clayton Disclosure Memorandum contains a list of each and every bank and other institution in which Clayton maintains an account or safety deposit box, the account numbers, and the names of all persons who are presently authorized to draw thereon, have access thereto or give instructions regarding distribution of funds or assets therein.

4.2.9 NOTES AND OBLIGATIONS. (a) Except as set forth in the Clayton Disclosure Memorandum or as provided for in the loss reserve described in subsection (b) below, all notes receivable or other obligations owned by Clayton or due to it shown in the 1996 Clayton Financial Statements and any such notes receivable and obligations on the date hereof and on the Closing Date are and will be genuine, legal, valid and collectible obligations of the respective makers thereof and are not and will not be subject to any offset or counterclaim. Except as set forth in subsection (b) below, all such notes and obligations are evidenced by written agreements, true and correct copies of which will be made available to United for examination prior to the Closing Date. All such notes and obligations were entered into by Clayton in the ordinary course of its business and in compliance with all applicable laws and regulations.

(b) Clayton has established a loss reserve in the 1996 Clayton Financial Statements and as of the date of this Agreement and will establish a loan loss reserve as of the Closing Date which is adequate to cover anticipated losses which might result from such items as the insolvency or default of borrowers or obligors on such loans or obligations, defects in the notes or evidences of obligation (including losses of original notes or instruments), offsets or counterclaims properly chargeable to such reserve, or the availability of legal or equitable defenses which might preclude or limit the ability of Clayton to enforce the note or obligation, and the representations set forth in subsection (a) above are qualified in their entirety by the aggregate of such loss reserve. Except as described in the Clayton Disclosure Memorandum, at the Closing Date, the ratio of the loss reserve, established on such date in good faith by Clayton, to total loans outstanding at such time shall not exceed the ratio of the loan loss reserve to the total loans outstanding as reflected in the 1996 Clayton Financial Statements, established on or before such date in good faith by Clayton, in accordance with generally accepted accounting principles.

4.2.10 LIABILITIES. Clayton has no debt, liability or obligation of any kind required to be shown pursuant to generally accepted accounting principles on the consolidated balance sheet of Clayton, whether accrued, absolute, known or unknown, contingent or otherwise, including, but not limited to (a) liability or obligation on account of any federal, state or local taxes or penalty, interest or fines with respect to such taxes, (b) liability arising from or by virtue of the distribution, delivery or other transfer or disposition of goods, personal property or services of any type, kind or variety, (c) unfunded liabilities with respect to any pension, profit sharing

or employee stock ownership plan, whether operated by Clayton or any other entity covering employees of Clayton, or (d) environmental liabilities, except (i) those reflected in the 1996 Clayton Financial Statements, and (ii) as disclosed in the Clayton Disclosure Memorandum.

4.2.11 ABSENCE OF CHANGES. Except as specifically provided for in this Agreement or specifically set forth in the Clayton Disclosure Memorandum, since December 31, 1996:

(a) there has been no change in the business, assets, liabilities, results of operations or financial condition of Clayton, or in any of its relationships with customers, employees, lessors or others, other than changes in the ordinary course of business, none of which individually or in the aggregate has had, or which the Clayton Management believes may have, a material adverse effect on such businesses or properties;

(b) there has been no material damage, destruction or loss to the assets, properties or business of Clayton, whether or not covered by insurance, which has had, or which the Clayton Management believes may have, an adverse effect thereon;

(c) the business of Clayton has been operated in the ordinary course, and not otherwise;

(d) the properties and assets of Clayton used in its business have been maintained in good order, repair and condition, ordinary wear and tear excepted;

(e) the books, accounts and records of Clayton have been maintained in the usual, regular and ordinary manner;

(f) there has been no declaration, setting aside or payment of any dividend or other distribution on or in respect of the capital stock of Clayton;

(g) there has been no increase in the compensation or in the rate of compensation or commissions payable or to become payable by Clayton to any director or executive officer, or to any employee earning \$25,000 or more per annum, or any general increase in the compensation or in the rate of compensation payable or to become payable to employees of Clayton earning less than \$25,000 per annum ("general increase" for the purpose hereof meaning any increase generally applicable to a class or group of employees, but not including increases granted to individual employees for merit, length of service, change in position or responsibility or other reasons applicable to specific employees and not generally to a class or group thereof), or any director, officer, or employee hired at a salary in excess of \$25,000 per annum, or any increase in any payment of or commitment to pay any bonus, profit sharing or other extraordinary compensation to any employee;

(h) there has been no change in the articles of incorporation or bylaws of Clayton;

(i) there has been no labor dispute, unfair labor practice charge or employment discrimination charge, nor, to the knowledge of Clayton, any organizational effort by any union, or institution or threatened institution, of any effort, complaint

or other proceeding in connection therewith, involving Clayton, or affecting its operations;

(j) there has been no issuance, sale, repurchase, acquisition, or redemption by Clayton of any of its capital stock, bonds, notes, debt or other securities, and there has been no modification or amendment of the rights of the holders of any outstanding capital stock, bonds, notes, debt or other securities thereof;

(k) there has been no mortgage, lien or other encumbrance or security interest (other than liens for current taxes not yet due or purchase money security interests arising in the ordinary course of business) created on or in (including without limitation, any deposit for security consisting of) any asset or assets of Clayton or assumed by it with respect to any asset or assets;

(l) there has been no indebtedness or other liability or obligation (whether absolute, accrued, contingent or otherwise) incurred by Clayton which would be required to be reflected on a balance sheet of Clayton prepared as of the date hereof in accordance with generally accepted accounting principles applied on a consistent basis, except as incurred in the ordinary course of business;

(m) no obligation or liability of Clayton has been discharged or satisfied, other than in the ordinary course of business;

(n) there have been no sales, transfers or other dispositions of any asset or assets of Clayton, other than sales in the ordinary course of business; and

(o) there has been no amendment, termination or waiver of any right of Clayton under any contract or agreement or governmental license, permit or permission which has had or may have an adverse effect on its business or properties.

4.2.12 LITIGATION AND PROCEEDINGS. Except as set forth on the Clayton Disclosure Memorandum, there are no actions, decrees, suits, counterclaims, claims, proceedings or governmental actions or investigations, pending or, to the knowledge of Clayton, threatened against, by or affecting Clayton, or any officer, director, employee or agent in such person's capacity as an officer, director, employee or agent of Clayton or relating to the business or affairs of Clayton, in any court or before any arbitrator or governmental agency, and no judgment, award, order or decree of any nature has been rendered against or with respect thereto by any agency, arbitrator, court, commission or other authority, nor does Clayton have any unasserted contingent liabilities which might have an adverse effect on its assets or on the operation of its businesses or which might prevent or impede the consummation of the transactions contemplated by this Agreement.

4.2.13 PROXY MATERIALS. Neither the Clayton Proxy Materials nor other materials furnished by Clayton to the Clayton shareholders in connection with the transactions contemplated by this Agreement or the Merger Agreement, or in any amendments thereof or supplements thereto, will, at the times such documents

are distributed to the holders of shares of Clayton Stock and through the acquisition of shares of Clayton Stock by United pursuant to the Merger, contain with respect to Clayton any untrue statement of a material fact or omit to state any information required to be stated therein or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made with respect to Clayton, not misleading.

4.3 BUSINESS OPERATIONS.

4.3.1 CUSTOMERS. Clayton has no knowledge of any presently existing facts which could reasonably be expected to result in the loss of any material borrower or depositor or in Clayton's inability to collect amounts due therefrom or to return funds deposited thereby, except as set forth on the Clayton Disclosure Memorandum.

4.3.2 PERMITS; COMPLIANCE WITH LAW. (a) Clayton has all permits, licenses, approvals, authorizations and registrations under all federal, state, local and foreign laws required for Clayton to carry on its business as presently conducted, and all of such permits, licenses, approvals, authorizations and registrations are in full force and effect, and no suspension or cancellation of any of them is pending or, to the knowledge of Clayton, threatened.

(b) Clayton has complied with all laws, regulations, and orders applicable to it or its business, except for any non-compliance which would not have a material adverse effect on Clayton. The Clayton Disclosure Memorandum contains a list of any known violations of such laws, regulations, ordinances or rules by any present officer, director, or employee of Clayton which occurred since December 31, 1991, and which resulted in any order, proceeding, judgment or decree which would be required to be disclosed pursuant to Item 401(f) of Regulation S-K promulgated by the Securities and Exchange Commission if Clayton had been subject to the reporting requirements under the 1933 Act or the Securities Exchange Act of 1934. No past violation of any such law, regulation, ordinance or rule has occurred which could impair the right or ability of Clayton to conduct its business.

(c) Except as set forth in the Clayton Disclosure Memorandum, no notice or warning from any governmental authority with respect to any failure or alleged failure of Clayton to comply in any respect with any law, regulation or order has been received, nor is any such notice or warning proposed or, to the knowledge of Clayton, threatened.

4.3.3 ENVIRONMENTAL. (a) Except as set forth in the Clayton Disclosure Memorandum, Clayton

(i) has not caused or permitted, and has no knowledge of any claim regarding the environmental condition of the property or the generation, manufacture, use, or handling or the release or presence of, any hazardous substances or hazardous wastes, including petroleum, on, in, under or from any properties or facilities currently owned or leased by Clayton or adjacent to any properties so owned or leased; and

(ii) has complied in all material respects with, and has kept all records and made all filings or reports required by, and is otherwise in compliance with all applicable federal, state and local laws, regulations, orders, permits and licenses relating to the generation, treatment, manufacture, use, handling, release or presence of any hazardous substances or hazardous wastes, including petroleum and asbestos, on, in, under or from any properties or facilities currently owned or leased by Clayton.

(b) Except as set forth in the Clayton Disclosure Memorandum, neither Clayton nor any of its officers, directors, employees or agents, in the course of such individual's employment by Clayton, has given advice with respect to, or participated in any respect in, the management or operation of any entity or concern whose business relates in any way to the generation, storage, handling, disposal, transfer, production, use or processing of hazardous substances or hazardous wastes, including petroleum, nor to Clayton's knowledge has Clayton foreclosed on any property on which there is a threatened release of any hazardous substances or hazardous wastes, including petroleum, or on which there has been such a release and full remediation has not been completed, or any property on which contained (non-released) hazardous substances or hazardous wastes, including petroleum, are or were located.

(c) Except as set forth in the Clayton Disclosure Memorandum, neither Clayton, nor any of its officers, directors, employees, or agents, is aware of, has been told of, or has observed, the presence of any hazardous substance or hazardous wastes, including petroleum, on, in, under, or around property on which Clayton holds a legal or security interest, in violation of, or creating liability under, federal, state, or local environmental statutes, regulations, or ordinances.

(d) The term hazardous substances or hazardous waste does not include those substances which are normally and reasonably used in connection with the occupancy or operation of office buildings (such as cleaning fluids, and supplies normally used in the day to day operation of business offices).

4.3.4 INSURANCE. The Clayton Disclosure Memorandum contains a complete list and description (including the expiration date, premium amount and coverage thereunder) of all policies of insurance and bonds presently maintained by, or providing coverage for, Clayton or any of its officers, directors and employees, all of which are, and will be maintained through the Closing Date, in full force and effect, together with a complete list of all pending claims under any of such policies or bonds. All terms, obligations and provisions of each of such policies and bonds have been complied with, all premiums due thereon have been paid, and no notice of cancellation with respect thereto has been received. Except as set forth in the Clayton Disclosure Memorandum, such policies and bonds provide adequate coverage to insure the properties and businesses of Clayton and the activities of its officers, directors and employees against such risks and in such amounts as are prudent and customary. Clayton will not as of the Closing Date have any liability for premiums or for retrospective premium adjustments for any period prior to the Closing Date. Clayton has heretofore

made, or will hereafter make, available to United a true, correct and complete copy of each insurance policy and bond in effect since January 1, 1991 with respect to the business and affairs of Clayton.

4.4 PROPERTIES AND ASSETS.

4.4.1 CONTRACTS AND COMMITMENTS. The Clayton Disclosure Memorandum contains a list identifying and briefly describing all written contracts, purchase orders, agreements, security deeds, guaranties or commitments to which Clayton is a party or by which it may be bound involving the payment or receipt, actual or contingent, of more than \$25,000 or having a term or requiring performance over a period of more than ninety (90) days. Each such contract, agreement, guaranty and commitment of Clayton is in full force and effect and is valid and enforceable in accordance with its terms, and constitutes a legal and binding obligation of the respective parties thereto and is not the subject of any notice of default, termination, partial termination or of any ongoing, pending, completed or threatened investigation, inquiry or other proceeding or action that may give rise to any notice of default, termination or partial termination. Clayton has complied in all material respects with the provisions of such contracts, agreements, guaranties and commitments. A true and complete copy of each such document has been or will be made available to United for examination.

4.4.2 LICENSES; INTELLECTUAL PROPERTY. Clayton has all patents, trademarks, trade names, service marks, copyrights, trade secrets and know-how reasonably necessary to conduct its business as presently conducted and, except as described in the Clayton Disclosure Memorandum, Clayton is not a party, either as licensor or licensee, to any agreement for any patent, process, trademark, service mark, trade name, copyright, trade secret or other confidential information and there are no rights of third parties with respect to any trademark, service mark, trade secrets, confidential information, trade name, patent, patent application, copyright, invention, device or process owned or used by Clayton or presently expected to be used by either of them in the future. All patents, copyrights, trademarks, service marks, trade names, and applications therefor or registrations thereof, owned or used by Clayton, are listed in the Clayton Disclosure Memorandum. Clayton has complied with all applicable laws relating to the filing or registration of "fictitious names" or trade names.

4.4.3 PERSONAL PROPERTY. Clayton has good and marketable title to all of its personalty, tangible and intangible, reflected in the 1996 Clayton Financial Statements (except as since sold or otherwise disposed of by it in the ordinary course of business), free and clear of all encumbrances, liens or charges of any kind or character, except (i) those referred to in the notes to the 1996 Clayton Financial Statements as securing specified liabilities (with respect to which no default exists or, to the knowledge of Clayton, is claimed to exist), (ii) those described in the Clayton Disclosure Memorandum and (iii) liens for taxes not due and payable.

4.4.4 CLAYTON LEASES. (a) All leases (the "Clayton Leases") pursuant to which Clayton is lessor or lessee

of any real or personal property (such property, the "Leased Property") are valid and enforceable in accordance with their terms; there is not under any of the Clayton Leases any default or, to the knowledge of Clayton, any claimed default by Clayton, or event of default or event which with notice or lapse of time, or both, would constitute a default by Clayton and in respect of which adequate steps have not been taken to prevent a default on its part from occurring.

(b) The copies of the Clayton Leases heretofore or hereafter furnished or made available by Clayton to United are true, correct and complete, and the Clayton Leases have not been modified in any respect other than pursuant to amendments, copies of which have been concurrently delivered or made available to United, and are in full force and effect in accordance with their terms.

(c) Except as set forth in the Clayton Disclosure Memorandum, there are no contractual obligations, agreements in principle or present plans for Clayton to enter into new leases of real property or to renew or amend existing Clayton Leases prior to the Closing Date.

4.4.5 REAL PROPERTY. (a) Clayton does not own any interest in any real property (other than as lessee) except as set forth in the Clayton Disclosure Memorandum (such properties being referred to herein as "Clayton Realty"). Except as disclosed in the Clayton Disclosure Memorandum, Clayton has good title to the Clayton Realty and the titles to the Clayton Realty are covered by title insurance policies providing coverage in the amount of the original purchase price, true, correct and complete copies of which have been or will be furnished to United with the Clayton Disclosure Memorandum. Clayton has not encumbered the Clayton Realty since the effective dates of the respective title insurance policies.

(b) Except as set forth in the Clayton Disclosure Memorandum, the interests of Clayton in the Clayton Realty and in and under each of the Clayton Leases are free and clear of any and all liens and encumbrances and are subject to no present claim, contest, dispute, action or, to the knowledge of Clayton, threatened action at law or in equity.

(c) The present and past use and operations of, and improvements upon, the Clayton Realty and all real properties leased by Clayton (the "Clayton Leased Real Properties") are in compliance in all material respects with all applicable building, fire, zoning and other applicable laws, ordinances and regulations and with all deed restrictions of record, no notice of any violation or alleged violation thereof has been received, and to the knowledge of Clayton there are no proposed changes therein that would affect the Clayton Realty, the Clayton Leased Real Properties or their uses.

(d) Except as set forth in the Clayton Disclosure Memorandum, no rent has been paid in advance and no security deposit has been paid by, nor is any brokerage commission payable by or to, Clayton with respect to any Lease pursuant to which it is lessor or lessee.

(e) Clayton is not aware of any proposed or pending

change in the zoning of, or of any proposed or pending condemnation proceeding with respect to, any of the Clayton Realty or the Clayton Leased Real Properties which may adversely affect the Clayton Realty or the Clayton Leased Real Properties or the current or currently contemplated use thereof.

(f) The buildings and structures owned, leased or used by Clayton are, taken as a whole, in good operating order (except for ordinary wear and tear), usable in the ordinary course of business, and are sufficient and adequate to carry on the business and affairs of Clayton.

4.5 EMPLOYEES AND BENEFITS.

4.5.1 DIRECTORS OR OFFICERS OF OTHER CORPORATIONS.

Except as set forth in the Clayton Disclosure Memorandum, no director, officer, or employee of Clayton serves, or in the past five years has served, as a director or officer of any other corporation on behalf of or as a designee of Clayton or any of its subsidiaries.

4.5.2 EMPLOYEE BENEFITS. (a) Except as set forth in the Clayton Disclosure Memorandum, Clayton does not provide and is not obligated to provide, directly or indirectly, any benefits for employees, including, without limitation, any pension, profit sharing, stock option, retirement bonus, hospitalization, medical, insurance, vacation or other employee benefits under any practice, agreement or understanding.

(b) The Clayton Disclosure Memorandum lists separately any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") sponsored by Clayton (collectively, "ERISA Plans"). True, correct and complete copies of all ERISA Plans and, to the extent applicable, all related trust agreements, insurance contracts, summary plan descriptions, Internal Revenue Service determination letters and filings, the past three years of actuarial reports and valuations, annual reports and Form 5500 filings (including attachments), and any other related documents requested by United or its counsel have been, or prior to the Closing Date will be, made available to United.

(c) Clayton is not currently and has never been in the past required to contribute to a multiemployer plan as defined in Section 3(37)(A) of ERISA. Clayton does not maintain or contribute to, nor within the past six years has it maintained or contributed to, an employee pension benefit plan as defined in Section 3(2) of ERISA that is or was subject to Title IV of ERISA.

(d) Each ERISA Plan has been operated and administered in all material respects in accordance with, and has been amended to comply with (unless such amendment is not yet required), all applicable laws, rules and regulations, including, without limitation, ERISA, the Internal Revenue Code of 1986, as amended ("Code"), and the regulations issued under ERISA and the Code. With respect to each ERISA Plan, other than routine claims for benefits submitted in the ordinary course of the benefits process, no litigation or administrative or other proceeding is pending or, to the knowledge of Clayton, threatened involving such ERISA Plan or any of its fiduciaries. With respect to each

ERISA Plan, neither Clayton nor any of its directors, officers, employees or agents, nor to Clayton's knowledge, any "party in interest" or "disqualified person" (as such terms are defined in Section 3(14) of ERISA and Section 4975 of the Code) has been engaged in or been a party to any transaction relating to the ERISA Plan which would constitute a breach of fiduciary duty under ERISA or a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code), unless such transaction is specifically permitted under Sections 407 or 408 of ERISA, Section 4975 of the Code or a class or administrative exemption issued by the Department of Labor. Each ERISA Plan that is a group health plan within the meaning of Section 607(1) of ERISA and Section 4980B of the Code is in material compliance with the continuation coverage requirements of Section 501 of ERISA and Section 4980B of the Code.

(e) Of the ERISA Plans, the "employee pension benefit plans" within the meaning of Section 3(2) of ERISA (collectively, the Employee Pension Benefit Plans") are separately identified on the Clayton Disclosure Memorandum. With respect to each Employee Pension Benefit Plan, except as set forth on the Clayton Disclosure Memorandum: (i) such Employee Pension Benefit Plan constitutes a qualified plan within the meaning of Section 401(a) of the Code and the trust is exempt from federal income tax under Section 501(a) of the Code; (ii) all contributions required by such plan have been made or will be made on a timely basis; and (iii) no termination, partial termination or discontinuance of contributions has occurred without a determination by the IRS that such action does not affect the tax-qualified status of such plan.

(f) As of the Closing Date, with respect to each ERISA Plan, Clayton will have provided adequate reserves, or insurance or qualified trust funds, to provide for all payments and contributions required, or reasonably expected to be required, to be made under the provisions of such ERISA Plan or required to be made under applicable laws, rules and regulations, with respect to any period prior to the Closing Date to the extent reserves are required under generally accepted accounting principles, based on an actuarial valuation satisfactory to the actuaries of Clayton representing a projection of claims expected to be incurred under such ERISA Plan.

(g) Except as disclosed on the Clayton Disclosure Memorandum, Clayton does not provide and has no obligation to provide benefits, including, without limitation, death, health or medical benefits (whether or not insured) with respect to current or former employees of Clayton beyond their retirement or other termination of service with Clayton other than (i) coverage mandated by applicable Law, (ii) benefits under the Employee Pension Benefit Plans, or (iii) benefits the full cost of which is borne by the current or former employee or his beneficiary.

(h) Neither this Agreement nor any transaction contemplated hereby will (i) entitle any current or former employee, officer or director of Clayton to severance pay, unemployment compensation or any similar or other payment, or (ii) accelerate the time of payment or vesting of, or increase the amount of compensation or benefits due any such employee, officer or director.

4.5.3 LABOR-RELATED MATTERS. Except as described in the Clayton Disclosure Memorandum, Clayton is not, and has not been, a party to any collective bargaining agreement or agreement of any kind with any union or labor organization or to any agreement with any of its employees which is not terminable at will or upon ninety (90) days notice at the election of, and without cost or penalty to, Clayton. Clayton has not received at any time in the past five (5) years, any demand for recognition from any union, and no attempt has been made, or will have been made as of the Closing Date, to organize any of its employees. Clayton has complied in all material respects with all obligations under the National Labor Relations Act, as amended, the Age Discrimination in Employment Act, as amended, and all other federal, state and local labor laws and regulations applicable to employees. There are no unfair labor practice charges pending or threatened against Clayton, and there are, and in the past three (3) years there have been, no charges, complaints, claims or proceedings, no slowdowns or strikes pending or threatened against, or involving, as the case may be, Clayton with respect to any alleged violation of any legal duty (including but not limited to any wage and hour claims, employment discrimination claims or claims arising out of any employment relationship) by Clayton as to any of its employees or as to any person seeking employment therefrom, and no such violations exist.

4.5.4 RELATED PARTY TRANSACTIONS. Except for (a) loans and extensions of credit made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by Clayton with other persons who are not affiliated with Clayton, and which do not involve more than the normal risk of repayment or present other unfavorable features, (b) deposits, all of which are on terms and conditions identical to those made available to all customers of Clayton at the time such deposits were entered into, and (c) transactions specifically described in the Clayton Disclosure Memorandum, there are no contracts with or commitments to present or former 5% or greater shareholders, directors, officers, or employees involving the expenditure after December 31, 1991 of more than \$60,000 as to any one individual, including with respect to any business directly or indirectly controlled by any such person, or \$100,000 for all such contracts or commitments in the aggregate for all such individuals (other than contracts or commitments relating to services to be performed by any officer, director or employee as a currently-employed employee of Clayton).

4.6 OTHER MATTERS.

4.6.1 REGULATORY REPORTS. Clayton will make available to United for review and inspection all applications, reports or other documents filed by it for each of its past three full fiscal years with any regulatory or governmental agencies. All of such applications, reports and other documents have been prepared in accordance with applicable rules and regulations of the regulatory agencies with which they were filed.

4.6.2 APPROVALS, CONSENTS AND FILINGS. Except for the approval of the Federal Reserve and the Department of Banking, or as set forth in the Clayton Disclosure Memorandum, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby

will (a) require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, or (b) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Clayton, or any of Clayton's assets.

4.6.3 DEFAULT. (a) Except for those consents described in or set forth pursuant to Section 4.6.2 above, neither the execution of this Agreement nor consummation of the transactions contemplated herein (i) constitutes a breach of or default under any contract or commitment to which Clayton is a party or by which Clayton or its properties or assets are bound, (ii) does or will result in the creation or imposition of any security interest, lien, encumbrance, charge, equity or restriction of any nature whatsoever in favor of any third party upon any assets of Clayton, or (iii) constitutes an event permitting termination of any agreement or the acceleration of any indebtedness of Clayton.

(b) Clayton is not in default under its articles of incorporation or bylaws or under any term or provision of any security deed, mortgage, indenture or security agreement or of any other contract or instrument to which Clayton is a party or by which it or any of its property is bound.

4.6.4 REPRESENTATIONS AND WARRANTIES. No representation or warranty contained in this Article IV or in any written statement delivered by or at the direction of Clayton pursuant hereto or in connection with the transactions contemplated hereby contains or shall contain any untrue statement, nor shall such representations and warranties taken as a whole omit any statement necessary in order to make any statement not misleading. Copies of all documents that have been or will be furnished to United in connection with this Agreement or pursuant hereto are or shall be true, correct and complete.

ARTICLE V

CONDUCT OF BUSINESS OF CLAYTON PENDING CLOSING

Except as expressly otherwise provided herein, Clayton covenants and agrees that, without the prior written consent of United, between the date hereof and the Closing Date:

5.1 CONDUCT OF BUSINESS. Clayton will conduct its business only in the ordinary course, without the creation of any indebtedness for borrowed money (other than deposit and similar accounts and customary credit arrangements between banks in the ordinary course of business).

5.2 MAINTENANCE OF PROPERTIES. Clayton will maintain its properties and assets in good operating condition, ordinary wear and tear excepted.

5.3 INSURANCE. Clayton will maintain and keep in full force and effect all of the insurance referred to in Section 4.3.4(b) hereof or other insurance equivalent thereto in all material respects.

5.4 CAPITAL STRUCTURE. No change will be made in the authorized or issued capital stock or other securities of

Clayton, and Clayton will not issue or grant any right or option to purchase or otherwise acquire any of the capital stock or other securities of Clayton.

5.5 DIVIDENDS. No dividend, distribution or payment will be declared or made in respect to the Clayton Stock and Clayton will not, directly or indirectly, redeem, purchase or otherwise acquire any of its capital stock.

5.6 AMENDMENT OF ARTICLES; CORPORATE EXISTENCE. Clayton will not amend its articles of incorporation or bylaws, and Clayton will maintain its corporate existence and powers.

5.7 NO ACQUISITIONS. Clayton shall not acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other entity or division thereof or otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to it.

5.8 NO DISPOSITIONS. Clayton will not sell, mortgage, lease, buy or otherwise acquire, transfer or dispose of any real property or interest therein (except for sales in the ordinary course of business) and Clayton will not, except in the ordinary course of business, sell or transfer, mortgage, pledge or subject to any lien, charge or other encumbrance any other tangible or intangible asset.

5.9 BANKING ARRANGEMENTS. No change will be made in the banking and safe deposit arrangements referred to in Section 4.2.8 hereof.

5.10 CONTRACTS. Except for renewals of existing contracts in effect as of the date hereof, or entering into a contract for the purpose of substituting a vendor under any such existing contract, Clayton will not enter into any contract of the kind described in Section 4.4.1 hereof.

5.11 BOOKS AND RECORDS. The books and records of Clayton will be maintained in the usual, regular and ordinary course.

5.12 ADVICE OF CHANGES. Clayton shall promptly advise United orally and in writing of any change or event having, or which the Clayton Management believes could have, a material adverse effect on the assets, liabilities, business, operations or financial condition of Clayton.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF UNITED

As an inducement to Clayton to enter into this Agreement and to consummate the transactions contemplated hereby, United represents, warrants, covenants and agrees as follows:

6.1 UNITED DISCLOSURE MEMORANDUM. By June 19, United will deliver to Clayton a memorandum (the "United Disclosure Memorandum") containing certain information regarding United as

indicated at various places in this Agreement. All information set forth in the United Disclosure Memorandum or in documents incorporated by reference in the United Disclosure Memorandum is true, correct and complete, does not omit to state any fact necessary in order to make the statements therein not misleading, and shall be deemed for all purposes of this Agreement to constitute part of the representations and warranties of United under this Article VI. The information contained in the United Disclosure Memorandum shall be deemed to be part of and qualify all representations and warranties contained in this Article VI and the covenants in Article VII to the extent applicable. All information in each of the documents and other writings furnished to Clayton pursuant to this Agreement or the United Disclosure Memorandum is or will be true, correct and complete and does not and will not omit to state any fact necessary in order to make the statements therein not misleading. United shall promptly provide Clayton with written notification of any event, occurrence or other information necessary to maintain the United Disclosure Memorandum and all other documents and writings furnished to Clayton pursuant to this Agreement as true, correct and complete in all material respects at all times prior to and including the Closing. United agrees that upon receipt of the United Disclosure Memorandum, Clayton shall have until June 23 to review the United Disclosure Memorandum and to terminate this Agreement if for any reason in its sole discretion Clayton believes that proceeding with the Merger in light of the contents of such memorandum would be detrimental to Clayton.

6.2 CORPORATE AND FINANCIAL.

6.2.1 AUTHORITY. Subject to the approval of various state and federal regulators, the execution, delivery and performance of this Agreement and the other transactions contemplated or required in connection herewith will not, with or without the giving of notice or the passage of time, or both, (a) violate any provision of federal or state law applicable to United, the violation of which could be reasonably expected to have a material adverse effect on the business, operations, properties, assets, financial condition or prospects of United; (b) violate any provision of the articles of incorporation or bylaws of United; (c) conflict with or result in a breach of any provision of, or termination of, or constitute a default under any instrument, license, agreement, or commitment to which United is a party, which, singly or in the aggregate, could reasonably be expected to have a material adverse effect on the business, operations, properties, assets, financial condition or prospects of United; or (d) constitute a violation of any order, judgment or decree to which United is a party, or by which United or any of its assets or properties are bound. Assuming this Agreement constitutes the valid and binding obligation of Clayton, this Agreement constitutes the valid and binding obligation of United, and is enforceable in accordance with its terms, except as limited by laws affecting creditors' rights generally and by the discretion of courts to compel specific performance.

6.2.2 CORPORATE STATUS. United is a business corporation duly organized, validly existing and in good standing under the laws of the State of Georgia and has no direct or indirect subsidiaries, which are material to United, other than United Community Bank, Blairsville, Georgia ("United Bank"), Towns County Bank, Hiawassee, Georgia ("Towns"), Peoples Bank of

Fannin County, Blue Ridge, Georgia ("Fannin"), White County Bank, Cleveland, Georgia ("White"), Carolina Community Bank, Murphy, North Carolina ("Carolina"), and United Family Finance Company, Blairsville, Georgia (the "Finance Company") (collectively the "United Subsidiaries.") The United Subsidiaries are banking corporations, except for the Finance Company, which is a business corporation, all of which are duly organized, validly existing and in good standing under the laws of the State of Georgia with respect to United Bank, Towns, Fannin, White, and the Finance Company, and the State of North Carolina with respect to Carolina. United and the United Subsidiaries are entitled to own or lease their respective properties and to carry on their respective businesses in the places where such properties are now owned, leased or operated and such businesses are now conducted.

6.2.3 CAPITAL STRUCTURE. (a) United has an authorized capital stock consisting solely of 10,000,000 shares of common stock, par value \$1.00 per share, of which 6,956,748 shares are issued and outstanding as of the date hereof including 140,000 deemed outstanding pursuant to United's prime plus 1/4% Convertible Subordinated Debentures due December 31, 2006 (the "2006 Debentures") and presently exercisable options to acquire 77,900 shares (the "Stock Options") and 10,000,000 shares of Preferred Stock, none of which is outstanding. All of the issued and outstanding shares of United Stock and the United Subsidiaries capital stock (the "United Subsidiaries Stock") is duly and validly issued, fully paid and nonassessable and was offered, issued and sold in compliance with all applicable federal or state securities laws. No person has any right of rescission or claim for damages under federal or state securities laws with respect to the issuance of shares of United Stock or any of the shares of United Subsidiaries Stock previously issued. None of the shares of United Stock has been issued in violation of the preemptive or other rights of any shareholder of United. None of the shares of the United Subsidiaries Stock was issued in violation of the preemptive or other rights of any shareholder of the United Subsidiaries. All of the issued and outstanding shares of the United Subsidiaries Stock are owned by United.

(b) Except for the 2006 Debentures and the Stock Options and as set forth in the United Disclosure Memorandum, United does not have outstanding any securities which are either by their terms or by contract convertible or exchangeable into United Stock, or any other securities or debt, of United, or any preemptive or similar rights to subscribe for or to purchase, or any options or warrants or agreements or understandings for the purchase or the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock or securities convertible into its capital stock. United is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire, or to register, any shares of its capital stock.

(c) There is no agreement, arrangement or understanding to which United is a party restricting or otherwise relating to the transfer of any shares of United Stock.

(d) All shares of common stock or other capital stock, or any other securities or debt, of United, which have been purchased or redeemed by United have been purchased or redeemed in accordance with all applicable federal, state and local laws,

rules, and regulations, including, without limitation, all federal and state securities laws and rules and regulations of any securities exchange or system on which such stock, securities or debt are, or at such time were, traded, and no such purchase or redemption has resulted or will, with the giving of notice or lapse of time, or both, result in a default or acceleration of the maturity of, or otherwise modify, any agreement, note, mortgage, bond, security agreement, loan agreement or other contract or commitment of United.

6.2.4 CORPORATE RECORDS. The stock records and minute books of United, whether heretofore or hereafter furnished or made available to Clayton by United, (a) fully and accurately reflect all issuances, transfers and redemptions of the Common Stock, (b) correctly show the record addresses and the number of shares of such stock issued and outstanding on the date hereof held by the shareholders of United, (c) correctly show all corporate action taken by the directors and shareholders of United (including actions taken by consent without a meeting) and (d) contain true and correct copies or originals of the respective articles of incorporation and all amendments thereto, bylaws as amended and currently in force, and the minutes of all meetings or consent actions of its directors and shareholders. No resolutions, regulations or bylaws have been passed, enacted, consented to or adopted by such directors or shareholders except those contained in the minute books. All corporate records have been maintained in accordance with all applicable statutory requirements and are complete and accurate.

6.2.5 TAX RETURNS; TAXES. (a) United has duly filed (i) all required federal and state tax returns and reports, and (ii) all required returns and reports of other governmental units having jurisdiction with respect to taxes imposed upon its income, properties, revenues, franchises, operations or other assets or taxes imposed which might create a material lien or encumbrance on any of such assets or affect materially and adversely its business or operations. To the knowledge of the officers of United (the "United Management"), such returns or reports are, and when filed will be, true, complete and correct, and United has paid, to the extent such taxes or other governmental charges have become due, all taxes and other governmental charges set forth in such returns or reports. To the knowledge of the United Management, all federal, state and local taxes and other governmental charges paid or payable by United have been paid, or have been accrued or reserved on its books in accordance with generally accepted accounting principles applied on a basis consistent with prior periods. To the knowledge of the United Management, adequate reserves for the payment of taxes have been established on the books of United for all periods through the date hereof, whether or not due and payable and whether or not disputed. Until the Closing Date, United shall continue to provide adequate reserves for the payment of expected tax liabilities in accordance with generally accepted accounting principles applied on a basis consistent with prior periods. United has not received any notice of a tax deficiency or assessment of additional taxes of any kind and, to the knowledge of the United Management, there is no threatened claim against United, or to the knowledge of the United Management, any basis for any such claim, for payment of any additional federal, state, local or foreign taxes for any period prior to the date of this Agreement in excess of the accruals or

reserves with respect to any such claim shown in the 1996 United Financial Statements described in Section 6.2.6 below or disclosed in the notes with respect thereto. There are no waivers or agreements by United for the extension of time for the assessment of any taxes. The federal income tax returns of United have not been examined by the Internal Revenue Service for any period since January 1, 1993.

(b) Except as set forth in the United Disclosure Memorandum, to the knowledge of the United Management, proper and accurate amounts have been withheld by United from its employees for all periods in full and complete compliance with the tax withholding provisions of applicable federal, state and local tax laws, and proper and accurate federal, state and local tax returns have been filed by United for all periods for which returns were due with respect to withholding, social security and unemployment taxes, and the amounts shown thereon to be due and payable have been paid in full.

6.2.6 FINANCIAL STATEMENTS. United has delivered to Clayton true, correct and complete copies of (i) the audited financial statements of United for the years ended December 31, 1994, 1995 and 1996, including balance sheets, statements of income, statements of shareholders' equity, statements of cash flows and related notes (the audited financial statements for the year ended December 31, 1996 being referred to as the "1996 United Financial Statements") and (ii) unaudited financial statements of United for the period ended March 31, 1997, including a balance sheet, statement of income and related notes. All of such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly the assets, liabilities and financial condition of United as of the dates indicated therein and the results of its operations for the respective periods then ended.

6.2.7 REGULATORY REPORTS. United has made available to Clayton for review and inspection the year-end Report of Condition and year-end Report of Income and Dividends as filed by the United banking subsidiaries with the FDIC for each of the three years ended December 31, 1996, 1995 and 1994, together with all such other reports filed for the same three-year period with the FDIC, and the Department of Banking, and other applicable regulatory agencies and the Form F.R. Y-6 filed by United with the Federal Reserve for each of the three years ended December 31, 1996, 1995 and 1994 (collectively, the "United Reports"). All of the United Reports, as amended, have been prepared in accordance with applicable rules and regulations applied on a basis consistent with prior periods and contain in all material respects all information required to be presented therein in accordance with such rules and regulations.

6.2.8 ACCOUNTS. The United Disclosure Memorandum contains a list of each and every bank and other institution in which United maintains an account or safety deposit box, the account numbers, and the names of all persons who are presently authorized to draw thereon, have access thereto or give instructions regarding distribution of funds or assets therein.

6.2.9 NOTES AND OBLIGATIONS. (a) Except as set forth in the United Disclosure Memorandum or as provided for in the loss reserve described in subsection (b) below, all notes

receivable or other obligations owned by United or due to it shown in the 1996 United Financial Statements and any such notes receivable and obligations on the date hereof and on the Closing Date are and will be genuine, legal, valid and collectible obligations of the respective makers thereof and are not and will not be subject to any offset or counterclaim. Except as set forth in subsection (b) below, all such notes and obligations are evidenced by written agreements, true and correct copies of which will be made available to Clayton for examination prior to the Closing Date. All such notes and obligations were entered into by United in the ordinary course of its business and in compliance with all applicable laws and regulations.

(b) United has established a loss reserve in the 1996 United Financial Statements and as of the date of this Agreement and will establish a loan loss reserve as of the Closing Date which is adequate to cover anticipated losses which might result from such items as the insolvency or default of borrowers or obligors on such loans or obligations, defects in the notes or evidences of obligation (including losses of original notes or instruments), offsets or counterclaims properly chargeable to such reserve, or the availability of legal or equitable defenses which might preclude or limit the ability of United to enforce the note or obligation, and the representations set forth in subsection (a) above are qualified in their entirety by the aggregate of such loss reserve. Except as described in the United Disclosure Memorandum, at the Closing Date, the ratio of the loss reserve, established on such date in good faith by United, to total loans outstanding at such time shall not exceed the ratio of the loan loss reserve to the total loans outstanding as reflected in the 1996 United Financial Statements, established on or before such date in good faith by United, in accordance with generally accepted accounting principles.

6.2.10 LIABILITIES. United has no debt, liability or obligation of any kind required to be shown pursuant to generally accepted accounting principles on the consolidated balance sheet of United, whether accrued, absolute, known or unknown, contingent or otherwise, including, but not limited to (a) liability or obligation on account of any federal, state or local taxes or penalty, interest or fines with respect to such taxes, (b) liability arising from or by virtue of the distribution, delivery or other transfer or disposition of goods, personal property or services of any type, kind or variety, (c) unfunded liabilities with respect to any pension, profit sharing or employee stock ownership plan, whether operated by United or any other entity covering employees of United, or (d) environmental liabilities, except (i) those reflected in the 1996 United Financial Statements, and (ii) as disclosed in the United Disclosure Memorandum.

6.2.11 ABSENCE OF CHANGES. Except as specifically provided for in this Agreement or specifically set forth in the United Disclosure Memorandum, since December 31, 1996:

(a) there has been no change in the business, assets, liabilities, results of operations or financial condition of United, or in any of its relationships with customers, employees, lessors or others, other than changes in the ordinary course of business, none of which individually or in the aggregate has had, or which the United Management believes may have, a material

adverse effect on such businesses or properties;

(b) there has been no material damage, destruction or loss to the assets, properties or business of United, whether or not covered by insurance, which has had, or which the United Management believes may have, an adverse effect thereon;

(c) the business of United has been operated in the ordinary course, and not otherwise;

(d) the properties and assets of United used in its business have been maintained in good order, repair and condition, ordinary wear and tear excepted;

(e) the books, accounts and records of United have been maintained in the usual, regular and ordinary manner;

(f) there has been no declaration, setting aside or payment of any dividend or other distribution on or in respect of the capital stock of United;

(g) there has been no increase in the compensation or in the rate of compensation or commissions payable or to become payable by United to any director or executive officer, or to any employee earning \$25,000 or more per annum, or any general increase in the compensation or in the rate of compensation payable or to become payable to employees of United earning less than \$25,000 per annum ("general increase" for the purpose hereof meaning any increase generally applicable to a class or group of employees, but not including increases granted to individual employees for merit, length of service, change in position or responsibility or other reasons applicable to specific employees and not generally to a class or group thereof), or any director, officer, or employee hired at a salary in excess of \$25,000 per annum, or any increase in any payment of or commitment to pay any bonus, profit sharing or other extraordinary compensation to any employee;

(h) there has been no change in the articles of incorporation or bylaws of United;

(i) there has been no labor dispute, unfair labor practice charge or employment discrimination charge, nor, to the knowledge of United, any organizational effort by any union, or institution or threatened institution, of any effort, complaint or other proceeding in connection therewith, involving United, or affecting its operations;

(j) there has been no mortgage, lien or other encumbrance or security interest (other than liens for current taxes not yet due or purchase money security interests arising in the ordinary course of business) created on or in (including without limitation, any deposit for security consisting of) any asset or assets of United or assumed by it with respect to any asset or assets;

(k) there has been no indebtedness or other liability or obligation (whether absolute, accrued, contingent or otherwise) incurred by United which would be required to be reflected on a balance sheet of United prepared as of the date hereof in accordance with generally accepted accounting

principles applied on a consistent basis, except as incurred in the ordinary course of business;

(l) no obligation or liability of United has been discharged or satisfied, other than in the ordinary course of business;

(m) there have been no sales, transfers or other dispositions of any asset or assets of United, other than sales in the ordinary course of business; and

(n) there has been no amendment, termination or waiver of any right of United under any contract or agreement or governmental license, permit or permission which has had or may have an adverse effect on its business or properties.

6.2.12 LITIGATION AND PROCEEDINGS. Except as set forth on the United Disclosure Memorandum, there are no actions, decrees, suits, counterclaims, claims, proceedings or governmental actions or investigations, pending or, to the knowledge of United, threatened against, by or affecting United, or any officer, director, employee or agent in such person's capacity as an officer, director, employee or agent of United or relating to the business or affairs of United, in any court or before any arbitrator or governmental agency, and no judgment, award, order or decree of any nature has been rendered against or with respect thereto by any agency, arbitrator, court, commission or other authority, nor does United have any unasserted contingent liabilities which might have an adverse effect on its assets or on the operation of its businesses or which might prevent or impede the consummation of the transactions contemplated by this Agreement.

6.3 BUSINESS OPERATIONS.

6.3.1 CUSTOMERS. United has no knowledge of any presently existing facts which could reasonably be expected to result in the loss of any material borrower or depositor or in United's inability to collect amounts due therefrom or to return funds deposited thereby, except as set forth on the United Disclosure Memorandum.

6.3.2 PERMITS; COMPLIANCE WITH LAW. (a) United has all permits, licenses, approvals, authorizations and registrations under all federal, state, local and foreign laws required for United to carry on its business as presently conducted, and all of such permits, licenses, approvals, authorizations and registrations are in full force and effect, and no suspension or cancellation of any of them is pending or, to the knowledge of United, threatened.

(b) United has complied with all laws, regulations, and orders applicable to it or its business, except for any non-compliance which would not have a material adverse effect on United. The United Disclosure Memorandum contains a list of any known violations of such laws, regulations, ordinances or rules by any present officer, director, or employee of United which occurred since December 31, 1991, and which resulted in any order, proceeding, judgment or decree which would be required to be disclosed pursuant to Item 401(f) of Regulation S-K promulgated by the Securities and Exchange Commission if United

had been subject to the reporting requirements under the 1933 Act or the Securities Exchange Act of 1934. No past violation of any such law, regulation, ordinance or rule has occurred which could impair the right or ability of United to conduct its business.

(c) Except as set forth in the United Disclosure Memorandum, no notice or warning from any governmental authority with respect to any failure or alleged failure of United to comply in any respect with any law, regulation or order has been received, nor is any such notice or warning proposed or, to the knowledge of United, threatened.

6.3.3 ENVIRONMENTAL. (a) Except as set forth in the United Disclosure Memorandum, United

(i) has not caused or permitted, and has no knowledge of any claim regarding the environmental condition of the property or the generation, manufacture, use, or handling or the release or presence of, any hazardous substances or hazardous wastes, including petroleum, on, in, under or from any properties or facilities currently owned or leased by United or adjacent to any properties so owned or leased; and

(ii) has complied in all material respects with, and has kept all records and made all filings or reports required by, and is otherwise in compliance with all applicable federal, state and local laws, regulations, orders, permits and licenses relating to the generation, treatment, manufacture, use, handling, release or presence of any hazardous substances or hazardous wastes, including petroleum and asbestos, on, in, under or from any properties or facilities currently owned or leased by United.

(b) Except as set forth in the United Disclosure Memorandum, neither United nor any of its officers, directors, employees or agents, in the course of such individual's employment by United, has given advice with respect to, or participated in any respect in, the management or operation of any entity or concern whose business relates in any way to the generation, storage, handling, disposal, transfer, production, use or processing of hazardous substances or hazardous wastes, including petroleum, nor to United's knowledge has United foreclosed on any property on which there is a threatened release of any hazardous substances or hazardous wastes, including petroleum, or on which there has been such a release and full remediation has not been completed, or any property on which contained (non-released) hazardous substances or hazardous wastes, including petroleum, are or were located.

(c) Except as set forth in the United Disclosure Memorandum, neither United, nor any of its officers, directors, employees, or agents, is aware of, has been told of, or has observed, the presence of any hazardous substance or hazardous wastes, including petroleum, on, in, under, or around property on which United holds a legal or security interest, in violation of, or creating liability under, federal, state, or local environmental statutes, regulations, or ordinances.

(d) The term hazardous substances or hazardous waste does not include those substances which are normally and reasonably used in connection with the occupancy or operation of office buildings (such as cleaning fluids, and supplies normally used in the day to day operation of business offices).

6.3.4 INSURANCE. The United Disclosure Memorandum contains a complete list and description (including the expiration date, premium amount and coverage thereunder) of all policies of insurance and bonds presently maintained by, or providing coverage for, United or any of its officers, directors and employees, all of which are, and will be maintained through the Closing Date, in full force and effect, together with a complete list of all pending claims under any of such policies or bonds. All terms, obligations and provisions of each of such policies and bonds have been complied with, all premiums due thereon have been paid, and no notice of cancellation with respect thereto has been received. Except as set forth in the United Disclosure Memorandum, such policies and bonds provide adequate coverage to insure the properties and businesses of United and the activities of its officers, directors and employees against such risks and in such amounts as are prudent and customary. United will not as of the Closing Date have any liability for premiums or for retrospective premium adjustments for any period prior to the Closing Date. United has heretofore made, or will hereafter make, available to Clayton a true, correct and complete copy of each insurance policy and bond in effect since January 1, 1991 with respect to the business and affairs of United.

6.4 PROPERTIES AND ASSETS.

6.4.1 CONTRACTS AND COMMITMENTS. The United Disclosure Memorandum contains a list identifying and briefly describing all written contracts, purchase orders, agreements, security deeds, guaranties or commitments to which United is a party or by which it may be bound involving the payment or receipt, actual or contingent, of more than \$25,000 or having a term or requiring performance over a period of more than ninety (90) days. Each such contract, agreement, guaranty and commitment of United is in full force and effect and is valid and enforceable in accordance with its terms, and constitutes a legal and binding obligation of the respective parties thereto and is not the subject of any notice of default, termination, partial termination or of any ongoing, pending, completed or threatened investigation, inquiry or other proceeding or action that may give rise to any notice of default, termination or partial termination. United has complied in all material respects with the provisions of such contracts, agreements, guaranties and commitments. A true and complete copy of each such document has been or will be made available to Clayton for examination.

6.4.2 LICENSES; INTELLECTUAL PROPERTY. United has all patents, trademarks, trade names, service marks, copyrights, trade secrets and know-how reasonably necessary to conduct its business as presently conducted and, except as described in the United Disclosure Memorandum, United is not a party, either as licensor or licensee, to any agreement for any patent, process, trademark, service mark, trade name, copyright, trade secret or other confidential information and there are no rights of third parties with respect to any trademark, service mark, trade

secrets, confidential information, trade name, patent, patent application, copyright, invention, device or process owned or used by United or presently expected to be used by either of them in the future. All patents, copyrights, trademarks, service marks, trade names, and applications therefor or registrations thereof, owned or used by United, are listed in the United Disclosure Memorandum. United has complied with all applicable laws relating to the filing or registration of "fictitious names" or trade names.

6.4.3 PERSONAL PROPERTY. United has good and marketable title to all of its personalty, tangible and intangible, reflected in the 1996 United Financial Statements (except as since sold or otherwise disposed of by it in the ordinary course of business), free and clear of all encumbrances, liens or charges of any kind or character, except (i) those referred to in the notes to the 1996 United Financial Statements as securing specified liabilities (with respect to which no default exists or, to the knowledge of United, is claimed to exist), (ii) those described in the United Disclosure Memorandum and (iii) liens for taxes not due and payable.

6.4.4 UNITED LEASES. (a) All leases (the "United Leases") pursuant to which United is lessor or lessee of any real or personal property (such property, the "United Leased Property") are valid and enforceable in accordance with their terms; there is not under any United Leases any default or, to the knowledge of United, any claimed default by United, or event of default or event which with notice or lapse of time, or both, would constitute a default by United and in respect of which adequate steps have not been taken to prevent a default on its part from occurring.

(b) The copies of the United Leases heretofore or hereafter furnished or made available by United to Clayton are true, correct and complete, and the United Leases have not been modified in any respect other than pursuant to amendments, copies of which have been concurrently delivered or made available to Clayton, and are in full force and effect in accordance with their terms.

(c) Except as set forth in the United Disclosure Memorandum, there are no contractual obligations, agreements in principle or present plans for United to enter into new leases of real property or to renew or amend existing United Leases prior to the Closing Date.

6.4.5 REAL PROPERTY. (a) United does not own any interest in any real property (other than as lessee) except as set forth in the United Disclosure Memorandum (such properties being referred to herein as "United Realty"). Except as disclosed in the United Disclosure Memorandum, United has good title to the United Realty and the titles to the United Realty are covered by title insurance policies providing coverage in the amount of the original purchase price, true, correct and complete copies of which have been or will be furnished to Clayton with the United Disclosure Memorandum. United has not encumbered the United Realty since the effective dates of the respective title insurance policies.

(b) Except as set forth in the United Disclosure

Memorandum, the interests of United in the United Realty and in and under each of the United Leases are free and clear of any and all liens and encumbrances and are subject to no present claim, contest, dispute, action or, to the knowledge of United, threatened action at law or in equity.

(c) The present and past use and operations of, and improvements upon, the United Realty and all real properties leased by United (the "United Leased Real Properties") are in compliance in all material respects with all applicable building, fire, zoning and other applicable laws, ordinances and regulations and with all deed restrictions of record, no notice of any violation or alleged violation thereof has been received, and to the knowledge of United there are no proposed changes therein that would affect the United Realty, the United Leased Real Properties or their uses.

(d) Except as set forth in the United Disclosure Memorandum, no rent has been paid in advance and no security deposit has been paid by, nor is any brokerage commission payable by or to, United with respect to any United Lease pursuant to which it is lessor or lessee.

(e) United is not aware of any proposed or pending change in the zoning of, or of any proposed or pending condemnation proceeding with respect to, any of the United Realty or the United Leased Real Properties which may adversely affect the United Realty or the United Leased Real Properties or the current or currently contemplated use thereof.

(f) The buildings and structures owned, leased or used by United are, taken as a whole, in good operating order (except for ordinary wear and tear), usable in the ordinary course of business, and are sufficient and adequate to carry on the business and affairs of United.

6.5 EMPLOYEES AND BENEFITS.

6.5.1 DIRECTORS OR OFFICERS OF OTHER CORPORATIONS.

Except as set forth in the United Disclosure Memorandum, no director, officer, or employee of United serves, or in the past five years has served, as a director or officer of any other corporation on behalf of or as a designee of United or any of its subsidiaries.

6.5.2 EMPLOYEE BENEFITS. (a)

Except as set forth in the United Disclosure Memorandum, United does not provide and is not obligated to provide, directly or indirectly, any benefits for employees, including, without limitation, any pension, profit sharing, stock option, retirement bonus, hospitalization, medical, insurance, vacation or other employee benefits under any practice, agreement or understanding.

(b) The United Disclosure Memorandum lists separately any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (collectively, "ERISA Plans"). True, correct and complete copies of all ERISA Plans and, to the extent applicable, all related trust agreements, insurance contracts, summary plan descriptions, Internal Revenue Service determination letters and filings, the past three years of actuarial reports and

valuations, annual reports and Form 5500 filings (including attachments), and any other related documents requested by Clayton or its counsel have been, or prior to the Closing Date will be, made available to Clayton.

(c) United is not currently and has never been in the past required to contribute to a multiemployer plan as defined in Section 3(37)(A) of ERISA. United does not maintain or contribute to, nor within the past six years has it maintained or contributed to, an employee pension benefit plan as defined in Section 3(2) of ERISA that is or was subject to Title IV of ERISA.

(d) Each ERISA Plan has been operated and administered in all material respects in accordance with, and has been amended to comply with (unless such amendment is not yet required), all applicable laws, rules and regulations, including, without limitation, ERISA, the Internal Revenue Code of 1986, as amended ("Code"), and the regulations issued under ERISA and the Code. With respect to each ERISA Plan, other than routine claims for benefits submitted in the ordinary course of the benefits process, no litigation or administrative or other proceeding is pending or, to the knowledge of United, threatened involving such ERISA Plan or any of its fiduciaries. With respect to each ERISA Plan, neither United nor any of its directors, officers, employees or agents, nor to United's knowledge, any "party in interest" or "disqualified person" (as such terms are defined in Section 3(14) of ERISA and Section 4975 of the Code) has been engaged in or been a party to any transaction relating to the ERISA Plan which would constitute a breach of fiduciary duty under ERISA or a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code), unless such transaction is specifically permitted under Sections 407 or 408 of ERISA, Section 4975 of the Code or a class or administrative exemption issued by the Department of Labor. Each ERISA Plan that is a group health plan within the meaning of Section 607(1) of ERISA and Section 4980B of the Code is in compliance with the continuation coverage requirements of Section 501 of ERISA and Section 4980B of the Code.

(e) Of the ERISA Plans, the "employee pension benefit plans" within the meaning of Section 3(2) of ERISA (collectively, the Employee Pension Benefit Plans") are separately identified on the United Disclosure Memorandum. With respect to each Employee Pension Benefit Plan, except as set forth on the United Disclosure Memorandum: (i) such Employee Pension Benefit Plan constitutes a qualified plan within the meaning of Section 401(a) of the Code and the trust is exempt from federal income tax under Section 501(a) of the Code; (ii) all contributions required by such plan have been made; and (iii) no termination, partial termination or discontinuance of contributions has occurred without a determination by the IRS that such action does not affect the tax-qualified status of such plan.

(f) As of the Closing Date, with respect to each ERISA Plan, United will have provided adequate reserves, or insurance or qualified trust funds, to provide for all payments and contributions required, or reasonably expected to be required, to be made under the provisions of such ERISA Plan or required to be made under applicable laws, rules and regulations, with respect to any period prior to the Closing Date to the extent reserves

are required under generally accepted accounting principles, based on an actuarial valuation satisfactory to the actuaries of United representing a projection of claims expected to be incurred under such ERISA Plan.

(g) Except as disclosed on the United Disclosure Memorandum, United does not provide and has no obligation to provide benefits, including, without limitation, death, health or medical benefits (whether or not insured) with respect to current or former employees of United beyond their retirement or other termination of service with United other than (i) coverage mandated by applicable Law, (ii) benefits under the Employee Pension Benefit Plans, or (iii) benefits the full cost of which is borne by the current or former employee or his beneficiary.

(h) Neither this Agreement nor any transaction contemplated hereby will (i) entitle any current or former employee, officer or director of United to severance pay, unemployment compensation or any similar or other payment, or (ii) accelerate the time of payment or vesting of, or increase the amount of compensation or benefits due any such employee, officer or director.

6.5.3 LABOR-RELATED MATTERS. Except as described in the United Disclosure Memorandum, United is not, and has not been, a party to any collective bargaining agreement or agreement of any kind with any union or labor organization or to any agreement with any of its employees which is not terminable at will or upon ninety (90) days notice at the election of, and without cost or penalty to, United. United has not received at any time in the past five (5) years, any demand for recognition from any union, and no attempt has been made, or will have been made as of the Closing Date, to organize any of its employees. United has complied in all material respects with all obligations under the National Labor Relations Act, as amended, the Age Discrimination in Employment Act, as amended, and all other federal, state and local labor laws and regulations applicable to employees. There are no unfair labor practice charges pending or threatened against United, and there are, and in the past three (3) years there have been, no charges, complaints, claims or proceedings, no slowdowns or strikes pending or threatened against, or involving, as the case may be, United with respect to any alleged violation of any legal duty (including but not limited to any wage and hour claims, employment discrimination claims or claims arising out of any employment relationship) by United as to any of its employees or as to any person seeking employment therefrom, and no such violations exist.

6.5.4 RELATED PARTY TRANSACTIONS. Except for (a) loans and extensions of credit made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by United with other persons who are not affiliated with United, and which do not involve more than the normal risk of repayment or present other unfavorable features, (b) deposits, all of which are on terms and conditions identical to those made available to all customers of United at the time such deposits were entered into, and (c) transactions specifically described in the United Disclosure Memorandum, there are no contracts with or commitments to present or former 5% or greater shareholders, directors, officers, or employees involving the expenditure after December

31, 1991 of more than \$60,000 as to any one individual, including with respect to any business directly or indirectly controlled by any such person, or \$100,000 for all such contracts or commitments in the aggregate for all such individuals (other than contracts or commitments relating to services to be performed by any officer, director or employee as a currently-employed employee of United).

6.6 OTHER MATTERS.

6.6.1 REGULATORY REPORTS. United will make available to Clayton for review and inspection all applications, reports or other documents filed by it for each of its past three full fiscal years with any regulatory or governmental agencies. All of such applications, reports and other documents have been prepared in accordance with applicable rules and regulations of the regulatory agencies with which they were filed.

6.6.2 APPROVALS, CONSENTS AND FILINGS. Except for the approval of the Federal Reserve and the Department of Banking, or as set forth in the United Disclosure Memorandum, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby will (a) require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, or (b) violate any order, writ, injunction, decree, statute, rule or regulation applicable to United, or any of United's assets.

6.6.3 DEFAULT. (a) Except for those consents described in or set forth pursuant to Section 6.6.2 above, neither the execution of this Agreement nor consummation of the transactions contemplated herein (i) constitutes a breach of or default under any contract or commitment to which United is a party or by which United or its properties or assets are bound, (ii) does or will result in the creation or imposition of any security interest, lien, encumbrance, charge, equity or restriction of any nature whatsoever in favor of any third party upon any assets of United, or (iii) constitutes an event permitting termination of any agreement or the acceleration of any indebtedness of United.

(b) United is not in default under its articles of incorporation or bylaws or under any term or provision of any security deed, mortgage, indenture or security agreement or of any other contract or instrument to which United is a party or by which it or any of its property is bound.

6.6.4 REPRESENTATIONS AND WARRANTIES. No representation or warranty contained in this Article VI or in any written statement delivered by or at the direction of United pursuant hereto or in connection with the transactions contemplated hereby contains or shall contain any untrue statement, nor shall such representations and warranties taken as a whole omit any statement necessary in order to make any statement not misleading. Copies of all documents that have been or will be furnished to Clayton in connection with this Agreement or pursuant hereto are or shall be true, correct and complete.

6.6.5 UNITED STOCK. The shares of United Stock to be issued and delivered to Clayton Shareholders pursuant to the

terms of the Merger Agreement, when so issued and delivered, will be validly, authorized and issued, fully paid and non-assessable, and no shareholder of United will have any preemptive rights with respect thereto.

ARTICLE VII

CONDUCT OF BUSINESS OF UNITED PENDING CLOSING

Except as expressly otherwise provided herein, United covenants and agrees that, without the prior written consent of Clayton, between the date hereof and the Closing Date:

7.1 CONDUCT OF BUSINESS. United will conduct its business only in the ordinary course, without the creation of any indebtedness for borrowed money (other than deposit and similar accounts and customary credit arrangements between banks in the ordinary course of business).

7.2 MAINTENANCE OF PROPERTIES. United will maintain its properties and assets in good operating condition, ordinary wear and tear excepted.

7.3 INSURANCE. United will maintain and keep in full force and effect all of the insurance referred to in Section 6.3.4(b) hereof or other insurance equivalent thereto in all material respects.

7.4 DIVIDENDS. Except for quarterly dividends in the amount of \$.025 per share, no other dividend, distribution or payment will be declared or made in respect to the United Stock.

7.5 CORPORATE EXISTENCE. United will maintain its corporate existence and powers.

7.6 BANKING ARRANGEMENTS. No change will be made in the banking and safe deposit arrangements referred to in Section 6.2.8 hereof.

7.7 BOOKS AND RECORDS. The books and records of United will be maintained in the usual, regular and ordinary course.

7.7 ADVICE OF CHANGES. United shall promptly advise Clayton orally and in writing of any change or event having, or which the United Management believes could have, a material adverse effect on the assets, liabilities, business, operations or financial condition of United.

ARTICLE VIII

CONDITIONS TO OBLIGATIONS OF UNITED

All of the obligations of United under this Agreement are subject to the fulfillment prior to or at the Closing Date of each of the following conditions, any one or more of which may be waived by United:

8.1 VERACITY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of Clayton contained herein or in

any certificate, schedule or other document delivered pursuant to the provisions hereof, or in connection herewith, shall be true in all material respects as of the date when made and shall be deemed to be made again at and as of the Closing Date and shall be true in all material respects at and as of such time, except as a result of changes or events expressly permitted or contemplated herein.

8.2 PERFORMANCE OF AGREEMENTS. Clayton shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

8.3 CERTIFICATES, RESOLUTIONS, OPINION. Clayton shall have delivered to United:

(a) a certificate executed by the President and Secretary of Clayton, dated as of the Closing Date, and certifying in such detail as United may reasonably request to the fulfillment of the conditions specified in Sections 8.1 and 8.2 hereof;

(b) duly adopted resolutions of the Board of Directors and shareholders of Clayton certified by the Secretary thereof, dated the Closing Date, (i) authorizing and approving the execution of this Agreement (with respect to the directors of Clayton) and the Merger Agreement (with respect to the directors and shareholders of Clayton) and the consummation of the transactions contemplated herein and therein in accordance with their respective terms and (ii) authorizing all other necessary and proper corporate action to enable Clayton to comply with the terms hereof and thereof;

(c) certificates of the valid existence of Clayton and the Clayton Bank under the laws of the State of Georgia, executed by the Secretary of State and the Department of Banking, respectively, and dated not more than five (5) business days prior to the Closing Date;

(d) certificates from the appropriate public officials of the State of Georgia, dated not more than five (5) business days prior to the Closing Date, certifying that Clayton has filed all corporate tax returns required by the laws of such state and has paid all taxes shown thereon to be due; and

(e) an opinion of Porter Keadle Moore LLP, certified public accountants, to the effect that the Merger will be accounted for as a "pooling of interests," which opinion will be subject only to such qualifications, exceptions and factual assumptions as are satisfactory to United.

(f) an opinion of Powell, Goldstein, Frazer & Murphy LLP, counsel for Clayton, dated the Closing Date, in the form attached hereto as Exhibit D.

8.4 Shareholder Approval. The Merger Agreement shall have been approved by the vote of the holders of at least a majority of Clayton Stock.

8.5 REGULATORY APPROVALS. United shall have received from any and all governmental authorities, bodies or agencies having jurisdiction over the transactions contemplated by this Agreement and the Merger Agreement, including, but not limited to the Federal Reserve and the Department of Banking, such consents, authorizations and approvals as are necessary for the consummation thereof and all applicable waiting or similar periods required by law shall have expired.

8.6 EFFECTIVE REGISTRATION STATEMENT. The United Registration Statement shall have been declared effective by the SEC and no stop order shall have been entered with respect thereto.

8.7 CERTIFICATE OF MERGER. The Secretary of State of the State of Georgia shall have issued a certificate of merger with regard to the Merger in accordance with the provisions of the Georgia Business Corporation Code.

8.8 ACCOUNTANTS' LETTER. United shall have received a letter from Mauldin & Jenkins, dated the Closing Date, to the effect that: At the request of Clayton they have carried out procedures to a specified date not more than five business days prior to the Closing Date, which procedures did not constitute an examination in accordance with generally accepted auditing standards, of the financial statements of Clayton, as follows: (a) read the unaudited balance sheets and statements of income of Clayton from December 31, 1996 through the date of the most recent monthly financial statements available in the ordinary course of business; (b) read the minutes of the meetings of shareholders and Board of Directors of Clayton from December 31, 1996 to said date nor more than five business days prior to the Closing Date; and (c) consulted with certain officers and employees of Clayton responsible for financial and accounting matters and, based on such procedures, nothing has come to their attention which would cause them to believe that (i) such unaudited interim balance sheets and statements of income are not fairly presented in conformity with generally accepted accounting principles applied on a basis consistent with that of the 1996 Clayton Financial Statements, (ii) as of said date not more than five business days prior to the Closing Date, the shareholders' equity, long-term debt, reserve for possible loan losses and total assets of Clayton, in each case as compared with the amounts shown in the 1996 Clayton Financial Statements, are not different except as set forth in such letter, or (iii) for the period from December 31, 1996 to said date not more than five business days prior to the Closing Date, the net interest income, total and per-share amounts of consolidated income (before extraordinary items) and net income of Clayton, as compared with the corresponding portion of the preceding 12-month period, are not different except as set forth in such letter.

ARTICLE IX

CONDITIONS TO OBLIGATIONS OF CLAYTON

All of the obligations of Clayton under this Agreement are subject to the fulfillment prior to or at the Closing Date of each of the following conditions, any one or more of which may be waived by it:

9.1 VERACITY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of United contained herein or in any certificate, schedule or other document delivered pursuant to the provisions hereof, or in connection herewith, shall be true in all material respects as of the date when made and shall be deemed to be made again at and as of the Closing Date and shall be true in all material respects at and as of such time, except as a result of changes or events expressly permitted or contemplated herein.

9.2 PERFORMANCE OF AGREEMENTS. United shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing Date.

9.3 CERTIFICATES, RESOLUTIONS, OPINION. United shall have delivered to Clayton:

(a) a certificate executed by the President and Secretary of United, dated the Closing Date, certifying in such detail as Clayton may reasonably request to the fulfillment of the conditions specified in Sections 9.1 and 9.2 hereof;

(b) duly adopted resolutions of the board of directors of United, certified by the Secretary thereof, dated the Closing Date, (i) authorizing and approving the execution of this Agreement and the Merger Agreement on behalf of United, and the consummation of the transactions contemplated herein and therein in accordance with their respective terms, and (ii) authorizing all other necessary and proper corporate actions to enable United to comply with the terms hereof and thereof;

(c) a certificate of the valid existence of United, under the laws of the State of Georgia executed by the Secretary of State of the State of Georgia, dated not more than five (5) business days prior to the Closing Date;

(d) certificates from the appropriate public officials of the State of Georgia, dated not more than five (5) business days prior to the Closing Date, certifying that United has filed all corporate tax returns required by the laws of such state and has paid all taxes shown thereon to be due; and

(e) an opinion of Kilpatrick Stockton LLP, counsel for United, dated the Closing Date, in the form attached hereto as Exhibit E.

9.4 SHAREHOLDER APPROVAL. The Merger Agreement shall have been approved by the vote of the holders of at least a majority of Clayton Stock.

9.5 REGULATORY APPROVALS. Any and all governmental authorities, bodies or agencies having jurisdiction over the transactions contemplated by this Agreement and the Merger Agreement, including, but not limited to the Federal Reserve and the Department of Banking, shall have granted such consents, authorizations and approvals as are necessary for the consummation hereof and thereof, and all applicable waiting or

similar periods required by law shall have expired.

9.6 EFFECTIVE REGISTRATION STATEMENT. The United Registration Statement shall have been declared effective by the SEC and no stop order shall have been entered with respect thereto.

9.7 TAX OPINION. Clayton shall have received from Kilpatrick Stockton LLP its opinion, in form and substance reasonably satisfactory to Clayton, to the effect that:

(1) The Merger and the issuance of shares of United Stock in connection therewith, as described herein and in the Merger Agreement, will constitute a tax-free reorganization under Section 368(a)(1)(A) of the Code;

(2) No gain or loss will be recognized by holders of Clayton Stock upon the exchange of such stock solely for United Stock as a result of the Merger;

(3) Gain or loss will be recognized pursuant to Section 302 of the Code by holders of Clayton Stock upon their receipt of cash in lieu of fractional shares of United Stock and upon their exercise of dissenters' rights;

(4) No gain or loss will be recognized by Clayton as a result of the Merger;

(5) The aggregate tax basis of United Stock received by shareholders of Clayton pursuant to the Merger will be the same as the tax basis of the shares of Clayton Stock exchanged therefor decreased by any portion of such tax basis allocated to fractional shares of United Stock that are treated as redeemed by United; and

(6) The holding period of the shares of United Stock received by the shareholders of Clayton will include the holding period of the shares of Clayton Stock exchanged therefor, provided that the stock of Clayton is held as a capital asset on the date of the consummation of the Merger.

9.8 CERTIFICATE OF MERGER. The Secretary of State of the State of Georgia shall have issued a certificate of merger with regard to the Merger in accordance with the provisions of the Georgia Business Corporation Code.

ARTICLE X

WARRANTIES, NOTICES, ETC.

10.1 WARRANTIES. All statements contained in any certificate or other instrument delivered by or on behalf of Clayton or United pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties hereunder by them. Unless the context otherwise requires, the representations and warranties required of Clayton shall be required to be made, and shall be considered made, on behalf of both Clayton and its subsidiary Clayton Bank, and the representations and warranties required of United, shall be required to be made, and shall be considered made, on behalf of United and the United Subsidiaries.

10.2 SURVIVAL OF REPRESENTATIONS. All representations, warranties, covenants, and agreements made by either party hereto in or pursuant to this Agreement or in any instrument, exhibit, or certificate delivered pursuant hereto shall be deemed to have been material and to have been relied upon by the party to which made, but, except as set forth hereafter or specifically stated in this Agreement, such representations, warranties, covenants, and agreements shall expire and be of no further force and effect upon the consummation of the Merger; provided, however, that the following shall survive consummation of the Merger and the transactions contemplated hereby:

(a) the opinions of counsel referred to in Sections 8.3(f) and 9.3(e) of this Agreement;

(b) any intentional misrepresentation of any material fact made by either party hereto in or pursuant to this Agreement or in any instrument, document or certificate delivered pursuant hereto; and

(c) the covenant with respect to the confidentiality of certain information contained in Section 3.5 hereof.

10.3 NOTICES. All notices or other communications required or permitted to be given or made hereunder shall be in writing and delivered personally or sent by pre-paid, first class certified or registered mail, return receipt requested, or by facsimile transmission, to the intended recipient thereof at its address or facsimile number set out below. Any such notice or communication shall be deemed to have been duly given immediately (if given or made in person or by facsimile confirmed by mailing a copy thereof to the recipient in accordance with this Paragraph 10.3 on the date of such facsimile), or five days after mailing (if given or made by mail), and in proving same it shall be sufficient to show that the envelope containing the same was delivered to the delivery service and duly addressed, or that receipt of a facsimile was confirmed by the recipient as provided above. Either party may change the address to which notices or other communications to such party shall be delivered or mailed by giving notice thereof to the other party hereto in the manner provided herein.

(a) To Clayton: First Clayton Bancshares, Inc.
US 441 & Duval Street
P.O. Box 1250
Clayton, Georgia 30525-9723
Attention: J. Mark Smith
President
Facsimile: (706) 782-7107

With copies to: Powell, Goldstein, Frazer & Murphy
191 Peachtree Street
Suite 1600
Atlanta, Georgia 30303
Attention: Walter G. Moeling, IV
Facsimile: (404) 572-6999

(b) To United: United Community Banks, Inc.
P.O. Box 398
Blairsville, Georgia 30512
Attention: Jimmy Tallent
President
Facsimile: (706) 745-1335

With copies to: Kilpatrick Stockton LLP
Suite 2800
1100 Peachtree Street
Atlanta, Georgia 30303-4530
Attention: Richard R. Cheatham
Facsimile: (404) 815-6555

10.4 ENTIRE AGREEMENT. This Agreement and the Merger Agreement supersede all prior discussions and agreements between Clayton and United with respect to the Merger and the other matters contained herein and therein, and this Agreement and the Merger Agreement contain the sole and entire agreement between Clayton and United with respect to the transactions contemplated herein and therein.

10.5 WAIVER; AMENDMENT. Prior to or on the Closing Date, United shall have the right to waive any default in the performance of any term of this Agreement by Clayton, to waive or extend the time for the fulfillment by Clayton of any or all of Clayton's obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of United under this Agreement, except any condition which, if not satisfied, would result in the violation of any law or applicable governmental regulation. Prior to or on the Closing Date, Clayton shall have the right to waive any default in the performance of any term of this Agreement by United, to waive or extend the time for the fulfillment by United of any or all of United's obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of Clayton under this Agreement, except any condition which, if not satisfied, would result in the violation of any law or applicable governmental regulation. This Agreement may be amended by a subsequent writing signed by the parties hereto, provided, however, that the provisions of Sections 8.5 and 9.5 requiring

regulatory approval shall not be amended by the parties hereto without regulatory approval.

ARTICLE XI

TERMINATION

This Agreement may be terminated at any time prior to or on the Closing Date upon written notice to the other party as follows, and, upon any such termination of this Agreement, neither party hereto shall have any liability to the other, except that the provisions of Section 3.5 hereof shall survive the termination of this Agreement for any reason.

11.1 MATERIAL ADVERSE CHANGE. (a) By United, if, after the date hereof, a material adverse change in the financial condition or business of Clayton shall have occurred which change would reasonably be expected to have a material adverse effect on the market price of Clayton Stock, or if Clayton shall have suffered a material loss or damage to any of its properties or assets, which change, loss or damage materially affects or impairs its ability to conduct its business. (b) By Clayton, if, after the date hereof, a material adverse change in the financial condition or business of United shall have occurred which change would reasonably be expected to have a material adverse effect on the market price of United Stock, or if United shall have suffered a material loss or damage to any its properties or assets, which change, loss or damage materially affects or impairs its ability to conduct its business.

11.2 NONCOMPLIANCE. (a) By United, if the terms, covenants or conditions of this Agreement to be complied with or performed by Clayton before the Closing shall not have been substantially complied with or substantially performed at or before the Closing Date and such noncompliance or nonperformance shall not have been waived by United. (b) By Clayton, if the terms, covenants or conditions of this Agreement to be complied with or performed by United before the Closing shall not have been substantially complied with or substantially performed at or before the Closing Date and such noncompliance or nonperformance shall not have been waived by Clayton.

11.3 FAILURE TO DISCLOSE. (a) By United, if it learns of any fact or condition not disclosed in this Agreement, the Clayton Disclosure Memorandum, or the 1996 Clayton Financial Statements, which was required to be disclosed by Clayton pursuant to the provisions of this Agreement at or prior to the date of execution hereof with respect to the business, properties, assets or earnings of Clayton which materially and adversely affects such business, properties, assets or earnings or the ownership, value or continuance thereof. (b) By Clayton, if it learns of any fact or condition not disclosed in this Agreement, the United Disclosure Memorandum, or the 1996 United Financial Statements, which was required to be disclosed by United pursuant to the provisions of this Agreement at or prior to the date of execution hereof with respect to the business, properties, assets or earnings of United which materially and adversely affect such business, properties, assets or earnings or the ownership, value or continuance thereof.

11.4 ADVERSE PROCEEDINGS. By either party, if any

action, suit or proceeding shall have been instituted or threatened against either party to this Agreement to restrain or prohibit, or to obtain substantial damages in respect of, this Agreement or the consummation of the transactions contemplated herein, which, in the good faith opinion of Clayton or United makes consummation of the transactions herein contemplated inadvisable.

11.5 TERMINATION DATE. By either party, if the Closing Date shall not have occurred on or before November 30, 1997.

11.6 DISSENTERS. By United, if the holders of more than 15,000 shares of the outstanding Clayton Stock elect to exercise this statutory right to dissent from the Merger and demand payment in cash for the "fair value" of their shares

11.7 SHAREHOLDERS VOTE. By either party, if the Merger Agreement is not approved by the Vote of the holders of Clayton Stock as required by applicable law.

11.8 ENVIRONMENTAL LIABILITY OF CLAYTON. By United, if it learns of any potential liability of Clayton arising from noncompliance with any federal, state or local environmental law by Clayton, or any potential liability of Clayton arising from any environmental condition of the properties or assets of Clayton, including any properties or assets in which Clayton holds a security interest.

11.9 ENVIRONMENTAL LIABILITY OF UNITED. By Clayton, if it learns of any potential liability of United arising from noncompliance with any federal, state or local environmental law by United, or any potential liability of United arising from any environmental condition of the properties or assets of United, including any properties or assets in which United holds a security interest.

ARTICLE XII

COUNTERPARTS, HEADINGS, ETC.

This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The headings herein set out are for convenience of reference only and shall not be deemed a part of this Agreement. A pronoun in one gender includes and applies to the other genders as well.

ARTICLE XIII

BINDING EFFECT

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that this Agreement may not be assigned by either party without the prior written consent of the other.

ARTICLE XIV

GOVERNING LAW

The validity and effect of this Agreement and the Merger Agreement and the rights and obligations of the parties hereto and thereto shall be governed by and construed and enforced in accordance with the laws of the State of Georgia.

IN WITNESS WHEREOF, Clayton and United have caused this Agreement to be executed by their respective duly authorized corporate officers and their respective corporate seals to be affixed hereto as of the day and year first above written.

FIRST CLAYTON BANCSHARES, INC.

(CORPORATE SEAL)

By: /s/ John R. Martin
John R. Martin
President

Attest:

/s/ Ronald E. Vandiver
Secretary

UNITED COMMUNITY BANKS, INC.

(CORPORATE SEAL)

By: /s/ Jimmy Tallent
Jimmy Tallent
President

Attest:

/s/ Billy M. Decker
Secretary

-47-

EXHIBIT A

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of this ____ day of June, 1997, by and between UNITED COMMUNITY BANKS, INC. ("United") and FIRST CLAYTON BANCSHARES, INC. ("Clayton"), both Georgia corporations (said corporations are hereinafter collectively referred to as the "Constituent Corporations").

R E C I T A L S:

WHEREAS, the authorized capital stock of United consists of 10,000,000 shares of Common Stock, \$1.00 par value per share (the "United Stock"), of which 6,887,248 shares are issued and outstanding; and

WHEREAS, the authorized capital stock of Clayton consists of 10,000,000 shares of Common Stock, \$1.00 par value per share, of which 400,691 shares are issued and outstanding and 5,000,000 shares of special stock \$1.00 par value per share, none of which is issued and outstanding ("Clayton Stock"); and

WHEREAS, the respective Boards of Directors of the Constituent Corporations deem it advisable and in the best interests of each such corporation and its shareholders that Clayton merge with United, with United being the surviving corporation; and

WHEREAS, the respective Boards of Directors of the Constituent Corporations, by resolutions duly adopted, have unanimously approved and adopted this Agreement, and the Board of Directors of Clayton, by resolution duly adopted, has directed that this Agreement be submitted to the shareholders of Clayton for their approval; and

WHEREAS, United has agreed to issue shares of United Stock which shareholders of Clayton will be entitled to receive, according to the terms and conditions contained herein, on or after the Effective Date (as defined herein) of the merger provided for herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which as legally sufficient consideration are hereby acknowledged, the parties hereto have agreed and do hereby agree, as follows:

1. MERGER.

Pursuant to and with the effects provided in the applicable provisions of Article 11 of the Georgia Business Corporation Code, as amended (Chapter 2 of Title 14 of the Official Code of Georgia), Clayton (hereinafter sometimes referred to as the "Merged Corporation") shall be merged with and into United (the "Merger"). United shall be the surviving corporation (the "Surviving Corporation") and shall continue under the name "United Community Banks, Inc.". On the Effective

Date (as defined herein) of the Merger, the individual existence of the Merged Corporation shall cease and terminate.

2. ACTIONS TO BE TAKEN.

The acts and things required to be done by the Georgia Business Corporation Code in order to make this Agreement effective, including the submission of this Agreement to the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in said Code, shall be attended to and done by the proper officers of the Constituent Corporations with the assistance of counsel as soon as practicable.

3. EFFECTIVE DATE.

The Merger shall be effective upon the approval of this Agreement by the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in the Georgia Business Corporation Code (the "Effective Date").

4. ARTICLES OF INCORPORATION AND BYLAWS OF THE SURVIVING CORPORATION.

(a) The Articles of Incorporation of United, as heretofore amended, shall on the Effective Date be the Articles of Incorporation of the Surviving Corporation.

(b) Until altered, amended or repealed, as therein provided, the Bylaws of United as in effect on the Effective Date shall be the Bylaws of the Surviving Corporation.

5. MANNER AND BASIS OF CONVERTING SHARES OF CAPITAL STOCK; CAPITAL STRUCTURE OF THE SURVIVING CORPORATION.

The manner and basis of converting the shares of capital stock of each of the Constituent Corporations into shares of the Surviving Corporation shall be as follows:

(a) Upon the Effective Date each of the shares of Clayton Stock outstanding on the Effective Date shall be converted into fully paid and nonassessable shares of United Stock at the rate of 1.6136 shares of United Stock for each outstanding share of Clayton Stock. If either party should change the number of its outstanding shares as a result of a stock split, stock dividend, or similar recapitalization with respect to such shares prior to the Effective Date then the shares to be issued hereunder to holders of Clayton Stock shall be proportionately adjusted.

(b) No scrip or fractional share certificates of United Stock shall be issued in connection with the Merger and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to have any of the rights of a shareholder with respect to such fractional interest. In lieu of any fractional interest, there shall be paid in cash an amount (computed to the nearest cent) equal to such fraction multiplied by \$22.00.

(c) As soon as practicable after the Effective Date,

each holder as of the Effective Date of any of the shares of Clayton Stock, upon presentation and surrender of the certificates representing such shares to United, shall be entitled to receive in exchange therefor a certificate representing the number of shares of United Stock to which such shareholder shall be entitled according to the terms of this Agreement. Until such surrender, each such outstanding certificate which prior to the Effective Date represented Clayton Stock shall be deemed for all corporate purposes to evidence ownership of the number of shares of United Stock into which the same shall have been converted and the right to receive payment for fractional shares.

(d) Upon the Effective Date, each share of United Stock issued and outstanding immediately prior to the Effective Date shall continue unchanged and shall continue to evidence a share of common stock of the Surviving Corporation.

6. TERMINATION OF SEPARATE EXISTENCE.

Upon the Effective Date, the separate existence of the Merged Corporation shall cease and the Surviving Corporation shall possess all of the rights, privileges, immunities, powers and franchises, as well of a public nature as of a private nature, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest of or belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed, and the title to any real estate or any interest therein, vested in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger. The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities, obligations and penalties of each of the Constituent Corporations; and any claim existing or action or proceeding, civil or criminal, pending by or against either of said Constituent Corporations may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in its place, and any judgment rendered against either of the Constituent Corporations may thenceforth be enforced against the Surviving Corporation; and neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the Merger.

7. FURTHER ASSIGNMENTS.

If at any time the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other things are necessary or desirable to vest in said corporation, according to the terms hereof, the title to any property or rights of the Merged Corporation, the proper officers and directors of the Merged Corporation shall and will execute and make all such proper assignments and assurances and do all things necessary and proper to vest title in such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement.

8. CONDITIONS PRECEDENT TO CONSUMMATION OF THE MERGER.

This Agreement is subject to, and consummation of the Merger is conditioned upon, the fulfillment as of the Effective Date of each of the following conditions:

(a) Approval of this Agreement by the affirmative vote of the holders of a majority of the outstanding voting shares of Clayton Stock; and

(b) All the terms, covenants, agreements, obligations and conditions of the Agreement and Plan of Reorganization (the "Acquisition Agreement") of even date herewith by and between Clayton and United to be complied with, satisfied and performed on or prior to the Closing Date (as defined therein), shall have been complied with, satisfied and performed in all material respects unless accomplishment of such covenants, agreements, obligations and conditions has been waived by the party benefited thereby.

9. TERMINATION.

This Agreement may be terminated and the Merger abandoned in accordance with the terms of the Acquisition Agreement, at any time before or after adoption of this Agreement by the directors of either of the Constituent Corporations, notwithstanding favorable action on the Merger by the shareholders of the Merged Corporation, but not later than the issuance of the certificate of merger by the Secretary of State of Georgia with respect to the Merger in accordance with the provisions of the Georgia Business Corporation Code.

10. COUNTERPARTS; TITLE; HEADINGS.

This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The title of this Agreement and the headings herein set out are for the convenience of reference only and shall not be deemed a part of this Agreement.

11. AMENDMENTS; ADDITIONAL AGREEMENTS.

At any time before or after approval and adoption by the shareholders of Clayton, this Agreement may be modified, amended or supplemented by additional agreements, articles or certificates as may be determined in the judgment of the respective Boards of Directors of the Constituent Corporations to be necessary, desirable or expedient to further the purposes of this Agreement, to clarify the intention of the parties, to add to or modify the covenants, terms or conditions contained herein or to effectuate or facilitate any governmental approval of the Merger or this Agreement, or otherwise to effectuate or facilitate the consummation of the transactions contemplated hereby; provided, however, that no such modification, amendment or supplement shall reduce to any extent the consideration into which shares of Clayton Stock shall be converted in the Merger pursuant to Section 5 hereof.

IN WITNESS WHEREOF, the Constituent Corporations have each caused this Agreement to be executed on their respective behalfs and their respective corporate seals to be affixed hereto as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

(CORPORATE SEAL)

ATTEST:

By: _____
Jimmy Tallent
President

Secretary

FIRST CLAYTON BANCSHARES, INC.

(CORPORATE SEAL)

ATTEST:

By: _____
J. Mark Smith
President

Secretary

EXHIBIT B

United Community Banks, Inc.
P.O. Box 398
Blairsville, Georgia 30512

Gentlemen:

In connection with the proposed merger (the "Merger") of First Clayton Bancshares, Inc. ("Clayton") with and into United Community Banks, Inc. ("United"), pursuant to the Agreement and Plan of Reorganization of even date herewith among United and Clayton (the "Reorganization Agreement"), the undersigned hereby covenants, represents and warrants as follows:

1. RECOMMENDATION FOR MERGER AND VOTING OF CLAYTON STOCK. The undersigned agrees to recommend to all holders of the capital stock of Clayton ("Clayton Stock") that they vote in favor of the Merger. In addition, the undersigned agrees to vote any and all shares of Clayton Stock owned or controlled by him in favor of the Merger.

2. COMPLIANCE WITH SECURITIES LAWS. The undersigned acknowledges that he will be subject to the restrictions on resales contained in Rule 145 of the Rules and Regulations of the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, and agrees to sell, transfer or otherwise dispose of any shares of capital stock of United ("United Stock") received by him pursuant to the Merger only in compliance with the provisions of such Act and Rule. The undersigned acknowledges that United is not under any obligation to file a registration statement with the SEC covering the disposition of the undersigned's shares of United Stock to be received pursuant to the Merger.

3. RESTRICTIVE LEGEND. The undersigned agrees that the certificates representing shares of United Stock to be issued to the undersigned pursuant to the Merger will be stamped or otherwise imprinted with a legend in substantially the following form:

The shares represented by this certificate may not be sold, transferred or otherwise disposed of except in a transaction covered by an effective registration statement under the Securities Act of 1933, as amended, or in accordance with Rule 145 promulgated thereunder, or in accordance with a legal opinion satisfactory to the Company that such sale or transfer is otherwise exempt from the requirements of such Act.

4. INITIAL RESTRICTION ON DISPOSITION. The undersigned agrees that the undersigned will not, except by operation of law, by will or under the laws of descent and distribution, sell, transfer, or otherwise dispose of the undersigned's interests in, or reduce the undersigned's risk relative to, any of the shares of United Stock into which the undersigned's shares of Clayton Stock are converted upon consummation of the Merger until such time as United notifies the undersigned that the requirements of SEC Accounting Series Release Nos. 130 and 135 ("ASR 130 and 135") have been met. The

undersigned understands that ASR 130 and 135 relate to publication of financial results of post-Merger combined operations of United and Clayton. United agrees that it will publish such results within 45 days after the end of the first fiscal quarter of United containing the required period of post-Merger combined operations and that it will notify the undersigned promptly following such publication.

Sincerely,

[Director or Executive Officer]

EXHIBIT C

FIRST CLAYTON BANCSHARES, INC.

PROPOSED DEFERRED COMPENSATION AGREEMENTS

Summary of Material Terms

June 11, 1997

ELIGIBILITY

J. Mark Smith and Rodney Hickox.

DEFERRED COMPENSATION AMOUNTS

Each agreement would provide for a deferred compensation obligation in the amount of \$78,750, payable by First Clayton Bancshares, Inc. ("First Clayton").

ADJUSTMENT TO OBLIGATION AMOUNTS

There would be no earnings or other type of adjustments to either deferred compensation obligation.

FUNDING OF OBLIGATION

There would be no funding of either deferred compensation obligation. Each is payable from general assets.

PAYMENT OF DEFERRED COMPENSATION OBLIGATIONS

Distribution of each deferred compensation obligation would be made in cash in a lump sum as soon as practicable after the earliest to occur of the following events: (1) passage of ten years; (2) termination of employment other than for Cause, as defined herein; or (3) a change in control (other than a change in the control of First Clayton). If a participant's termination of employment is due to death, the obligation would be paid to the designated beneficiary of the obligee. "Cause" shall mean: (1) conviction of the employee of a felony or (2) conduct by the employee that results in removal from his position as an employee of First Clayton pursuant to a written order by any regulatory agency with authority or jurisdiction over First Clayton or United Community Banks, Inc. or its subsidiaries.

BENEFITS NOT ASSIGNABLE

No amount payable under either agreement would be assignable, except to the extent benefits may be conveyed pursuant to the laws of descent and distribution.

BINDING

Each agreement would be binding upon the successors to First Clayton.

EXHIBIT C

FIRST CLAYTON BANCSHARES, INC.

PROPOSED INCENTIVE STOCK OPTION AWARDS

Summary of Material Terms

June 11, 1997

ELIGIBILITY FOR OPTIONS

J. Mark Smith and Rodney Hickox.

TYPE OF OPTIONS

Incentive stock options.

TERMS OF OPTIONS

Number of Shares. 7,500 option shares each for J. Mark Smith and Rodney Hickox.

Exercise Price. \$31.50 per share. Incentive stock options must have an exercise price equal to fair market value (110% of fair market value in the case of anyone who owns more than 10% of the outstanding shares of First Clayton Bancshares, Inc. ("First Clayton")).

Option Period. Each option would expire on the earlier of the tenth anniversary (fifth anniversary in the case of anyone who owns more than 10% of the outstanding shares of First Clayton) of the date of grant or three months following the date the optionee terminates employment, unless the optionee dies while employed, in which case the option would continue for the original term and may be exercised, to the extent exercisable, by the optionee's estate.

Exercisability. Each option would become exercisable immediately.

*Payment of Exercise Price. Each optionee could pay for option shares by cash, by certified check or by delivery of previously owned shares or, if available, by cashless exercise through a broker.

*Change in Corporate Structure. If First Clayton is not the surviving corporation in a merger or consolidation, the options would be assumed by the successor entity.

*Items denoted by an asterisk require Board approval of plan amendments.

EXHIBIT D

(1) Clayton was duly organized as a corporation, and is existing and in good standing, under the laws of the State of Georgia.

(2) Clayton the corporate power to execute and deliver the Agreement and Plan of Reorganization Agreement (the "Reorganization Agreement") and the Agreement and Plan of Merger Agreement (the "Merger Agreement"), to perform its obligations thereunder, to own and use its Assets and to conduct its business.

(3) Clayton has duly authorized the execution and delivery of the Reorganization Agreement and the Merger Agreement and all performance by Clayton thereunder, and has duly executed and delivered the Reorganization Agreement and the Merger Agreement.

(4) No consent, approval, authorization or other action filed by, or filing with, any governmental authority of the United States or the State of Georgia is required for Clayton's execution and delivery of the Reorganization Agreement and the Merger Agreement and consummation of the Transaction, which consent, approval or authorization has not been previously received.

(5) The Reorganization Agreement and the Merger Agreement are enforceable against Clayton.

(6) The authorized capital stock of Clayton consists of 10,000,000 shares of Common Stock, \$1.00 par value per share, of which 400,691 shares are issued and outstanding and 5,000,000 shares of special stock, \$1.00 par value per share, none of which is issued and outstanding. All of the issued and outstanding capital stock of Clayton has been duly authorized and validly issued and are fully paid and non-assessable and, to such counsel's knowledge, there are no outstanding options, warrants, rights, calls, commitments, conversion rights, plans or other agreements providing for the purchase or issuance of any authorized but unissued shares of such capital stock.

EXHIBIT E

(1) United was duly organized as a corporation, and is existing and in good standing, under the laws of the State of Georgia.

(2) United has the corporate power to execute and deliver the Agreement and Plan of Reorganization (the "Reorganization Agreement") and the Agreement and Plan of Merger (the "Merger Agreement") to perform its obligations thereunder, to own and use its Assets and to conduct its business.

(3) United has duly authorized the execution and delivery of the Reorganization Agreement and the Merger Agreement and all performance by United thereunder, and has duly executed and delivered the Reorganization Agreement and Merger Agreement:

(4) No consent, approval, authorization or other action filed by, or filing with, any governmental authority of the United States or the State of Georgia is required for United's execution and delivery of the Reorganization Agreement and the Merger Agreement and consummation of the Transaction, which consent, approval or authorization has not been previously received.

(5) The Reorganization Agreement and the Merger Agreement are enforceable against United.

(6) The shares of United Stock to be issued upon consummation of the Merger have been duly authorized and upon issuance as contemplated in the Merger Agreement, will be validly issued, fully paid and non-assessable.

FIRST AMENDMENT
OF
AGREEMENT AND PLAN OF REORGANIZATION

THIS FIRST AMENDMENT (this "Amendment") made and entered into as of July 24, 1997, by and between FIRST CLAYTON BANCSHARES, INC., a Georgia business corporation ("Clayton") and UNITED COMMUNITY BANKS, INC., a Georgia business corporation ("United").

RECITALS:

WHEREAS, Clayton and United entered into a certain Agreement and Plan of Reorganization dated as of June 12, 1997 pursuant to which Clayton will merge into United, with United being the surviving corporation (the "Agreement"); and

WHEREAS, the parties now desire to amend certain provisions of the Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1.

Section 3.14 of the Agreement is hereby deleted in its entirety and the following inserted in lieu thereof:

3.14 STOCK OPTION AWARDS AND DEFERRED COMPENSATION.
Clayton and United agree that (i) after the Merger United will grant incentive stock options to J. Mark Smith and Rodney R. Hickox in the same amounts and on substantially the same terms as described in Exhibit C and (ii) Clayton will execute a Deferred Compensation Agreement with each of J. Mark Smith and Rodney R. Hickox on substantially the same terms as described in Exhibit C.

2.

Exhibit C of the Agreement entitled First Clayton Bancshares, Inc. Proposed Deferred Compensation Agreements and First Clayton Bancshares, Inc. Proposed Incentive Stock Option Awards is hereby deleted in its entirety and the attached Exhibit A is substituted in lieu thereof.

Except as modified herein, the terms of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

FIRST CLAYTON BANCSHARES, INC.

(CORPORATE SEAL)

By: /s/ John R. Martin
John R. Martin
President

Attest:

/s/ Ronald E. Vindiver
Secretary

UNITED COMMUNITY BANKS, INC.

(CORPORATE SEAL)

By: /s/ Jimmy Tallent
Jimmy Tallent
President

Attest:

/s/ Billy M. Decker
Billy M. Decker

Exhibit A

EXHIBIT C

FIRST CLAYTON BANCSHARES, INC.

PROPOSED DEFERRED COMPENSATION AGREEMENTS

Summary of Material Terms

ELIGIBILITY

J. Mark Smith and Rodney Hickox.

DEFERRED COMPENSATION AMOUNTS

Each agreement would provide for a deferred compensation obligation in the amount of \$108,750 payable by First Clayton Bancshares, Inc. ("First Clayton").

ADJUSTMENT TO OBLIGATION AMOUNTS

There would be no earnings or other type of adjustments to either deferred compensation obligation.

FUNDING OF OBLIGATION

There would be no funding of either deferred compensation obligation. Each is payable from general assets.

PAYMENT OF DEFERRED COMPENSATION OBLIGATIONS

Distribution of each deferred compensation obligation would be made in cash in a lump sum as soon as practicable after the earliest to occur of the following events: (1) passage of ten years; (2) termination of employment other than for Cause, as defined herein; or (3) a change in control (other than a change in the control of First Clayton). If a participant's termination of employment is due to death, the obligation would be paid to the designated beneficiary of the obligee. "Cause" shall mean: (1) conviction of the employee of a felony or (2) conduct by the employee that results in removal from his position as an employee of First Clayton pursuant to a written order by any regulatory agency with authority or jurisdiction over First Clayton or United Community Banks, Inc. or its subsidiaries.

BENEFITS NOT ASSIGNABLE

No amount payable under either agreement would be assignable, except to the extent benefits may be conveyed pursuant to the laws of descent and distribution.

BINDING

Each agreement would be binding upon the successors to First Clayton.

EXHIBIT C

UNITED COMMUNITY BANKS, INC.

PROPOSED INCENTIVE STOCK OPTION AWARDS

Summary of Material Terms

ELIGIBILITY FOR OPTIONS

J. Mark Smith and Rodney Hickox.

TYPE OF OPTIONS

Incentive stock options to be granted as soon as practicable after the consummation of the merger of United Community Banks, Inc. and First Clayton Bancshares, Inc.

TERMS OF OPTIONS

Number of Shares. 12,102 option shares of United Community Banks, Inc. each for J. Mark Smith and Rodney Hickox.

Exercise Price. The Exercise Price shall be the fair market value of the shares at the date of grant.

Option Period. Each option would expire on the earlier of the tenth anniversary (fifth anniversary in the case of anyone who owns more than 10% of the outstanding shares of United) of the date of grant or three months following the date the optionee terminates employment, unless the optionee dies while employed, in which case the option would continue for the original term and may be exercised, to the extent exercisable, by the optionee's estate.

Exercisability. Each option would become exercisable immediately.

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of this 12th day of June, 1997, by and between UNITED COMMUNITY BANKS, INC. ("United") and FIRST CLAYTON BANCSHARES, INC. ("Clayton"), both Georgia corporations (said corporations are hereinafter collectively referred to as the "Constituent Corporations").

R E C I T A L S:

WHEREAS, the authorized capital stock of United consists of 10,000,000 shares of Common Stock, \$1.00 par value per share (the "United Stock"), of which 6,887,248 shares are issued and outstanding; and

WHEREAS, the authorized capital stock of Clayton consists of 10,000,000 shares of Common Stock, \$1.00 par value per share, of which 400,691 shares are issued and outstanding and 5,000,000 shares of special stock \$1.00 par value per share, none of which is issued and outstanding ("Clayton Stock"); and

WHEREAS, the respective Boards of Directors of the Constituent Corporations deem it advisable and in the best interests of each such corporation and its shareholders that Clayton merge with United, with United being the surviving corporation; and

WHEREAS, the respective Boards of Directors of the Constituent Corporations, by resolutions duly adopted, have unanimously approved and adopted this Agreement, and the Board of Directors of Clayton, by resolution duly adopted, has directed that this Agreement be submitted to the shareholders of Clayton for their approval; and

WHEREAS, United has agreed to issue shares of United Stock which shareholders of Clayton will be entitled to receive, according to the terms and conditions contained herein, on or after the Effective Date (as defined herein) of the merger provided for herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which as legally sufficient consideration are hereby acknowledged, the parties hereto have agreed and do hereby agree, as follows:

1. MERGER.

Pursuant to and with the effects provided in the applicable provisions of Article 11 of the Georgia Business Corporation Code, as amended (Chapter 2 of Title 14 of the Official Code of Georgia), Clayton (hereinafter sometimes referred to as the "Merged Corporation") shall be merged with and into United (the "Merger"). United shall be the surviving corporation (the "Surviving Corporation") and shall continue under the name "United Community Banks, Inc.". On the Effective Date (as defined herein) of the Merger, the individual existence of the Merged Corporation shall cease and terminate.

2. ACTIONS TO BE TAKEN.

The acts and things required to be done by the Georgia Business Corporation Code in order to make this Agreement effective, including the submission of this Agreement to the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in said Code, shall be attended to and done by the proper officers of the Constituent Corporations with the assistance of counsel as soon as practicable.

3. EFFECTIVE DATE.

The Merger shall be effective upon the approval of this Agreement by the shareholders of the Merged Corporation and the filing of the Certificate of Merger relating hereto in the manner provided in the Georgia Business Corporation Code (the "Effective Date").

4. ARTICLES OF INCORPORATION AND BYLAWS OF THE SURVIVING CORPORATION.

(a) The Articles of Incorporation of United, as heretofore amended, shall on the Effective Date be the Articles of Incorporation of the Surviving Corporation.

(b) Until altered, amended or repealed, as therein provided, the Bylaws of United as in effect on the Effective Date shall be the Bylaws of the Surviving Corporation.

5. MANNER AND BASIS OF CONVERTING SHARES OF CAPITAL STOCK;

CAPITAL STRUCTURE OF THE SURVIVING CORPORATION.

The manner and basis of converting the shares of capital stock of each of the Constituent Corporations into shares of the Surviving Corporation shall be as follows:

(a) Upon the Effective Date each of the shares of Clayton Stock outstanding on the Effective Date shall be converted into fully paid and nonassessable shares of United Stock at the rate of 1.6136 shares of United Stock for each outstanding share of Clayton Stock. If either party should change the number of its outstanding shares as a result of a stock split, stock dividend, or similar recapitalization with respect to such shares prior to the Effective Date then the shares to be issued hereunder to holders of Clayton Stock shall be proportionately adjusted.

(b) No scrip or fractional share certificates of United Stock shall be issued in connection with the Merger and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to have any of the rights of a shareholder with respect to such fractional interest. In lieu of any fractional interest, there shall be paid in cash an amount (computed to the nearest cent) equal to such fraction multiplied by \$22.00.

(c) As soon as practicable after the Effective Date, each holder as of the Effective Date of any of the shares of Clayton Stock, upon presentation and surrender of the certificates representing such shares to United, shall be

entitled to receive in exchange therefor a certificate representing the number of shares of United Stock to which such shareholder shall be entitled according to the terms of this Agreement. Until such surrender, each such outstanding certificate which prior to the Effective Date represented Clayton Stock shall be deemed for all corporate purposes to evidence ownership of the number of shares of United Stock into which the same shall have been converted and the right to receive payment for fractional shares.

(d) Upon the Effective Date, each share of United Stock issued and outstanding immediately prior to the Effective Date shall continue unchanged and shall continue to evidence a share of common stock of the Surviving Corporation.

6. TERMINATION OF SEPARATE EXISTENCE.

Upon the Effective Date, the separate existence of the Merged Corporation shall cease and the Surviving Corporation shall possess all of the rights, privileges, immunities, powers and franchises, as well of a public nature as of a private nature, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest of or belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed, and the title to any real estate or any interest therein, vested in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger. The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities, obligations and penalties of each of the Constituent Corporations; and any claim existing or action or proceeding, civil or criminal, pending by or against either of said Constituent Corporations may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in its place, and any judgment rendered against either of the Constituent Corporations may thenceforth be enforced against the Surviving Corporation; and neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the Merger.

7. FURTHER ASSIGNMENTS.

If at any time the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other things are necessary or desirable to vest in said corporation, according to the terms hereof, the title to any property or rights of the Merged Corporation, the proper officers and directors of the Merged Corporation shall and will execute and make all such proper assignments and assurances and do all things necessary and proper to vest title in such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement.

8. CONDITIONS PRECEDENT TO CONSUMMATION OF THE MERGER.

This Agreement is subject to, and consummation of the Merger is conditioned upon, the fulfillment as of the Effective Date of each of the following conditions:

(a) Approval of this Agreement by the affirmative vote of the holders of a majority of the outstanding voting shares of Clayton Stock; and

(b) All the terms, covenants, agreements, obligations and conditions of the Agreement and Plan of Reorganization (the "Acquisition Agreement") of even date herewith by and between Clayton and United to be complied with, satisfied and performed on or prior to the Closing Date (as defined therein), shall have been complied with, satisfied and performed in all material respects unless accomplishment of such covenants, agreements, obligations and conditions has been waived by the party benefited thereby.

9. TERMINATION.

This Agreement may be terminated and the Merger abandoned in accordance with the terms of the Acquisition Agreement, at any time before or after adoption of this Agreement by the directors of either of the Constituent Corporations, notwithstanding favorable action on the Merger by the shareholders of the Merged Corporation, but not later than the issuance of the certificate of merger by the Secretary of State of Georgia with respect to the Merger in accordance with the provisions of the Georgia Business Corporation Code.

10. COUNTERPARTS; TITLE; HEADINGS.

This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The title of this Agreement and the headings herein set out are for the convenience of reference only and shall not be deemed a part of this Agreement.

11. AMENDMENTS; ADDITIONAL AGREEMENTS.

At any time before or after approval and adoption by the shareholders of Clayton, this Agreement may be modified, amended or supplemented by additional agreements, articles or certificates as may be determined in the judgment of the respective Boards of Directors of the Constituent Corporations to be necessary, desirable or expedient to further the purposes of this Agreement, to clarify the intention of the parties, to add to or modify the covenants, terms or conditions contained herein or to effectuate or facilitate any governmental approval of the Merger or this Agreement, or otherwise to effectuate or facilitate the consummation of the transactions contemplated hereby; provided, however, that no such modification, amendment or supplement shall reduce to any extent the consideration into which shares of Clayton Stock shall be converted in the Merger pursuant to Section 5 hereof.

IN WITNESS WHEREOF, the Constituent Corporations have each caused this Agreement to be executed on their respective behalfs and their respective corporate seals to be affixed hereto as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

(CORPORATE SEAL)

ATTEST: By:/s/ Jimmy Tallent
Jimmy Tallent
President

/s/ Billy M. Decker
Secretary

FIRST CLAYTON BANCSHARES, INC.

(CORPORATE SEAL)

ATTEST: By:/s/ J. Mark Smith
J. Mark Smith
President

/s/ Ronald E. Vindiver
Secretary

Attorneys at Law
Suite 2800
1100 Peachtree Street
Atlanta, Georgia 30309-4530
Telephone: 404.815.6500
Facsimile: 404.815.6555

E-mail: shale@kilstock.com

July 24, 1997

Direct Dial: 404.815.6302

United Community Banks, Inc.
P.O. Box 398
Blairsville, Georgia 30512

Re: Agreement and Plan of Merger By and Between United Community
Banks, Inc. and First Clayton Bancshares, Inc.

Gentlemen:

At your request, we have examined the registration statement on Form S-4 (the "Registration Statement") to be filed by United Community Banks, Inc. ("United"), a Georgia corporation, with the Securities and Exchange Commission ("SEC") with respect to the registration under the Securities Act of 1933, as amended, of 646,555 shares of Common Stock, \$1.00 par value, of United (the "Common Stock") to be issued in connection with the merger of First Clayton Bancshares, Inc. ("First Clayton"), a Georgia corporation, into and with United pursuant to the terms and conditions of that certain Agreement and Plan of Merger between United and First Clayton dated June 12, 1997 (the "Merger Agreement").

As your counsel we have examined the originals or copies of such documents, corporate records, certificates of public officials, officers of United and other instruments relating to the authorization and issuance of the Common Stock as we consider necessary for the opinion hereinafter expressed. Upon the basis of the foregoing, it is our opinion that the issuance of up to 646,555 shares of Common Stock pursuant to the terms and provisions described in the Merger Agreement has been duly authorized by the Board of Directors of United, and when such shares are issued pursuant to the terms and conditions described in the Merger Agreement and the Registration Statement such shares will be legally and validly issued, fully-paid and non-assessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and further consent to the use of our name wherever appearing in the Registration Statement.

KILPATRICK STOCKTON LLP

By: /s/ F. Sheffield Hale
F. Sheffield Hale
A Partner

E-mail: abransford@kilstock.com

July 24, 1997

Direct Dial: 404.815.6480

First Clayton Bancshares, Inc.
Village Shopping Center
Highway 441
Clayton, Georgia 30525

Re: Agreement and Plan of Merger By and Between United Community
Banks, Inc. and First Clayton Bancshares, Inc.

Dear Gentlemen:

We have been requested as counsel for United Community Banks, Inc. ("United"), a business corporation organized under the laws of Georgia, to render our opinion expressed below to First Clayton Bancshares, Inc. ("First Clayton"), a Georgia corporation, in connection with the proposed merger (the "Merger") of First Clayton into and with United, pursuant to the terms and conditions of that certain Agreement and Plan of Merger (the "Merger Agreement") by and between First Clayton and United described in that certain Registration Statement on Form S-4 to be filed by United (the "Registration Statement"). Unless otherwise indicated, terms used herein shall have the same meaning as defined in the Registration Statement.

In rendering our opinion, we have examined the Acquisition Agreement and the Merger Agreement, applicable law, regulations, rulings and decisions. Our opinion is based upon our understanding and belief that the facts set forth in the Registration Statement are true and correct, and that the representations made in the Acquisition Agreement and the Merger Agreement are true and correct.

Based on and in reliance on the foregoing, and provided that the Merger is consummated in accordance with the Acquisition Agreement and the Merger Agreement, it is our opinion that:

(1) The Merger of First Clayton into United and the issuance of shares of United Stock in connection therewith, as described in the Acquisition Agreement and the Merger Agreement, will constitute a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

(2) No gain or loss will be recognized for Federal income tax purposes by holders of First Clayton Stock upon the exchange of such stock solely for United Stock as a result of the Merger.

(3) Gain or loss will be recognized pursuant to Section 302 of the Code by holders of First Clayton Stock upon their receipt of cash in lieu of fractional shares of United Stock and upon their exercise of dissenters rights.

First Clayton Bancshares, Inc.
July 24, 1997
Page 2

(4) No gain or loss will be recognized by First Clayton as a result of the Merger.

(5) The aggregate tax basis of the United Stock received by shareholders of First Clayton pursuant to the Merger will be the same as the aggregate tax basis of the shares of First Clayton Stock exchanged therefor, less any portion of such tax basis allocated to shares of First Clayton Stock for which cash is received in lieu of fractional shares of United Stock.

(6) The holding period of the shares of United Stock received by the shareholders of First Clayton will include the holding period of the shares of First Clayton Stock exchanged therefor, provided that First Clayton Stock is held as a capital asset on the date of the consummation of the Merger.

This letter is solely for your information and use and, except to the extent that such may be referred to in the Registration Statement, it is not to be used, circulated, quoted, or referred to for any other purpose or relied upon by any other person for whatever reason without our prior written consent.

KILPATRICK STOCKTON LLP

By: /s/ R. Alexander Bransford, Jr.
R. Alexander Bransford, Jr.

Subsidiaries of United Community Banks, Inc.

Subsidiary	State of Organization
United Community Bank, Blairsville, Georgia (d/b/a Union County Bank in Union County, Georgia; d/b/a First Bank of Habersham in Habersham County, Georgia; d/b/a United Community Bank in Lumpkin County, Georgia)	Georgia
Carolina Community Bank, Murphy, North Carolina	North Carolina
Peoples Bank, Blue Ridge, Georgia	Georgia
Towns County Bank, Hiawassee, Georgia	Georgia
White County Bank, Cleveland, Georgia	Georgia
United Family Finance Co. (formerly Mountain Mortgage and Loan Company), Hiawassee, Georgia, Blue Ridge, Georgia	Georgia

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated March 5, 1997, included in the Annual Report of United Community Banks, Inc. and subsidiaries, on Form 10-K for the year ended December 31, 1996 and incorporated by reference in this Registration Statement on Form S-4. We consent to the use of the aforementioned report in the Registration Statement on Form S-4 and related Prospectus, and to the use of our name as it appears under the caption "Experts".

/s/ PORTER KEADLE MOORE, LLP

Atlanta, Georgia
July 24, 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-4 of our report, dated January 17, 1997, relating to the consolidated financial statements of First Clayton Bancshares, Inc. and subsidiary, contained in the annual report on Form 10-KSB for the year ended December 31, 1996, and to the reference of our Firm under the caption "Experts" in the Proxy Statement/Prospectus.

/s/ Mauldin & Jenkins, LLC

MAULDIN & JENKINS, LLC

Atlanta, Georgia
July 24, 1997