

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2001

Commission File Number 0-21656

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

Georgia	58-180-7304
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
63 Highway 515, PO Box 398 Blairsville, Georgia	30512
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(706) 781-2265**

Securities registered pursuant to Section 12(b) of the Act: None

Name of exchange on which registered: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$1.00 par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 7, 2002: \$335,346,900 based on \$40 per share, the last average sale price known to the Registrant for the common stock, for which there is no established public trading market.

As of March 7, 2002, 11,312,932 shares of common stock were issued, including 140,000 shares deemed outstanding pursuant to prime plus 1/4% convertible subordinated payable-in-kind debentures due December 31, 2006 and presently exercisable options to acquire 477,482 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 25, 2002 are incorporated herein into Part III by reference.

PART I

ITEM 1. BUSINESS.

United and the Banks

United Community Banks, Inc. ("United") was incorporated under the laws of Georgia in 1987 and commenced operations in 1988 by acquiring 100% of the outstanding shares of Union County Bank, Blairsville, Georgia, now known as United Community Bank ("Union County"). United is a bank holding company registered under the Bank Holding Company Act of 1956. All of United's activities are currently conducted by its wholly-owned subsidiaries: Union County, which was organized as a Georgia banking corporation in 1949 and began business in 1950; United Community Bank, Brevard, North Carolina ("North Carolina"), which United acquired in 1990; United Community Bank North Georgia, Blue Ridge, Georgia ("North Georgia"), which United acquired in 1992; United Community Bank Towns County, Hiawassee, Georgia ("Towns County"), which United also acquired in 1992; United Community Bank White County, Cleveland, Georgia ("White County"), which United acquired in 1995; and United Community Bank Rabun County, Clayton, Georgia ("Rabun County"), which United acquired in 1997; United Community Bank Metro, Powder Springs, Georgia ("Metro"), which United acquired in 2000; United Community Bank Dawson County, Dawson, Georgia ("Dawson County"), which United also acquired in 2000; and United Community Bank West Georgia, Carrollton, Georgia ("West Georgia"), which United acquired in 2001. In 1999, United also acquired Bank of Adairsville, Adairsville, Georgia and 1st Floyd Bank, Rome, Georgia, which were merged into Union County in 2001. Union County, North Carolina, North Georgia, Towns County, White County, Rabun County, Metro, Dawson County and West Georgia are collectively referred to in this report as the "Banks."

The Banks are community-oriented, and offer a full range of retail and corporate banking services, including checking, savings, and time deposit accounts, secured and unsecured loans, wire transfers, trust services, and rental of safe deposit boxes. As of December 31, 2001, the Banks operated through 49 locations. To emphasize the commitment to community banking, both Union County and North Georgia operate branches under trade names that are closely identified with the communities in which they are located.

In addition, United owns an inactive insurance agency, United Community Agencies, Inc. ("UAI") and United Intellectual Property Holdings, Inc. ("UIP"), which holds intellectual property rights such as trademarks and tradenames.

The Mortgage People Company ("TMPC"), a division of Union County, is a full-service retail mortgage lending operation approved as a seller/servicer for Federal National Mortgage Association and Federal Home Mortgage Corporation. TMPC was organized to provide fixed and adjustable-rate mortgages. During 2001, TMPC originated \$302 million of residential mortgage loans for the purchase of homes and to refinance existing mortgage debt, of which substantially all were sold into the secondary market with no recourse to TMPC.

Acquired by United in 2000, Brintech, Inc. ("Brintech") is a consulting firm for the financial services industry. Brintech provides consulting and other advisory and implementation services in the areas of strategic planning, profitability improvement, technology, efficiency, security, network, Internet banking, web site development, marketing, core processing, and telecommunications.

Forward-Looking Statements

This Form 10-K, contains forward-looking statements regarding United Community Banks, Inc., including, without limitation, statements relating to United's expectations with respect to revenue, credit losses, levels of nonperforming assets, expenses, earnings and other measures of financial performance. Words such as "may", "could", "would", "should", "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond United's control). The following factors, among others, could cause United's financial performance to differ materially from the expectations expressed in such forward-looking statements: (1) business increases, productivity gains and other investments are lower than expected or do not occur as quickly as anticipated; (2) competitive pressures among financial services companies increase significantly; (3) the

strength of the United States economy in general and/or the strength of the local economies of the states in which United conducts operations changes; (4) trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, change; (5) inflation, interest rates and/or market conditions fluctuate; (6) conditions in the stock market, the public debt market and other capital markets deteriorate; (7) United fails to develop competitive new products and services and/or new and existing customers do not accept these products and services; (8) financial services laws and regulations change; (9) technology changes and United fails to adapt to those changes; (10) consumer spending and saving habits change; (11) unanticipated regulatory or judicial proceedings occur; and (12) United is unsuccessful at managing the risks involved in the foregoing. Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that United files with the Securities and Exchange Commission. United cautions that the foregoing list of factors is not exclusive and not to place undue reliance on forward-looking statements. United does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Form 10-K.

Monetary Policy And Economic Conditions

The operating income and net income of the Banks depend to a substantial extent on the difference between income the Banks receive from their loans, investments, and other earning assets, and the interest the Banks pay on their deposits and other liabilities. These rates are highly sensitive to many factors that are beyond the control of the Banks, including national and international economic conditions and the monetary policies of various governmental and regulatory authorities.

Competition

The market for banking and bank-related services is highly competitive. The Banks actively compete in their respective market areas, which collectively cover north Georgia, metro Atlanta and western North Carolina, with other providers of deposit and credit services. These competitors include other commercial banks, savings banks, savings and loan associations, credit unions, mortgage companies, and brokerage firms. The following table displays each of the Banks and the respective percentage of total deposits in each county where the Bank has operations. The table also indicates the ranking by deposit size in each of the local markets. All information in the table was obtained from the Federal Deposit Insurance Corporation ("FDIC") Summary of Deposits as of June 30, 2001.

United Community Banks, Inc.
Share of Local Markets by County
Banks and Savings Institutions

	<u>Market Share</u>	<u>Rank in Market</u>		<u>Market Share</u>	<u>Rank in Market</u>
Union County			White County		
Bartow	6%	8	White	49%	1
Floyd	14	4			
Habersham	13	4	Towns County		
Hall	1	11	Towns	38	2
Lumpkin	27	2			
Union	79	1	Rabun County		
			Rabun	27	3
North Carolina					
Cherokee	46	1	Metro		
Clay	66	1	Cobb	2	13
Graham	40	1	Paulding	3	6
Haywood	12	5			
Henderson	1	12	Dawson County		
Jackson	19	2	Dawson	37	1
Macon	7	5	Forsyth	1	13
Swain	21	2			
Transylvania	12	4	West Georgia		
			Carroll	5	6
North Georgia			Douglas	1	9
Fannin	60	1			
Gilmer	18	3			

Loans

The Banks make both secured and unsecured loans to individuals, firms, and corporations. Secured loans include first and second real estate mortgage loans. The Banks also make direct installment loans to consumers on both a secured and unsecured basis. At December 31, 2001, commercial, real estate construction, commercial real estate, residential mortgage and installment loans represented approximately 7%, 15%, 32%, 39% and 7% respectively, of United's total loan portfolio.

Specific risk elements associated with each of the Banks' lending categories include, but are not limited to:

Commercial	Industry concentrations; inability to monitor the condition of collateral (inventory, accounts receivable and vehicles); lack of borrower management expertise, increased competition; use of specialized or obsolete equipment as collateral; insufficient cash flow from operations to service debt payment.
Real estate construction	Inadequate long-term financing agreements; cost overruns; lack of a take-out for the permanent financing once construction is complete.
Commercial real estate	Declines in general economic conditions and occupancy rates; business failure and lack of a suitable alternative use for property; environmental contamination.
Residential mortgage	Changes in local economy affecting borrower's employment; insufficient collateral value due to decline in property value.
Installment	Loss of borrower's employment; changes in local economy; the inability to monitor collateral (vehicles, boats, and mobile homes)

Inter-agency guidelines adopted by federal bank regulators mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital. The Banks adopted the federal guidelines as their maximum allowable limits in 2001; however, policy exceptions are permitted for real estate loan customers with strong financial credentials.

Lending Policy

The current lending policy of the Banks is to make loans primarily to persons who reside, work, or own property in their primary market areas. Unsecured loans are generally made only to persons who qualify for such credit based upon net worth. Secured loans are made to persons who are well established and have net worth, collateral, and cash flow to support the loan. Exceptions to the policy are permitted on a case-by-case basis and require the approving officer to document in writing the reason for the exception. Policy exceptions made for borrowers whose total aggregate loans exceed the approving officer's credit limit must be reported to the Bank Board of Directors for approval.

The Banks provide each lending officer with written guidelines for lending activities. Lending authority is delegated by the Boards of Directors of the Banks to loan officers and to Bank loan committees, each of whom is limited in the amount of secured and unsecured loans which he or she can make to a single borrower or related group of borrowers. Loans in excess of individual officer credit authority must either be approved by a senior officer or authorized loan committee with sufficient approval authority and/or be ratified by the Bank Board of Directors.

Loan Review and Non-performing Assets

The Loan Review Department of United reviews, or engages an independent third party to review, each of the Banks' loan portfolios on an annual basis to identify any weaknesses in the portfolio and to assess the general quality of credit underwriting. The results of the reviews by the loan review officers are presented to the Presidents of each of the Banks, the President and the Chief Credit Officer of United, and the Boards of Directors of each of the Banks. If an individual loan or credit relationship has a weakness identified during the review process, the risk rating of the loan, or all loans comprising a credit relationship, will be downgraded to a classification that most closely matches the current risk level. The review process also provides for the upgrade of loans that show improvement since the last review. Since each loan in a credit relationship may have a different credit structure, collateral, and other secondary source of repayment, different loans in a relationship can be assigned different risk ratings. Under United's 10-grade loan grading system, grades 1 through 6 are considered "pass" (acceptable) credit risk, grade 7 is a "special mention" rating, and grades 8 through 10 are "adversely classified" credits that require management's attention. Both the pass and adversely classified ratings, and the entire 10-grade rating scale, provide for a higher numeric rating for increased risk. For example, a risk rating of 1 is the least risky of all credits and would be typical of a loan that is 100% secured by a deposit at one of the Banks. Risk ratings of 2 through 6 in the pass category each have incrementally more risk. The four watch list credit ratings and rating definitions are:

7 (Watch)	Weaknesses exist that could cause future impairment, including the deterioration of financial ratios, past-due status and questionable management capabilities. Collateral values generally afford adequate coverage, but may not be immediately marketable.
8 (Substandard)	Specific and well-defined weaknesses that may include poor liquidity and deterioration of financial ratios. Loan may be past-due and related deposit accounts experiencing overdrafts. Immediate corrective action is necessary.
9 (Doubtful)	Specific weaknesses characterized by Substandard that are severe enough to make collection in full unlikely. No strong secondary source of repayment.
10 (Loss)	Same characteristics as Doubtful; however, probability of loss is certain. Loans classified as such are generally recommended for charge-off at the next Bank Board of Directors meeting.

In addition, the Loan Review Department conducts a quarterly analysis to determine the adequacy of the Allowance for Loan Losses ("ALL") for each of the Banks. The aggregation of the ALL analyses for the Banks provides the consolidated analysis for United. The ALL analysis starts by taking total loans and deducting loans secured by deposit accounts at the Banks, which effectively have no risk of loss. Next, all loans with an adversely classified rating are deducted. The remaining loan balance is then multiplied by the average historical loss rate for the preceding three year period (1999 through 2001), as adjusted to reflect current economic conditions, which provides required minimum ALL for pass credits. The remaining total loans in each of the four watch list rating categories are then multiplied by the following loss factors: Watch (5%); Substandard (25%); Doubtful (50%); and Loss (100%). There is no current process used to measure or adjust for differences between the loss factors for adversely classified loans used in the ALL analysis and actual losses charged to the ALL.

Asset/Liability Committees

United's Committee is composed of the Executive Officers and the Treasurer. The Banks' Committees are composed of officers of each of the Banks and the Treasurer of United. All of the Committees are charged with managing the assets and liabilities of United and each of the Banks. The Committees attempt to manage asset growth, liquidity, and capital to maximize income and reduce interest rate risk. The Committees direct each Bank's overall acquisition and allocation of funds. At periodic meetings, the committees review the monthly asset and liability funds budget in relation to the actual flow of funds and peer group comparisons; the ratio of the amount of rate sensitive assets to the amount of rate sensitive liabilities; the ratio of allowance for loan losses to outstanding and non-performing loans; and other variables, such as expected loan demand, investment opportunities,

core deposit growth within specified categories, regulatory changes, monetary policy adjustments and the overall state of the economy. A more comprehensive discussion of United's Asset/Liability Management and interest rate risk is contained in the *Management's Discussion and Analysis* (Part II, Item 7) and *Quantitative and Qualitative Disclosures About Market Risk* (Part II, Item 7A) sections of this report.

Investment Policy

The Banks' investment portfolio policy is to maximize income consistent with liquidity, asset quality and regulatory constraints. The policy is reviewed from time to time by United's Asset/Liability Committee and the Banks' Boards of Directors. Individual transactions, portfolio composition, and performance are reviewed and approved periodically by the Banks' Boards of Directors or a committee thereof. The Chief Financial Officer and Treasurer of United and the President of each of the Banks administer the policy and report information to the Board of Directors of each of the Banks on a quarterly basis concerning sales, purchases, maturities and calls, resultant gains or losses, average maturity, federal taxable equivalent yields, and appreciation or depreciation by investment categories.

Employees

As of December 31, 2001, United and its subsidiaries had an aggregate of 1,048 full-time equivalent employees. Neither United nor any of the subsidiaries is a party to any collective bargaining agreement, and United believes that employee relations are good. None of United's or the Banks' Executive Officers are employed pursuant to an employment contract although certain of United's Executive Officers have change of control agreements in the event of termination upon change of control. Those agreements are included as exhibits hereto.

Supervision And Regulation

General. United is a registered bank holding company subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "Act"). United is required to file financial information with the Federal Reserve periodically and is subject to periodic examination by the Federal Reserve.

The Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) it may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) it or any of its non-bank subsidiaries may acquire all or substantially all of the assets of a bank; and (3) it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

- making or servicing loans and certain types of leases;
- performing certain data processing services;
- acting as fiduciary or investment or financial advisor;
- providing brokerage services;
- underwriting bank eligible securities;
- underwriting debt and equity securities on a limited basis through separately capitalized subsidiaries; and
- making investments in corporations or projects designed primarily to promote community welfare.

In addition, effective March 11, 2000, bank holding companies whose banking subsidiaries are all well-capitalized and well-managed may apply to become a financial holding company. Financial holding companies have the authority to engage in activities that are “financial in nature” that are not permitted for other bank holding companies. Some of the activities that the Act provides are financial in nature are:

- lending, exchanging, transferring, investing for others or safeguarding money or securities;
- insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker with respect thereto;
- providing financial, investment, or economic advisory services, including advising an investment company;
- issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and
- underwriting, dealing in or making a market in securities.

United must also register with the Georgia Department of Banking and Finance (“DBF”) and file periodic information with the DBF. As part of such registration, the DBF requires information with respect to the financial condition, operations, management and intercompany relationships of United and the Banks and related matters. The DBF may also require such other information as is necessary to keep itself informed as to whether the provisions of Georgia law and the regulations and orders issued thereunder by the DBF have been complied with, and the DBF may examine United and each of the Banks. The North Carolina Banking Commission (“NCBC”), which has the statutory authority to regulate non-banking affiliates of North Carolina banks, in 1992 began using this authority to examine and regulate the activities of North Carolina-based holding companies owning North Carolina-based banks. Although the NCBC has not exercised its authority to date to examine and regulate holding companies outside of North Carolina that own North Carolina banks, it is likely the NCBC may do so in the future.

United is an “affiliate” of the Banks under the Federal Reserve Act, which imposes certain restrictions on (1) loans by the Banks to United, (2) investments in the stock or securities of United by the Banks, (3) the Banks’ taking the stock or securities of an “affiliate” as collateral for loans by the Bank to a borrower, and (4) the purchase of assets from United by the Banks. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services. Each of United’s subsidiaries is regularly examined by the Federal Deposit Insurance Corporation (the “FDIC”). Union County, North Georgia, White County, Towns County, Rabun County, Metro, Dawson County and West Georgia as state banking associations organized under Georgia law, are subject to the supervision of, and are regularly examined by, the DBF. North Carolina is subject to the supervision of, and is regularly examined by, the NCBC and the FDIC. Both the FDIC and the DBF must grant prior approval of any merger, consolidation or other corporation reorganization involving Union County, North Georgia, White County, Towns County, Rabun County, Metro, Dawson County, or West Georgia, and the FDIC and the NCBC must grant prior approval of any merger, consolidation, or other corporate reorganization of North Carolina. A bank can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with the default of a commonly-controlled institution.

Payment of Dividends. United is a legal entity separate and distinct from the Banks. Most of the revenues of United result from dividends paid to it by the Banks. There are statutory and regulatory requirements applicable to the payment of dividends by the Banks, as well as by United to its shareholders.

Union County, North Georgia, Towns County, White County, Rabun County, Metro, Dawson County and West Georgia are each state chartered banks regulated by the DBF and the FDIC. Under the regulations of the DBF, dividends may not be declared out of the retained earnings of a state bank without first obtaining the written permission of the DBF, unless such bank meets all the following requirements:

- (a) total classified assets as of the most recent examination of the bank do not exceed 80% of equity capital (as defined by regulation);
- (b) the aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50% of the net profits after taxes but before dividends for the previous calendar year; and
- (c) the ratio of equity capital to adjusted assets is not less than 6%.

Under North Carolina law, the Board of Directors of North Carolina may declare a dividend for as much of the undivided profits of North Carolina as it deems appropriate.

The payment of dividends by United and the Banks may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending upon the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has issued a policy statement providing that insured banks should generally only pay dividends out of current operating earnings. In addition to the formal statutes and regulations, regulatory authorities consider the adequacy of each of the Bank's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends to the Banks. At December 31, 2001, net assets available from the Banks to pay dividends without prior approval from regulatory authorities totaled approximately \$17 million. For 2001, United's declared cash dividend payout to common stockholders was 15.6% of net income.

Monetary Policy. The results of operations of the Banks are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, as well as the effect of actions by monetary and fiscal authorities, including the Federal Reserve, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand, or the business and income of the Banks.

Capital Adequacy. The Federal Reserve and the FDIC have implemented substantially identical risk-based rules for assessing bank and bank holding company capital adequacy. These regulations establish minimum capital standards in relation to assets and off-balance sheet exposures as adjusted for credit risk. Banks and bank holding companies are required to have (1) a minimum level of total capital (as defined) to risk-weighted assets of eight percent (8%); and (2) a minimum Tier I Capital (as defined) to risk-weighted assets of four percent (4%). In addition, the Federal Reserve and the FDIC have established a minimum three percent (3%) leverage ratio of Tier I Capital to total assets for the most highly-rated banks and bank holding companies. "Tier I Capital" generally consists of common equity not including unrecognized gains and losses on securities, minority interests in equity accounts of consolidated subsidiaries and certain perpetual preferred stock less certain intangibles. The Federal Reserve and the FDIC will require a bank holding company and a bank, respectively, to maintain a leverage ratio greater than three percent (3%) if either is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The Federal Reserve and the FDIC use the leverage ratio in tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The FDIC, the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve have amended, effective January 1, 1997, the capital adequacy standards to provide for the consideration of interest rate risk in the overall determination of a bank's capital ratio, requiring banks with greater interest rate risk to maintain adequate capital for the risk. The revised standards have not had a significant effect on United's capital requirements.

In addition, Section 38 of the Federal Deposit Insurance Act implemented the prompt corrective action provisions that Congress enacted as a part of the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "1991 Act"). The "prompt corrective action" provisions set forth five regulatory zones in which all banks are placed largely based on their capital positions. Regulators are permitted to take increasingly harsh action as a bank's financial condition declines. Regulators are also empowered to place in receivership or require the sale of a bank to another depository institution when a bank's capital leverage ratio reaches 2%. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital. The FDIC has adopted regulations implementing the prompt corrective action provisions of the 1991 Act, which place financial institutions in the following five categories based upon capitalization ratios: (1) a "well capitalized" institution has a total risk-based capital ratio of at least 10%, a Tier I risk-based ratio of at least 6% and a leverage ratio of at least 5%; (2) an "adequately capitalized" institution has a total risk-based capital ratio of at least 8%, a Tier I risk-based ratio of at least 4% and a leverage ratio of at least 4%; (3) an "undercapitalized" institution has a total risk-based capital ratio of under 8%, a Tier I risk-based ratio of under 4% or a leverage ratio of under 4%; (4) a "significantly undercapitalized" institution has a total risk-based capital ratio of under 6%, a Tier I risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a "critically undercapitalized" institution has a leverage ratio of 2% or less. Institutions in any of the three undercapitalized categories would be prohibited from declaring dividends or making capital distributions. The FDIC regulations also establish procedures for "downgrading" an institution to a lower capital category based on supervisory factors other than capital. As of December 31, 2001 and 2000, the most recent notifications from the FDIC categorized each of the Banks as "well capitalized" under current regulations.

Recent Developments. On November 12, 1999, President Clinton signed the Gramm-Leach-Bliley Act, a very significant piece of legislation intended to modernize the financial services industry. The bill repeals the anti-affiliation provisions of the 1933

Glass-Steagall Act to allow for the merger of banking and securities organizations and permits banking organizations to engage in insurance activities including insurance underwriting. The bill also allows bank holding companies to engage in financial activities that are “financial in nature or complementary to a financial activity.” The act lists the expanded areas that are financial in nature and includes insurance and securities underwriting and merchant banking among others. The bill also:

- prohibits non-financial entities from acquiring or establishing a thrift while grandfathering existing thrifts owned by non-financial entities.
- establishes state regulators as the appropriate functional regulators for insurance activities but provides that state regulators cannot “prevent or significantly interfere” with affiliations between banks and insurance firms.
- contains provisions designed to protect consumer privacy. The bill requires financial institutions to disclose their policy for collecting and protecting confidential information and allows consumers to “opt out” of information sharing except with unaffiliated third parties who market the institutions’ own products and services or pursuant to joint agreements between two or more financial institutions.
- provides for functional regulation of a bank’s securities activities by the Securities and Exchange Commission.

Executive Officers Of United

Executive Officers of United are elected by the Board of Directors annually and hold office until they sooner resign or are removed from office by the Board of Directors.

The Executive Officers of United, and their ages, positions with United and the Banks and terms of office as of February 28, 2002, are as follows:

<u>Name (age)</u>	<u>Position with United or Banks</u>	<u>Officer of United Since</u>
Jimmy C. Tallent (49)	President, Chief Executive Officer and Director of United; Chairman of the Board of Union County, Towns County, White County and Metro; Director of North Carolina, North Georgia, Rabun County and Dawson County	1988
Harold Brewer (58)	Executive Vice President and Chief Operating Officer of United since October 2000; Director of United; Chairman of the Board of Brintech; prior to joining United, he was Chairman and Chief Executive Officer of Brintech	2000
Guy W. Freeman (65)	Executive Vice President of Banking and Director of United; Chairman of the Board of North Carolina	1995
Thomas C. Gilliland (54)	Executive Vice President, Secretary, General Counsel and Director of United; Chairman of the Board of North Georgia; Director of West Georgia	1992
Rex S. Schuette (52)	Executive Vice President and Chief Financial Officer of United since February 2001; Director of Brintech; prior to joining United, he was Senior Vice President and Chief Accounting Officer of State Street Corporation (1985-2000) and Chief Financial Officer of BankOne Columbus, NA	2001
James G. Campbell (45)	Senior Vice President of Retail Banking of United since 1999; prior to joining United, he was Regional President with Firststar Bank (formerly Trans Financial Bank)	1999

None of the above officers is related to another and there are no arrangements or understandings between them and any other person pursuant to which any of them was elected as an officer, other than arrangements or understandings with directors or officers of United acting solely in their capacities as such.

ITEM 2. PROPERTIES.

The executive offices of United are located at 220 Earnest Street, Blairsville, Georgia. United leases this property. The Banks conduct business from facilities primarily owned by the respective banks, all of which are in a good state of repair and appropriately designed for use as banking facilities. The Banks provide services or perform operational functions at 52 locations, of which 43 locations are owned and 9 are leased. Note 6 to United's Consolidated Financial Statements includes additional information regarding amounts invested in premises and equipment.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of operations, United and the Banks are defendants in various legal proceedings. In the opinion of management, there is no pending or threatened proceeding in which an adverse decision could result in a material adverse change in the consolidated financial condition or results of operations of United.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the security holders of United during the fourth quarter of the fiscal year covered by this report.

PART II**ITEM 5. MARKET FOR UNITED'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

Stock. There is no established public trading market for United's common stock. United has filed an application and has received approval to be listed on The Nasdaq Stock Market. United's common stock will begin trading on March 18, 2002 under the ticker symbol : UCBI. At December 31, 2001, there were approximately 5,000 shareholders of record. Management of United is aware of 521 sales and transfers of United's stock in 2001, aggregating approximately 637,000 shares in blocks ranging from one share to 27,000 shares at prices ranging from \$29.00 to \$45.00 per share.

Dividends. United declared cash dividends of \$.40 per common share in 2001 and \$.30 per common share in 2000. Federal and state laws and regulations impose restrictions on the ability of United and the Banks to pay dividends. Additional information regarding this item is included in Note 12 to the Consolidated Financial Statements and under the heading of "Supervision and Regulation" in Part I of this report.

ITEM 6. SELECTED FINANCIAL DATA
UNITED COMMUNITY BANKS, INC.
Selected Financial Information
For the Years Ended December 31,

 (in thousands, except per share data;
taxable equivalent)

	2001	2000	1999	1998	1997	1996	5 Year CAGR
OPERATING INCOME SUMMARY (1)							
Interest revenue	\$ 210,036	\$ 213,115	\$ 171,211	\$ 135,706	\$ 109,549	\$ 82,613	
Interest expense	100,874	116,591	90,242	67,664	55,381	40,905	
Net interest revenue	109,162	96,524	80,969	68,042	54,168	41,708	21 %
Provision for loan losses	6,000	7,264	5,966	3,014	3,251	1,937	
Total fee revenue	25,267	18,867	15,693	12,979	10,967	9,316	22
Total revenue	128,429	108,127	90,696	78,007	61,884	49,087	21
Operating expenses	83,906	74,043	63,505	53,104	42,252	33,710	20
Income before taxes	44,523	34,084	27,191	24,903	19,632	15,377	24
Income taxes	16,208	12,337	9,938	9,253	6,262	4,934	
Net income	\$ 28,315	\$ 21,747	\$ 17,253	\$ 15,650	\$ 13,370	\$ 10,443	22
PER COMMON SHARE (1)							
Basic	\$ 2.67	\$ 2.11	\$ 1.71	\$ 1.57	\$ 1.39	\$ 1.15	19
Diluted	2.61	2.07	1.67	1.54	1.38	1.13	18
Cash dividends declared	.40	.30	.20	.15	.10	.10	33
Book value	17.94	14.79	11.82	11.73	10.22	8.08	18
KEY PERFORMANCE RATIOS (1)							
Return on average common stockholders' equity (3)	16.73 %	15.06 %	14.42 %	14.91 %	15.58 %	14.81 %	
Return on average assets	1.10	.89	.81	1.00	1.06	1.08	
Efficiency ratio	62.52	64.15	66.07	66.20	65.61	66.04	
Net interest margin	4.51	4.16	4.07	4.69	4.60	4.86	
Dividend payout ratio	14.98	14.24	11.68	9.55	7.19	8.70	
Average equity to average assets	6.81	5.58	5.47	6.78	6.84	7.30	
ASSET QUALITY							
Allowance for loan losses	\$ 27,124	\$ 24,698	\$ 20,043	\$ 14,402	\$ 12,404	\$ 9,718	
Non-performing assets	9,670	6,716	3,652	2,274	2,052	2,558	
Net charge-offs	4,578	2,976	2,147	1,016	565	405	
Allowance for loan losses to loans	1.35 %	1.38 %	1.28 %	1.20 %	1.25 %	1.29 %	
Non-performing assets to total assets	.35	.27	.15	.13	.15	.24	
Net charge-offs to average loans	.25	.18	.15	.09	.06	.06	
AVERAGE BALANCES							
Loans	\$1,854,968	\$1,683,403	\$1,391,858	\$1,089,792	\$ 881,551	\$ 642,185	24
Earning assets (2)	2,419,080	2,319,389	1,987,825	1,452,740	1,173,292	889,498	23
Total assets	2,585,290	2,453,250	2,139,594	1,565,315	1,256,074	964,154	22
Deposits	2,010,105	1,941,496	1,659,534	1,328,843	1,096,686	857,611	19
Stockholders' equity	176,144	136,810	117,064	106,096	85,872	70,376	20
Common shares outstanding - basic	10,563	10,300	10,079	9,999	9,589	9,080	3
Common shares outstanding - diluted	10,875	10,597	10,421	10,305	9,817	9,271	3
AT PERIOD END							
Loans	\$2,007,990	\$1,792,055	\$1,564,148	\$1,203,495	\$ 991,878	\$ 753,010	22
Earning assets	2,554,530	2,352,475	2,195,712	1,678,016	1,286,832	1,007,848	21
Total assets	2,749,257	2,528,879	2,384,678	1,813,004	1,410,596	1,087,454	21
Deposits	2,116,499	1,995,865	1,869,379	1,432,224	1,203,353	954,081	18
Stockholders' equity	194,665	158,388	119,312	115,364	99,378	74,891	22
Common shares outstanding	10,755	10,514	10,094	9,836	9,726	9,269	3
REPORTED RESULTS, FOR THE YEAR							
Net income	\$ 27,231	\$ 14,517	\$ 16,098	\$ 15,650	\$ 13,370	\$ 10,443	25
Earnings per common share:							
Basic	2.57	1.41	1.60	1.57	1.39	1.15	21
Diluted	2.51	1.39	1.56	1.54	1.38	1.13	21
Return on average common stockholders' equity (3)	16.08 %	10.04 %	13.46 %	14.91 %	15.58 %	14.81 %	

Return on average assets	1.05	.59	.75	1.00	1.06	1.08
Efficiency ratio	63.72	69.15	67.99	66.20	65.61	66.04
Dividend payout ratio	15.56	21.28	12.50	9.55	7.19	8.70

(1) The financial information above is presented on an operating basis which excludes after-tax nonrecurring charges totaling \$1.1 million or \$.10 per diluted common share recorded in 2001, \$7.2 million or \$.68 per diluted common share recorded in 2000, and \$1.2 million or \$.11 per diluted common share in 1999.

(2) Excludes unrealized gains and losses on securities available for sale.

(3) Return on average common equity is calculated by dividing income available to common stockholders by average realized common equity which excludes accumulated other comprehensive income.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide insight into the financial condition and results of operations of United and should be read in conjunction with the consolidated financial statements and accompanying notes.

Overview

United is a bank holding company registered under the Bank Holding Company Act of 1956 and was incorporated under the laws of the state of Georgia in 1987. United's activities are conducted by its wholly-owned subsidiaries, which include a financial services company, and the following banking institutions, (which banks are collectively referred to as the "Banks" in this discussion):

<u>Bank Subsidiaries</u>	<u>Year Acquired</u>	<u>Number of Offices</u>
United Community Bank (Georgia)	1988 ⁽¹⁾	16
United Community Bank (North Carolina)	1990	14
United Community Bank North Georgia	1992	4
United Community Bank Towns County	1992	1
United Community Bank White County	1995	2
United Community Bank Rabun County	1997	1
United Community Bank Dawson County	2000	3
United Community Bank Metro	2000	5
United Community Bank West Georgia	2001	3
Brintech, Inc.	2000	1

(1) Organized as a Georgia banking corporation in 1949 and began business in 1950.

At December 31, 2001, United had total consolidated assets of \$2.7 billion, total loans of \$2 billion, total deposits of \$2.1 billion and stockholders' equity of \$195 million. Excluding merger related charges, United's net income for 2001 was \$28.3 million, an increase of \$6.6 million, or 30%, from 2000, and diluted earnings per share increased to \$2.61 in 2001, from \$2.07 in 2000, or 26%. Return on average common stockholders equity for 2001 was 16.73%, as compared to 15.06% for 2000. Reported net income of \$27.2 million and reported diluted earnings per share of \$2.51 for 2001, increased 80% and 81%, respectively, over reported net income of \$14.5 million and reported diluted earnings per share of \$1.39 for 2000.

Significant Transactions During 2001

On November 7, 2001, United completed its merger with Peoples Bancorp, Inc. ("West Georgia"), a single-bank holding company located in Carrollton, Georgia. United issued 358,126 shares of common stock in exchange for all outstanding shares of West Georgia. The transaction was recorded as a purchase, with the results of operations of West Georgia included in earnings from the date of merger.

Significant Transactions During 2000

Stock Offering

On August 4, 2000, United completed a public offering of 418,377 shares of common stock at a price of \$38.00 per share providing \$15.8 million in new equity capital, net of offering-related expenses. United used the net proceeds of the offering to provide capital for its subsidiary banks and for general corporate purposes, including the reduction of parent company debt.

Mergers

On September 29, 2000, United completed its merger with Brintech, Inc. (“Brintech”), a consulting firm based in New Smyrna Beach, Florida, in exchange for 283,390 shares of United common stock. In addition, United issued \$2.9 million of preferred stock to key non-shareholder employees of Brintech in connection with satisfaction of certain contractual obligations triggered by the change in control of Brintech. Additional information about the business of Brintech is included in the Fee Revenue section of this discussion.

On July 26, 2000, United completed its mergers with North Point Bancshares, Inc. (“Dawson County”), a single-bank holding company based in Dawsonville, Georgia, and Independent Bancshares, Inc. (“Metro”), a single-bank holding company based in Powder Springs, Georgia. United issued 958,024 shares of common stock in exchange for all outstanding shares of Dawson County and 817,604 shares of common stock in exchange for all outstanding shares of Metro.

These mergers were accounted for as poolings of interests, and United’s financial results preceding the dates of the mergers were restated to reflect the combined financial position and results of operations of the acquired units.

Trust Preferred Securities

In 2000, United formed two wholly owned statutory trusts, which issued \$15 million of guaranteed preferred beneficial interests in United’s junior subordinated deferrable interest debentures. These debentures qualify as Tier I capital under Federal Reserve Board guidelines. All of the common securities of the trusts are owned by United. The proceeds from the issuance of the securities and the Trust Preferred Securities were used by the trusts to purchase \$15.5 million of junior subordinated debentures of United, which carry a fixed interest rate. The proceeds received by United from the sale of the junior subordinated debentures were used to prepay line of credit borrowings of approximately \$12.5 million and for other corporate purposes. The debentures represent the sole asset of the trusts. The debentures and related income statement effects are eliminated in United’s financial statements. Refer to Note 9 to the consolidated financial discussion for further information on the terms and structure of these securities.

Other Transactions

On September 8, 2000, United completed the sale of substantially all assets of its consumer finance company subsidiaries to Lendmark Financial Services, Inc. (“Lendmark”) for cash. The assets sold to Lendmark consisted primarily of consumer installment loans, net of the associated allowance for loan losses, with outstanding principal balances of approximately \$6.5 million. There was no material gain or loss recorded in connection with this transaction. The financial assets and liabilities that were not acquired by Lendmark were transferred to one of United’s affiliate banks or to United. The operations of both United Family Finance Co. and United Family Finance Co. of North Carolina were discontinued. Management does not expect to re-enter the consumer finance company business.

Results of Operations

During 2001, 2000 and 1999, United’s reported net income included certain merger related charges. These charges included losses relating to the realignment and sale of a portion of the securities portfolio in 2000, as well as expenses related to mergers completed in all three years. Reported net income for 2001 was \$27.2 million, or \$2.51 per diluted share, compared to \$14.5 million, or \$1.39 per diluted share for 2000 and \$16.1 million or \$1.56 per diluted share for 1999. The reported results for 2001 provided a return on average common stockholders’ equity of 16.08% and a return on average assets of 1.05%.

The remainder of this financial discussion will focus on operating earnings which exclude merger related charges. Management believes operating earnings provide a more suitable basis for analysis. For additional information on nonrecurring charges, refer to Note 2 to the Consolidated Financial Statements.

Net income, excluding merger related charges, was \$28.3 million in 2001, an increase of 30% from the \$21.7 million earned in 2000. Diluted earnings per common share were \$2.61 for 2001, compared with \$2.07 reported for 2000, an increase of 26%. Return on average common equity for 2001 was 16.73%, compared with 15.06% for 2000. Return on average assets for 2001 was 1.10% as compared to .89% in 2000.

Table 1 - Condensed Consolidated Operating Income Summary

For the years ended December 31,
(in thousands, taxable equivalent)

	2001	2000	1999	Change 2001-2000
Interest revenue	\$ 210,036	\$ 213,115	\$ 171,211	(1) %
Interest expense	100,874	116,591	90,242	(13)
Net interest revenue	109,162	96,524	80,969	13
Provision for loan losses	6,000	7,264	5,966	(17)
Net interest revenue after provision for loan losses	103,162	89,260	75,003	16
Fee revenue	25,267	18,867	15,693	34
Total revenue	128,429	108,127	90,696	19
Operating expense	83,906	74,043	63,505	13
Income before income taxes	44,523	34,084	27,191	31
Income tax expense	16,208	12,337	9,938	31
Net income	\$ 28,315	\$ 21,747	\$ 17,253	30

Net Interest Revenue (Taxable Equivalent)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and liabilities) is the single largest component of United's revenue. United actively manages this revenue source to provide an optimal level of revenue while balancing interest rate, credit and liquidity risks. Net interest revenue totaled \$109.2 million in 2001, an increase of \$12.6 million, or 13%, from the level recorded in 2000. Net interest revenue for 2000 increased \$15.6 million, or 19%, over the 1999 level.

The banking industry uses two key ratios to measure relative profitability of net interest revenue. The net interest rate spread measures the difference between the average yield on earning assets and the average rate paid on interest bearing liabilities. The interest rate spread eliminates the impact of non-interest bearing deposits and gives a direct perspective on the effect of market interest rate movements. The net interest margin is defined as net interest revenue as a percent of total average earning assets which includes the positive impact of obtaining a portion of the funding of earning assets with customers' non-interest bearing deposits.

Average interest earning assets increased \$100 million, or 4%, over 2000, reflecting loan growth net of attrition in the securities portfolio. Loan demand continued despite softening economic conditions, resulting in a 10% increase in average loan balances from 2000 with demand accelerating toward the end of the year. Approximately half of the increase in interest-earning assets was funded by interest-bearing sources as the increase in interest-bearing liabilities was approximately \$50 million over 2000.

The declining rate environment caused a reduction of yields earned on assets and rates paid on deposits and other borrowings. During 2001, the Federal Reserve reduced the targeted federal funds rate eleven times for a total reduction of 475 basis points, ending with a rate of 1.75%. The Federal Reserve's actions in 2001 stood in sharp contrast to 2000 when the targeted federal funds rate was increased 100 basis points during the early part of the year. United responded to the falling rate environment of 2001 by actively managing the cost of funds while remaining competitive on deposit products. Improvement in earning-asset mix and an increase in non-interest bearing deposits, positively contributed to net interest revenue. The result was a 37 basis point increase in the net interest spread and a 35 basis point increase in the net interest margin.

For the years 2001, 2000, and 1999, United's net interest spread was 3.90%, 3.53% and 3.58%, while the net interest margin was 4.51%, 4.16% and 4.07%, respectively. An increase in the balance of non-interest bearing funding sources led to the increase in the net interest margin from 1999 to 2000 while the net interest spread remained relatively flat.

The following table shows, for the past three years, the relationship between interest revenue and interest expense and the average balances of interest-earning assets and interest-bearing liabilities.

Table 2 - Average Consolidated Balance Sheet and Net Interest Margin Analysis

For the Years Ended December 31,

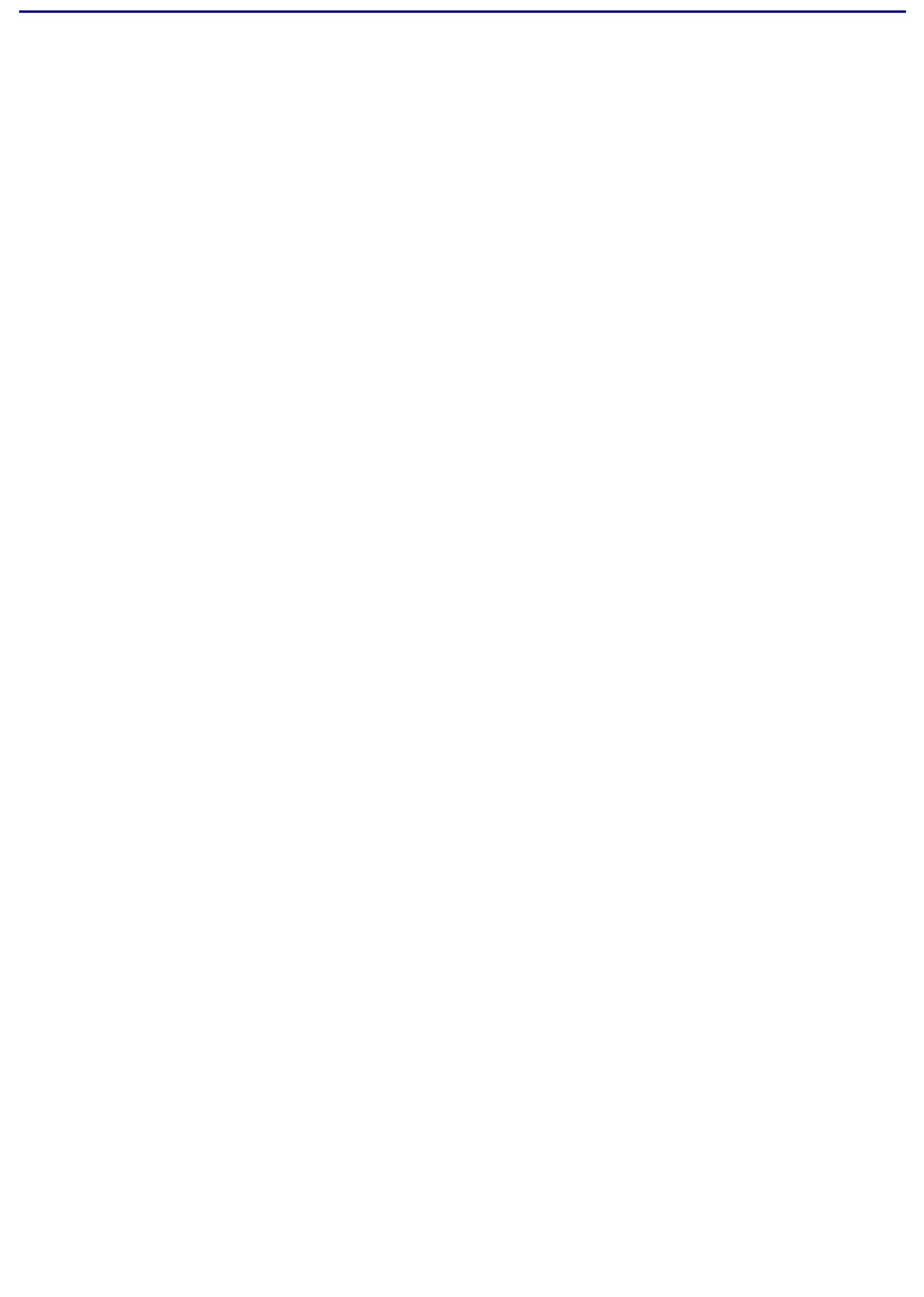
(In thousands, taxable equivalent)

	2001			2000			1999		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:									
Interest-earning assets:									
Loans, net of unearned income (1)	\$ 1,854,968	\$ 175,178	9.44 %	\$ 1,683,403	\$ 170,634	10.14 %	\$ 1,391,858	\$ 134,836	9.69 %
Taxable investments (3)	412,506	27,095	6.57	503,984	33,182	6.58	456,197	27,539	6.04
Tax-exempt investments (1)	76,826	5,357	6.97	82,238	6,044	7.35	87,773	6,276	7.15
Federal funds sold and other interest revenue	74,780	2,406	3.22	49,764	3,255	6.54	51,997	2,560	4.92
Total interest-earning assets	2,419,080	210,036	8.68	2,319,389	213,115	9.19	1,987,825	171,211	8.61
Non-interest-earning assets:									
Allowance for loan losses	(26,231)			(22,421)			(17,230)		
Cash and due from banks	57,675			59,574			72,009		
Premises and equipment	58,426			54,635			53,486		
Other assets	76,340			42,073			43,504		
Total assets	\$ 2,585,290			\$ 2,453,250			\$ 2,139,594		
Liabilities and Stockholders' Equity:									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Transaction accounts	\$ 466,375	\$ 12,628	2.71	\$ 411,551	\$ 17,062	4.15	\$ 389,669	\$ 14,678	3.77
Savings deposits	91,412	1,392	1.52	85,828	2,413	2.81	81,946	2,311	2.82
Certificates of deposit	1,180,463	65,270	5.53	1,196,310	74,011	6.19	970,043	53,726	5.54
Total interest-bearing deposits	1,738,250	79,290	4.56	1,693,689	93,486	5.52	1,441,658	70,715	4.91
Federal Home Loan Bank advances	275,758	15,559	5.64	294,409	17,537	5.96	249,755	13,096	5.24
Long-term debt and other borrowings	96,755	6,025	6.23	72,108	5,568	7.72	102,197	6,431	6.29
Total borrowed funds	372,513	21,584	5.79	366,517	23,105	6.30	351,952	19,527	5.55
Total interest-bearing liabilities	2,110,763	100,874	4.78	2,060,206	116,591	5.66	1,793,610	90,242	5.03
Non-interest-bearing liabilities:									
Non-interest-bearing deposits	271,855			247,807			217,876		
Other liabilities	26,528			8,427			11,044		
Total liabilities	2,409,146			2,316,440			2,022,530		
Stockholders' equity	176,144			136,810			117,064		
Total liabilities and stockholders' equity	\$ 2,585,290			\$ 2,453,250			\$ 2,139,594		
Net interest revenue		\$ 109,162		\$ 96,524			\$ 80,969		
Net interest-rate spread			3.90 %			3.53 %			3.58 %
Net interest margin (2)			4.51 %			4.16 %			4.07 %

(1) Interest revenue on tax-exempt securities and loans has been increased by 50% to reflect comparable interest on taxable securities.

(2) Net interest margin is tax equivalent net-interest revenue divided by average interest-earning assets.

(3) Securities available for sale are reported at amortized cost. Pretax unrealized gains of \$7.8 million in 2001, pretax unrealized losses of \$12.5 million in 2000, and pretax unrealized losses of \$3.8 million in 1999 are included in other assets for purposes of this presentation.



The following table shows the relative impact on net interest revenue of changes in the average outstanding balances (volume) of earning assets and interest bearing liabilities and the rates earned and paid by United on such assets and liabilities.

Table 3 - Change in Interest Revenue and Interest Expense

(in thousands, taxable equivalent)

	2001 Compared to 2000 Increase (decrease) due to changes in			2000 Compared to 1999 Increase (decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans	\$ 22,923	\$ (18,379)	\$ 4,544	\$ 28,496	\$ 7,302	\$ 35,798
Taxable investments	(6,046)	(41)	(6,087)	3,025	2,618	5,643
Tax-exempt investments	(387)	(300)	(687)	(389)	157	(232)
Federal funds sold and other interest revenue	408	(1,257)	(849)	(154)	849	695
Total interest-earning assets	16,898	(19,977)	(3,079)	30,978	10,926	41,904
Interest-bearing liabilities:						
Transaction accounts	1,260	(5,694)	(4,434)	876	1,508	2,384
Savings deposits	79	(1,100)	(1,021)	111	(9)	102
Certificates of deposit	(884)	(7,857)	(8,741)	13,043	7,242	20,285
Total interest-bearing deposits	455	(14,651)	(14,196)	14,030	8,741	22,771
FHLB advances	(1,076)	(902)	(1,978)	2,472	1,969	4,441
Long-term debt and other borrowings	7,476	(7,019)	457	(1,552)	689	(863)
Total borrowed funds	6,400	(7,921)	(1,521)	920	2,658	3,578
Total interest-bearing liabilities	6,855	(22,572)	(15,717)	14,950	11,399	26,349
Increase (decrease) in net interest revenue	\$ 10,043	\$ 2,595	\$ 12,638	\$ 16,028	\$ (473)	\$ 15,555

Any variance attributable jointly to volume and rate changes is allocated to the volume and rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

Provision for Loan Losses

The provision for loan losses was \$6.0 million in 2001, compared with \$7.3 million in 2000, and \$6.0 million in 1999. The provision as a percentage of average outstanding loans for 2001, 2000 and 1999 was .32%, .43% and .43%, respectively. The ratio of net loan charge-offs to average outstanding loans for 2001 was .25%, compared with .18% for 2000 and .15% for 1999. The provision for loan losses for each year is the amount necessary to position the allowance for loan losses at an amount adequate to absorb losses inherent in the loan portfolio as of the balance sheet date.

The provision for loan losses is based on management's evaluation of inherent risks in the loan portfolio and the corresponding analysis of the allowance for loan losses. Additional discussions on loan quality and the allowance for loan losses are included in the Asset Quality section of this report.

Fee Revenue

Total fee revenue for 2001, excluding merger-related charges, was \$25.3 million, compared with \$18.9 million in 2000 and \$15.7 million in 1999. The following table presents the components of fee revenue for 2001, 2000 and 1999.

Table 4 - Fee Revenue

For the Years Ended December 31,
(in thousands)

	2001	2000	1999	Change 2001-2000
Service charges and fees	\$ 9,913	\$ 8,248	\$ 6,710	20 %
Mortgage loan and related fees	6,179	1,429	2,034	332
Consulting fees	4,658	4,733	3,055	(2)
Trust and brokerage fees	1,286	1,085	622	19
Securities gains (losses), net	214	(33)	544	
Other	3,017	3,405	2,728	(11)
Total	\$ 25,267	\$ 18,867	\$ 15,693	34

A significant source of fee revenue for United is service charges and fees on deposit accounts. Total deposit service charges and fees for 2001 were \$9.9 million compared with \$8.2 million in 2000. The growth in service charges and fee revenue was primarily due to the increase in the number of deposit accounts and transactions.

Mortgage loan and related fees for 2001 were \$6.2 million, more than three times the fees recorded in 2000. The increase in origination volume was due to the lower interest rate environment which increased the market for mortgage refinancing. Substantially all of the fees were the result of a higher volume of loan originations which totaled \$302 million of residential mortgages in 2001, as compared to \$116 million in 2000. Substantially all of the mortgages were subsequently sold into the secondary market, including the right to service these loans.

Consulting fees for 2001 were \$4.7 million, slightly less than the amount reported for 2000 reflecting some softness in demand for consulting projects in the fourth quarter of 2001.

Amounts shown above for 2000 exclude \$2.7 million in securities losses related to merger transactions.

Operating Expense

Total operating expense for 2001 was \$83.9 million, compared with \$74.0 million in 2000 and \$63.5 million in 1999. Operating expense for 2001, 2000 and 1999, excludes \$1.6 million, \$7.6 million and \$1.8 million, respectively, of merger-related charges. These charges primarily consisted of employee contractual obligations, write-off of obsolete equipment and other merger costs. The following table presents the components of operating expense, excluding merger related charges, for the years ended December 31, 2001, 2000 and 1999.

Table 5 - Operating Expense
For the Years Ended December 31,
(in thousands)

	2001	2000	1999	Change 2001-2000
Salaries and employee benefits	\$ 49,982	\$ 42,519	\$ 36,550	18 %
Occupancy	8,011	7,330	6,720	9
Communications and equipment	5,986	5,038	4,106	19
Postage, printing and supplies	4,452	3,547	3,782	26
Professional fees	3,406	2,816	2,754	21
Advertising and public relations	2,764	2,904	3,090	(5)
Amortization of intangibles	763	763	838	-
Other expense	8,542	9,126	5,665	(6)
Total operating expense	\$ 83,906	\$ 74,043	\$ 63,505	13

Total salaries and benefits for 2001 were \$50 million, an increase of \$7.5 million, or 18%, over 2000. This increase was primarily due to adding staff to support business growth, new services offered to customers, strengthening of management at the holding company and a merger with West Georgia. At December 31, 2001, United had 1,048 full-time equivalent employees as compared with 968 at year-end 2000.

Occupancy expense for 2001 was \$8 million, an increase of \$.7 million, or 9%, from 2000. The increase is primarily attributable to additional space to support growth in business and new offices.

Communications and equipment expense, which includes software-related expenses, data circuit costs, local phone service, long-distance service and cellular service, increased \$.9 million, or 19%, during 2001. The increase was due primarily to the growth in customers and transactions and software and related maintenance costs incurred in connection with integration and automation projects completed in 2001.

Postage, printing and supplies expense increased \$.9 million, or 26%, primarily due to costs incurred in connection with United's branding campaign and business expansion. During the course of the year, and especially during the fourth quarter of 2001, United incurred charges to write off existing inventories of stationery and supplies with United's old brand names. Additional costs were incurred in establishing the new brand name throughout United's markets.

Professional fees were up \$.6 million, or 21%, from 2000. The increase was primarily due to costs associated with several operating and new product initiatives including Internet banking and imaging roll-out, and higher legal fees incurred to resolve several non-performing loans.

The efficiency ratio measures total operating expenses as a percentage of total revenue, excluding the provision for loan losses, net securities gains (losses) and merger-related expenses. United's efficiency ratio for 2001 was 62.52% as compared with 64.15% for 2000. The improvement in the efficiency ratio is due to managements' focus on controlling operating expenses and improving operating results.

Income Taxes

Income taxes, excluding taxable equivalent adjustments and the tax benefit resulting from merger-related charges, were \$14.1 million in 2001 compared with \$10.0 million in 2000 and \$7.7 million in 1999. The effective tax rates (as a percentage of pre-tax net income) for 2001, 2000 and 1999 were 33.2%, 31.4% and 30.9%, respectively. These effective tax rates are lower than the statutory tax rate primarily due to interest revenue on certain investment securities and loans that are exempt from income taxes. Additional information regarding income taxes can be found in Note 10 to the Consolidated Financial Statements.

Balance Sheet Review

Total assets at December 31, 2001 were \$2.7 billion, an increase of \$220 million, or 9%, from December 31, 2000. On an average basis, total assets increased \$132 million, or 5%, from 2000 to 2001. Average interest earning assets for 2001 were \$2.4 billion, compared with \$2.3 billion for 2000, an increase of 4%.

Loans

Total loans averaged \$1.9 billion in 2001, compared with \$1.7 billion in 2000, an increase of 10%. At December 31, 2001, total loans were \$2 billion, an increase of \$216 million, or 12%, from December 31, 2000. Over the past five years, United has experienced strong loan growth in all markets, with particular strength in loans secured by real estate, both residential and non-residential. The following table presents a summary of the loan portfolio by category over that period.

Table 6 - Loans Outstanding

As of December 31,

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Commercial	\$ 146,754	\$ 177,009	\$ 151,112	\$ 141,743	\$ 146,639
Real estate - construction	308,566	256,886	211,034	161,257	112,190
Commercial real estate	629,114	476,797	411,575	300,143	282,059
Residential mortgage	777,805	717,828	623,215	445,596	311,666
Installment	145,751	163,535	167,212	154,756	139,324
Total loans	<u>\$ 2,007,990</u>	<u>\$ 1,792,055</u>	<u>\$ 1,564,148</u>	<u>\$ 1,203,495</u>	<u>\$ 991,878</u>
As a percentage of total loans:					
Commercial	7 %	10 %	10 %	12 %	15 %
Real estate - construction	15	14	13	13	11
Commercial real estate	32	27	26	25	29
Residential mortgage	39	40	40	37	31
Installment	7	9	11	13	14
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Substantially all of United's loans are to customers located in Georgia and North Carolina, the immediate market areas of the Banks. This includes loan customers who have a seasonal residence in the Banks' market areas. The following table indicates United's loans by specific collateral type or loan purpose as of December 31, 2001 and 2000:

Table 7 - Loans by Collateral Type or Purpose

As of December 31, 2001 and 2000

(in thousands)

	2001		2000	
		Percent of Total Loans		Percent of Total Loans
Secured by real estate:				
Residential - single family	\$ 686,133	34%	\$ 655,919	36%
Non-farm, non-residential	575,115	29	437,088	24
Construction and land development	308,566	15	256,886	14
Home equity lines of credit	91,672	5	61,909	4
Farmland	34,484	2	29,322	2
Multi-family residential	19,515	1	10,387	1
Total loans secured by real estate	1,715,485	86	1,451,511	81
Other loans:				
Commercial and industrial	143,020	7	172,185	10
Consumer installment loans	145,751	7	163,535	9
Agricultural production	3,734	-	4,824	-
Total other loans	292,505	14	340,544	19
Total loans	\$ 2,007,990	100%	\$ 1,792,055	100%

As of December 31, 2001, United's 20 largest credit relationships consisted of loans and loan commitments ranging from \$3.6 to \$15.2 million, with an aggregate total credit exposure of \$126.3 million. All of these customers have been underwritten in accordance with United's credit quality standards and structured in order to minimize United's potential exposure to loss.

The following table sets forth the maturity distribution of commercial and real estate construction loans, including the interest rate sensitivity for loans maturing greater than one year, as of December 31, 2001. United's loan policy does not permit automatic roll-over of matured loans.

Table 8 - Loan Portfolio Maturity

As of December 31, 2001

(in thousands)

	Maturity				Rate Structure for Loans Maturing Over One Year	
	One Year or Less	One through Five Years	Over Five Years	Total	Fixed Rate	Floating Rate
Commercial	\$ 61,878	\$ 72,173	\$ 12,703	\$ 146,754	\$ 46,876	\$ 38,000
Real estate - construction	257,972	50,594	-	308,566	10,864	39,730
Total	\$ 319,850	\$ 122,767	\$ 12,703	\$ 455,320	\$ 57,740	\$ 77,730

Asset Quality and Risk Elements

United manages asset quality and controls credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. United's loan administration function is charged with monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures at all of the Banks. Additional information on United's loan administration function is included in Item 1 under the heading *Loan Review and Non-performing Assets*.

The provision for loan losses charged to earnings is based upon management's judgment of the amount necessary to maintain the allowance at a level adequate to absorb probable losses. The amount each year is dependent upon many factors including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and economic factors and trends. The evaluation of these factors is performed by United's credit administration department through an analysis of the adequacy of the allowance for loan losses.

Reviews of non-performing, past due loans and larger credits, designed to identify potential charges to the allowance for loan losses, as well as determine the adequacy of the allowance, are conducted on a regular basis during the year. These reviews are performed by the responsible lending officers, as well as a separate loan review department, and consider such factors as the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, growth in the loan portfolio, prevailing and anticipated economic conditions and other factors.

The following table presents a summary of changes in the allowance for loan losses for each of the past five years.

Table 9 - Allowance for Loan Losses

Years Ended December 31,

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Balance beginning of period	\$ 24,698	\$ 20,043	\$ 14,402	\$ 12,404	\$ 9,718
Provision for loan losses	6,000	7,631	5,966	3,014	3,251
Allowance for loan losses acquired from subsidiary at merger date	1,004	-	1,822	-	-
Charge-offs:					
Commercial	1,826	676	362	476	200
Real estate - construction	175	-	4	-	-
Real estate - mortgage	1,415	567	782	299	167
Consumer	2,107	2,494	2,038	849	739
Total loans charged-off	<u>5,523</u>	<u>3,737</u>	<u>3,186</u>	<u>1,624</u>	<u>1,106</u>
Recoveries:					
Commercial	129	167	180	296	29
Real estate - construction	32	-	5	-	-
Real estate - mortgage	222	59	331	68	317
Consumer	562	535	523	244	195
Total recoveries	<u>945</u>	<u>761</u>	<u>1,039</u>	<u>608</u>	<u>541</u>
Net charge-offs	<u>4,578</u>	<u>2,976</u>	<u>2,147</u>	<u>1,016</u>	<u>565</u>
Balance end of period	<u>\$ 27,124</u>	<u>\$ 24,698</u>	<u>\$ 20,043</u>	<u>\$ 14,402</u>	<u>\$ 12,404</u>
Total loans:					
At year-end	\$ 2,007,990	\$ 1,792,055	\$ 1,564,148	\$ 1,203,495	\$ 991,878
Average	1,854,968	1,683,403	1,391,858	1,089,792	881,551
Allowance as a percentage of year-end loans	1.35	1.38	1.28	1.20	1.25
As a percentage of average loans:					
Net charge-offs	.25	.18	.15	.09	.06
Provision for loan losses	.32	.45	.43	.28	.37
Allowance as a percentage of non-performing loans	315	444	700	832	872

Management believes that the allowance for loan losses at December 31, 2001 is adequate to absorb losses inherent in the loan portfolio. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part of their periodic examination of the Banks, may require additional charges to the provision for loan losses in future periods if the results of their review warrant such additions.

Non-performing Assets

Non-performing loans, which include non-accrual loans and accruing loans past due over 90 days, totaled \$8.6 million at year-end 2001, compared with \$5.6 million at December 31, 2000. In 2001, two lending relationships with balances greater than \$1 million were added to the list of non-accrual loans. The increase in non-performing loans did not occur in any specific industry. At December 31, 2001, the ratio of non-performing loans to total loans was .43%, compared with .31% at year-end 2000. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled \$9.7 million at December 31, 2001, compared with \$6.7 million at year-end 2000.

United's policy is to place loans on non-accrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms or when the loan becomes 90 days past due and is not well secured nor in the process of collection. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current interest revenue. Depending on management's evaluation of the borrower and loan collateral, interest revenue on a non-accrual loan may be recognized on a cash basis as payments are received. Loans made by the Banks to facilitate the sale of other real estate are made on terms comparable to loans of similar risk.

There were no commitments to lend additional funds to customers whose loans were on non-accrual status at December 31, 2001. The table below summarizes non-performing assets for the last five years.

Table 10- Non-Performing Assets

As of December 31,
(in thousands)

	2001	2000	1999	1998	1997
Non-accrual loans	\$ 8,610	\$ 4,605	\$ 2,106	\$ 1,183	\$ 839
Loans past due 90 days or more and still accruing	-	956	758	547	583
Total non-performing loans	8,610	5,561	2,864	1,730	1,422
Other real estate owned	1,060	1,155	788	544	630
Total non-performing assets	\$ 9,670	\$ 6,716	\$ 3,652	\$ 2,274	\$ 2,052
Total non-performing loans as a percentage of total loans	.43 %	.31 %	.18 %	.14 %	.14 %
Total non-performing assets as a percentage of total assets	.35	.27	.15	.13	.15

At December 31, 2001, United had \$14.7 million of loans which were not classified as non-performing but for which known information about the borrowers' financial condition caused management to have concern about the ability of the borrowers to comply with the repayment terms of the loans. These loans were identified through the loan review process described in the *Asset Quality and Risk Elements* section (see also section titled *Loan Review and Non-performing Assets* in Item 1) of this discussion above that provides for assignment of a risk rating based on a ten-grade scale to all commercial and commercial real estate loans. Based on the evaluation of current market conditions, loan collateral, other secondary sources of repayment and cash flow generation, management does not anticipate any significant losses related to these loans. These loans are subject to continuing management attention and are considered in the determination of the allowance for loan losses.

Investment Securities

The composition of the investment securities portfolio reflects United's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of revenue. The securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits.

Total average investment securities decreased 17% during 2001. The decrease in the average balances for 2001 was due to portfolio attrition. Due to the low rate environment, United allowed the maturity roll-off of the securities portfolio to fund loan demand rather than reinvest in securities with unattractive yields. The following table shows the carrying value of United's securities as of December 31, 2001, 2000 and 1999.

Table 11 - Carrying Value of Investment Securities

As of December 31,

(in thousands)

	2001	2000	1999
Securities available for sale			
U.S. Treasury	\$ 1,951	\$ 6,034	\$ 32,400
U.S. Government agencies	209,532	108,362	134,949
State and political subdivisions	78,123	83,976	82,589
Mortgage-backed securities	174,104	301,363	305,533
Other	30,564	32,376	23,238
Total securities available for sale	\$ 494,274	\$ 532,111	\$ 578,709
Securities held to maturity:			
U.S. Treasury	\$ -	\$ -	\$ -
U.S. Government agencies	-	-	6,821
State and political subdivisions	-	-	3,371
Mortgage-backed securities	-	-	796
Other	-	-	-
Total securities held to maturity	-	-	10,988
Total securities	\$ 494,274	\$ 532,111	\$ 589,697

The investment securities portfolio consists of U.S. Government and agency securities, municipal securities, various equity securities and U.S. Government sponsored agency mortgage-backed securities. A mortgage-backed security relies on the underlying mortgage pools of loans to provide a cash flow of principal and interest. The actual maturities of these securities will differ from the contractual maturities because the loans underlying the security may prepay with or without prepayment penalties. Decreases in interest rates will generally cause an acceleration of prepayment levels. In a declining interest rate environment, United may not be able to reinvest the proceeds from these prepayments in assets that have comparable yields.

At December 31, 2001, United had 24% of its total investment securities portfolio in mortgage backed pass-through securities, all of which are issued or backed by Federal agencies, compared with 27% at December 31, 2000. United did not have securities of any issuer in excess of 10% of equity at year-end 2001 or 2000. Other mortgage-backed securities, including CMOs, represented 11% of the total securities portfolio at December 31, 2001, compared with 29% at year-end 2000. See Note 4 to the Consolidated Financial Statements for further discussion of investment portfolio and related fair value and maturity information.

Deposits

Total average deposits for 2001 were \$2 billion, an increase of \$69 million, or 4% from 2000. Average non-interest bearing demand deposit accounts increased \$24 million, or 10%, and average interest bearing transaction accounts increased \$55 million, or 13%, from 2000. Average time deposits for 2001 were \$1.2 billion, flat when compared to 2000.

Time deposits of \$100,000 and greater totaled \$371 million at December 31, 2001, compared with \$383 million at year-end 2000. United utilizes "brokered" time deposits, issued in certificates of less than \$100,000, as an alternative source of cost-effective funding. Average brokered time deposits outstanding in 2001 and 2000 were \$58.7 and \$53.9 million, respectively. Total interest paid on time deposits of \$100,000 and greater during 2001 was \$19.8 million. The following table sets forth the scheduled maturities of time deposits of \$100,000 and greater and brokered time deposits at December 31, 2001.

Table 12 - Maturities of Time Deposits of \$100,000 and Greater and Brokered Deposits

As of December 31, 2001
(in thousands)

\$100,000 and Greater:	
Three months or less	\$ 120,608
Three to six months	90,066
Six to twelve months	79,890
Over one year	83,003
	<hr/>
Total	\$ 373,567
	<hr/>
Brokered deposits	
Three months or less	\$ 29,000
Three to six months	31,000
Six to twelve months	10,000
Over one year	-
	<hr/>
Total	\$ 70,000
	<hr/>

Wholesale Funding

At December 31, 2001, all of the Banks were shareholders in the Federal Home Loan Bank of Atlanta. Through this affiliation, secured advances totaling \$290 million were outstanding at rates competitive with time deposits of like maturities. United anticipates continued utilization of this short and long term source of funds to minimize interest rate risk. The FHLB advances outstanding at December 31, 2001 had both fixed and floating interest rates ranging from 2.00% to 7.81%. Approximately 33% of the FHLB advances mature prior to December 31, 2002. Additional information regarding FHLB advances, including scheduled maturities, is provided in Note 8 to the consolidated financial statements.

Liquidity Management

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs of United and to take advantage of revenue producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of United to maintain a sufficient level of liquidity in all expected economic environments. Liquidity is defined as the ability of a bank to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining United's ability to meet the daily cash flow requirements of the Banks' customers, both depositors and borrowers.

The primary objectives of asset/liability management are to provide for adequate liquidity in order to meet the needs of customers and to maintain an optimal balance between interest-sensitive assets and interest-sensitive liabilities, so that United can also meet the investment requirements of its shareholders as market interest rates change. Daily monitoring of the sources and uses of funds is necessary to maintain a position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities. Mortgage loans held for sale totaled \$16.5 million at December 31, 2001, and typically turn over every 45 days as the closed loans are sold to investors in the secondary market. Real estate-construction and commercial loans that mature in one year

or less amounted to \$320 million, or 16%, of the total loan portfolio at December 31, 2001. Other short-term investments such as federal funds sold are additional sources of liquidity.

The liability section of the balance sheet provides liquidity through depositors' interest bearing and non-interest bearing accounts. Federal funds purchased, FHLB advances and securities sold under agreements to repurchase are additional sources of liquidity and represent United's incremental borrowing capacity. These sources of liquidity are short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

As disclosed in United's consolidated statements of cash flows, net cash provided by operating activities was \$25 million during 2001. The major sources of cash provided by operating activities are net income partially offset by changes in other assets and other liabilities. Net cash used in investing activities of \$105 million consisted primarily of a net increase in loans of \$161 million and securities purchases of \$129 million funded largely by sales, maturities and paydowns of securities of \$189 million. Net cash provided by financing activities provided the remainder of funding sources for 2001. The \$101 million of net cash provided by financing activities consisted primarily of a \$55 million net increase in deposits, a net increase in FHLB advances of \$25 million and an increase of \$25 million in federal funds purchased and repurchase agreements. In the opinion of management, United's liquidity position at December 31, 2001, is sufficient to meet its expected cash flow requirements.

Capital Resources and Dividends

Stockholders' equity at December 31, 2001 was \$195 million, an increase of \$36.3 million, or 23%, from December 31, 2000. Accumulated other comprehensive income (loss) is not included in the calculation of regulatory capital adequacy ratios. Excluding the change in the accumulated other comprehensive income, stockholders' equity increased 19%. Dividends of \$4.2 million, or \$.40 per share, were declared on common stock in 2001, an increase of 33% per share from the amount declared in 2000. The dividend payout ratios for 2001 and 2000 were 15.0% and 14.2%, respectively, excluding merger-related charges or 15.6% and 21.3%, respectively, based on reported results. United has historically retained the majority of its earnings in order to provide a cost effective source of capital for continued growth and expansion. However, in recognition that cash dividends are an important component of shareholder value, management has instituted a dividend program that provides for increased cash dividends when earnings and capital levels permit.

On December 31, 1996, United completed a private placement of convertible subordinated debentures due December 31, 2006 (the "2006 Debentures"). The 2006 Debentures bear interest at the rate of 25 basis points over the prime rate, as quoted in the *Wall Street Journal*, payable quarterly. The 2006 Debentures may be redeemed, in whole or in part, 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 holders of the 2006 Debentures have the right, exercisable at any time up to December 31, 2006, to convert such debentures at the principal amount thereof into shares of Common Stock of United at the conversion price of \$25 per share, subject to adjustment for stock splits and stock dividends.

The Board of Governors of the Federal Reserve System has issued guidelines for the implementation of risk-based capital requirements by U.S. banks and bank holding companies. These risk-based capital guidelines take into consideration risk factors, as defined by regulators, associated with various categories of assets, both on and off balance sheet. Under the guidelines, capital strength is measured in two tiers which are used in conjunction with risk adjusted assets to determine the risk based capital ratios. The guidelines require an 8% total risk-based capital ratio, of which 4% must be Tier I capital.

United's Tier I capital consists of stockholders' equity, excluding accumulated other comprehensive income, and qualifying capital securities less goodwill and deposit-based intangibles, totaled \$212 million at December 31, 2001. Tier II capital components include supplemental capital components such as a qualifying allowance for loan losses and qualifying subordinated debt. Tier I capital plus Tier II capital components is referred to as Total Risk-based Capital and was \$240 million at December 31, 2001. The ratios, as calculated under the guidelines, were 10.5% and 11.9% for Tier I and Total Risk-based Capital, respectively, at December 31, 2001.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as Tier I capital divided by average assets reduced by the amount of goodwill and deposit-based intangibles. Although a minimum leverage ratio of 3% is required for the highest-rated bank holding companies which are not undertaking significant expansion programs, the Federal Reserve Board requires a bank holding company to maintain a leverage ratio greater than 3% if it is experiencing or anticipating significant

growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve Board. The Federal Reserve Board uses the leverage and risk-based capital ratios to assess capital adequacy of banks and bank holding companies. United's leverage ratios at December 31, 2001 and 2000 were 8.0% and 7.5%, respectively.

At December 31, 2001, all three of the capital ratios of United and the Banks exceed the minimum ratios required by federal regulators. United monitors these ratios to ensure that United and the Banks remain within regulatory guidelines. Further information regarding the actual and required capital ratios of United and the Banks is provided in Note 12 to the consolidated financial statements.

Impact of Inflation and Changing Prices

A bank's asset and liability structure is substantially different from that of an industrial firm in that primarily all assets and liabilities of a bank are monetary in nature, with relatively little investment in fixed assets or inventories. Inflation has an important impact on the growth of total assets and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio.

United's management believes the impact of inflation on financial results depends on United's ability to react to changes in interest rates and, by such reaction, reduce the inflationary impact on performance. United has an asset/liability management program to monitor and manage United's interest rate sensitivity position. In addition, periodic reviews of banking services and products are conducted to adjust pricing in view of current and expected costs.

Outlook

Management expects growth to continue through 2002, although at a slower rate than 2001. Earnings per share are expected to grow at a rate of 12% to 15% based on a stable net interest margin and anticipated loan growth of 5% to 10%.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity Management

The absolute level and volatility of interest rates can have a significant impact on United's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest revenue to changing interest rates, in order to achieve United's overall financial goals. Based on economic conditions, asset quality and various other considerations, management establishes tolerance ranges for interest rate sensitivity and manages within these ranges.

The Company's net interest revenue, and the fair value of its financial instruments, are influenced by changes in the level of interest rates. The Company manages its exposure to fluctuations in interest rates through policies established by Asset/Liability Management Committee ("ALCO") of United and of its subsidiary Banks. The ALCO meets periodically and has responsibility for approving asset/liability management policies, formulating and implementing strategies to improve balance sheet positioning and/or earnings and reviewing the interest rate sensitivity of the Company.

One of the tools management utilizes to estimate the sensitivity of net interest revenue to changes in interest rates is an interest rate simulation model. Such estimates are based upon a number of assumptions for each scenario, including the level of balance sheet growth, deposit repricing characteristics and the rate of prepayments. The simulation model measures the potential change in net interest revenue over a twelve-month period under six interest rate scenarios. The first scenario assumes rates remain flat ("flat rate scenario") over the next twelve months and is the scenario that all others are compared to in order to measure the change in net interest revenue. The second scenario is a most likely scenario that projects the most likely change in rates over the next twelve months based on the slope of the yield curve. United runs shock scenarios assuming an immediate change interest rates up and down 300 basis points and ramp scenarios that assume gradual increases and decreases of 300 basis points each over the next twelve months. United's policy for net interest revenue simulation is limited to a change from the flat rate scenario of less than 15% for the up or down 300 basis point ramp scenarios over twelve months. At December 31, 2001, United's simulation model indicated that a 300 basis point decrease in rates over the next twelve months would cause an approximate 5% decrease in net interest revenue and a 300 basis point increase in rates over the next twelve months would cause an approximate 2% increase in net interest revenue.

Interest rate sensitivity is a function of the repricing characteristics of United's portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest-earning assets and interest-bearing liabilities are subject to change in interest rates either at replacement, repricing or maturity during the life of the instruments. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their repricing characteristics during periods of changes in market interest rates. Effective interest rate sensitivity management seeks to ensure that both assets and liabilities respond to changes in interest rates within an acceptable timeframe, thereby minimizing the impact of interest rate changes on net interest revenue. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in United's current portfolio that are subject to repricing at various time horizons: immediate; one to three months; four to twelve months; one to five years; over five years, and on a cumulative basis. The differences are known as interest sensitivity gaps. The following table shows interest sensitivity gaps for these different intervals as of December 31, 2001.

Table 13 - Interest Rate Gap Sensitivity

As of December 31, 2001

(in thousands)

	Interest Sensitivity Periods in Months					Total
	Immediate	1 to 3	4 to 12	13 to 60	Over 60	
Interest earning assets:						
Interest bearing deposits with banks	\$ 17,604	\$ -	\$ -	\$ -	\$ -	17,604
Federal funds sold	18,124	-	-	-	-	18,124
Securities	3,412	47,967	95,516	225,078	122,301	494,274
Mortgage loans held for sale	16,538	-	-	-	-	16,538
Loans	519,380	344,109	658,272	437,371	48,858	2,007,990
Total interest-earning assets	575,058	392,076	753,788	662,449	171,159	2,554,530
Interest bearing liabilities:						
Demand deposits	526,608	-	-	-	-	526,608
Savings deposits	96,992	-	-	-	-	96,992
Time deposits	-	389,895	556,631	264,281	3,097	1,213,904
Fed funds purchased/repurchase agreements	77,214	-	-	-	-	77,214
FHLB advances	41,000	13,500	48,500	79,845	107,549	290,394
Long-term debt	6,671	-	2,020	3,500	36,000	48,191
Total interest-bearing liabilities	748,485	403,395	607,151	347,626	146,646	2,253,303
Interest rate swaps, net	220,000	-	-	-	-	220,000
Non-interest bearing sources of funds	-	-	-	-	278,995	278,995
Interest sensitivity gap	(393,427)	(11,319)	146,637	314,823	24,513	
Cumulative sensitivity gap	\$ (393,47)	\$ (404,746)	\$ (258,109)	\$ 56,714	\$ 81,513	
Cumulative gap percent (1)	-15%	-16%	-10%	2%	3%	

(1) Cumulative interest rate sensitivity position as a percentage of average total interest-earning assets.

As demonstrated in the preceding table, 78% of interest-bearing liabilities will reprice within twelve months compared with 67% of interest-earning assets, however such changes may not be proportionate with changes in market rates within each balance sheet category. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and its supporting liability can vary significantly while the timing of repricing for both the asset and the liability remains the same, thus impacting net interest revenue. This characteristic is referred to as basis risk and generally relates to the possibility that the repricing characteristics of short-term assets tied to United's prime lending rate are different from those of short-term funding sources such as certificates of deposit.

Varying interest rate environments can create unexpected changes in prepayment levels of assets and liabilities that are not reflected in the interest rate sensitivity analysis. These prepayments may have significant impact on United's net interest margin.

Because of these factors, an interest sensitivity gap analysis may not provide an accurate assessment of United's exposure to changes in interest rates.

Table 13 indicates United is in a liability sensitive or negative static gap position for the first twelve months. This liability sensitive position would generally indicate that United's net interest revenue would decrease should interest rates rise and would increase should interest rates fall. United's simulation model indicates however, that United is asset sensitive and that changes in net interest revenue would be directionally consistent with changes in rates. The difference between the results of the two analysis tools is primarily due to interest-bearing deposit balances that United has some discretion over the timing and extent of rate changes. In the simulation model, management has assumed that such deposits are less sensitive to rising rate movements, since management would delay increases in rates until warranted by competitive pressures. Additionally, interest rate swap contracts having a notional value of \$75 million will mature within eight months of December 31, 2001. United uses both the interest rate gap sensitivity analysis and simulation modeling to determine its exposure to interest rate risk and neither can provide absolute assurance that United is not at risk from interest rate increases and decreases. Management also evaluates the condition of the economy, the pattern of market interest rates and other economic data to determine the appropriate mix and repricing characteristics of assets and liabilities necessary to optimize the net interest margin.

The following table presents the expected maturity of the total investment securities by maturity date and average yields based on amortized cost (for all obligations on a fully taxable basis) at December 31, 2001. The composition and maturity/repricing distribution of the securities portfolio is subject to change depending on rate sensitivity, capital and liquidity needs.

Table 14 - Expected Maturity of Available for Sale Investment Securities

As of December 31, 2001

(in thousands)

	Maturity By Years				
	1 or Less	1 to 5	5 to 10	Over 10	Total
U.S. Treasury	\$ 1,951	\$ -	\$ -	\$ -	\$ 1,951
U.S. Government agencies	23,100	150,494	26,240	9,698	209,532
State and political subdivisions	10,118	27,844	25,227	14,934	78,123
Other securities (1)	28,826	112,521	61,322	1,999	204,668
Total securities available for sale	\$ 63,995	\$ 290,859	\$ 112,789	\$ 26,631	\$ 494,274
Weighted average yield (2)	6.57%	6.43%	5.42%	6.86%	6.24%

(1) Includes mortgage-backed securities

(2) Based on amortized cost, taxable equivalent basis

In order to assist in achieving a desired level of interest rate sensitivity, United has entered into off-balance sheet contracts that are considered derivative financial instruments during 2001, 2000 and 1999. Derivative financial instruments can be a cost and capital effective means of modifying the repricing characteristics of on-balance sheet assets and liabilities. These contracts include interest rate swaps under which United pays a variable rate and receives a fixed rate, and interest rate cap contracts for which United pays an up-front premium in exchange for a variable cash flow if interest rates exceed the cap contract rate.

The interest rate cap contracts have been written down to their fair value in the consolidated balance sheet. The following table presents United's interest rate cap contracts outstanding at December 31, 2001.

Table 15 - Interest Rate Cap Contracts

As of December 31, 2001

(in thousands)

Maturity	Notional Amount	Contract Index	Contract Rate	Fair Value
August 27, 2002	\$ 20,000	Prime	10%	-

The following table presents United's interest rate swap contracts outstanding at December 31, 2001.

Table 16 - Interest Rate Swap Contracts

As of December 31, 2001

(in thousands)

Type / Maturity	Notional Amount	Rate Received	Rate Paid (1)	Fair Value
Fair Value Contracts				
June 7, 2002	\$ 10,000	9.05	4.75	\$ 171
June 14, 2002	10,000	9.12	4.75	181
June 24, 2002	10,000	8.80	4.75	192
June 24, 2002	10,000	9.09	4.75	206
July 29, 2002	25,000	9.04	4.75	560
August 10, 2002	10,000	9.60	4.75	287
January 2, 2003	15,000	7.21	4.75	292
Total Fair Value Contracts	90,000	8.79	4.75	1,889
Cash Flow Contracts				
March 24, 2003	25,000	7.80	4.75	708
June 18, 2003	25,000	7.85	4.75	756
January 2, 2004	20,000	6.35	4.75	(40)
September 19, 2004	5,000	7.01	4.75	(23)
November 22, 2004	15,000	7.00	4.75	(54)
August 29, 2006	10,000	8.32	4.75	21
September 5, 2006	5,000	8.16	4.75	(22)
September 6, 2006	5,000	8.35	4.75	150
September 24, 2011	10,000	8.61	4.75	(409)
September 28, 2011	10,000	8.60	4.75	(122)
Total Cash Flow Contracts	130,000	7.66	4.75	965
Total/weighted average	\$ 220,000	8.12 %	4.75 %	\$ 2,854

(1) Based on prime rate at December 31, 2001.

Effective January 1, 1999, United adopted SFAS No. 133, as amended by SFAS No. 137 and 138 which requires all derivative financial instruments to be included and recorded at fair value on the balance sheet. United's derivative financial instruments are classified as fair value and cash flow hedges. Fair value hedges recognize currently in earnings both the impact of change in the fair value of the derivative financial instrument and the offsetting impact of the change in fair value of the hedged asset or liability. The change in fair value of cash flow hedges is recognized in other comprehensive income.

United requires all derivative financial instruments be used only for asset/liability management through the hedging of specific transactions or positions, and not for trading or speculative purposes. Management believes that the risk associated with using derivative financial instruments to mitigate interest rate risk sensitivity is minimal and should not have any material unintended impact on United's financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the registrant and report of independent auditors are included herein as follows:



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
United Community Banks, Inc.
Blairsville, Georgia

We have audited the accompanying consolidated balance sheets of United Community Banks, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1999 consolidated financial statements of Independent Bancshares, Inc. and subsidiary or the 1999 consolidated financial statements of North Point Bancshares, Inc. and subsidiary, which were pooled with United Community Banks, Inc. in 2000 as explained in note 2 to the consolidated financial statements. The statements are included in the accompanying consolidated financial statements and reflect net income of \$2,630,000 for the year ended December 31, 1999. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to these amounts, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Community Banks, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Porter Keadle Moore, LLP

Atlanta, Georgia
January 21, 2002

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Income

For the Years Ended December 31, 2001, 2000 and 1999

(in thousands, except per share data)

	2001	2000	1999
Interest revenue:			
Loans, including fees	\$ 170,538	\$ 175,494	\$ 134,986
Investment securities:			
Taxable	27,095	33,182	27,539
Tax exempt	3,571	4,029	4,184
Federal funds sold and deposits in banks	1,732	2,999	2,283
Total interest revenue	207,892	210,748	168,992
Interest expense:			
Deposits:			
Demand	12,628	17,062	14,678
Savings	1,392	2,413	2,311
Time	65,270	74,011	53,726
Other borrowings	79,290	93,486	70,715
	21,584	23,105	19,527
Total interest expense	100,874	116,591	90,242
Net interest revenue	107,018	94,157	78,750
Provision for loan losses	6,000	7,631	5,966
Net interest revenue after provision for loan losses	101,018	86,526	72,784
Fee revenue:			
Service charges and fees	9,913	8,248	6,710
Mortgage loan and other related fees	6,179	1,429	2,034
Consulting fees	4,658	4,733	3,055
Trust and brokerage fees	1,286	1,085	622
Securities gains (losses), net	214	(2,687)	544
Other	3,017	3,405	2,728
Total fee revenue	25,267	16,213	15,693
Non-interest expense:			
Salaries and employee benefits	49,982	42,519	36,550
Occupancy	8,011	7,330	6,720
Communications and equipment	5,986	5,038	4,106
Postage, printing and supplies	4,452	3,547	3,782
Professional fees	3,406	2,816	2,754
Advertising and public relations	2,764	2,904	3,090
Amortization of intangibles	763	763	838
Merger-related charges	1,617	7,613	1,845
Other	8,542	9,126	5,665
Total non-interest expense	85,523	81,656	65,350
Income before income taxes	40,762	21,083	23,127
Income taxes	13,531	6,566	7,029
Net income	\$ 27,231	\$ 14,517	\$ 16,098
Net income available to common shareholders	\$ 27,110	\$ 14,474	\$ 16,098
Earnings per common share:			
Basic	\$ 2.57	\$ 1.41	\$ 1.60
Diluted	2.51	1.39	1.56
Weighted average common shares outstanding (in thousands):			
Basic	10,563	10,300	10,079
Diluted	10,875	10,597	10,421

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

As of December 31, 2001 and 2000

Assets

(in thousands, except share data)

	2001	2000
Cash and due from banks	\$ 87,299	\$ 80,109
Interest-bearing deposits in banks	17,604	2,404
Federal funds sold	18,124	19,780
	<hr/>	<hr/>
Cash and cash equivalents	123,027	102,293
Securities available for sale	494,274	532,111
Mortgage loans held for sale	16,538	6,125
Loans, net of allowance of \$27,124 and \$24,698	1,980,866	1,767,357
Premises and equipment, net	64,066	56,930
Interest receivable	22,544	25,384
Other assets	47,942	38,679
	<hr/>	<hr/>
Total assets	\$ 2,749,257	\$ 2,528,879

Liabilities and Stockholders' Equity

Liabilities:

Deposits:

Demand	\$ 278,995	\$ 257,375
Interest-bearing demand	526,608	413,978
Savings	96,992	86,568
Time	1,213,904	1,237,944
	<hr/>	<hr/>
Total deposits	2,116,499	1,995,865
Accrued expenses and other liabilities	22,294	23,518
Federal funds purchased and repurchase agreements	77,214	52,640
Federal Home Loan Bank advances	290,394	257,225
Long-term debt	48,191	41,243
	<hr/>	<hr/>
Total liabilities	2,554,592	2,370,491

Commitments and Contingencies

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Stockholders' equity:

Preferred stock, \$1 par value; \$10 stated value; 10,000,000 shares authorized; issued 172,600 and 287,410 shares	1,726	2,874
Common stock, \$1 par value; 50,000,000 shares authorized; issued 10,902,962 and 10,513,949	10,903	10,514
Capital surplus	73,732	59,386
Retained earnings	108,371	85,718
Treasury stock, at cost; 147,474 shares	(5,749)	--
Accumulated other comprehensive income (loss)	5,682	(104)
	<hr/>	<hr/>
Total stockholders' equity	194,665	158,388
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 2,749,257	\$ 2,528,879

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity
For the Years Ended December 31, 2001, 2000 and 1999
(in thousands, except share data)

	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 1998	\$ --	\$ 9,836	\$42,489	\$ 61,491	\$ --	\$ 1,548	\$ 115,364
Comprehensive income:							
Net income	--	--	--	16,098	--	--	16,098
Other comprehensive loss:							
Unrealized holding losses on securities available for sale (net of deferred tax benefit of \$6,583)	--	--	--	--	--	(10,806)	(10,806)
Reclassification adjustment for gains on securities available for sale included in fee revenue (net of tax expense of \$206)	--	--	--	--	--	(338)	(338)
Comprehensive income				16,098		(11,144)	4,954
Cash dividends declared (\$0.20 per share)	--	--	--	(1,542)	--	--	(1,542)
Cash dividends declared by pooled subsidiaries	--	--	--	(806)	--	--	(806)
Common stock issued for options (30,546 shares)	--	31	311	--	--	--	342
Stock dividends declared by pooled subsidiaries (191,642 shares)	--	192	236	(428)	--	--	--
Proceeds from capital investments into pooled subsidiary (35,423 shares)	--	35	965	--	--	--	1,000
Balance, December 31, 1999	--	10,094	44,001	74,813	--	(9,596)	119,312
Comprehensive income:							
Net income	--	--	--	14,517	--	--	14,517
Other comprehensive income:							
Unrealized holding gains on securities available for sale (net of deferred tax expense of \$5,238)	--	--	--	--	--	8,514	8,514
Reclassification adjustment for losses on securities available for sale included in fee revenue (net of tax benefit of \$599)	--	--	--	--	--	978	978
Comprehensive income				14,517		9,492	24,009
Cash dividends declared (\$0.30 per share)	--	--	--	(2,923)	--	--	(2,923)
Cash dividends declared by pooled subsidiaries	--	--	--	(646)	--	--	(646)
Common stock offering, net (418,377 shares)	--	418	15,346	--	--	--	15,764
Common stock issued for options (2,000 shares)	--	2	39	--	--	--	41
Preferred stock issued (287,410 shares)	2,874	--	--	--	--	--	2,874
Dividends declared on preferred stock (\$0.15 per share)	--	--	--	(43)	--	--	(43)
Balance, December 31, 2000	2,874	10,514	59,386	85,718	--	(104)	158,388
Comprehensive income:							
Net income	--	--	--	27,231	--	--	27,231
Other comprehensive income:							
Unrealized holding gains on securities available for sale (net of deferred tax expense of \$2,829)	--	--	--	--	--	5,288	5,288
Reclassification adjustment for gains on securities available for sale included in fee revenue (net of tax expense of \$75)	--	--	--	--	--	(139)	(139)
Unrealized gains on derivative financial instruments qualifying as cash flow hedges (net of deferred tax expense of \$328)	--	--	--	--	--	637	637
Comprehensive income				27,231		5,786	33,017
Cash dividends declared (\$0.40 per share)	--	--	--	(4,238)	--	--	(4,238)
Common stock issued for acquisition (358,126 shares)	--	358	13,243	(219)	--	--	13,382
Common stock issued for options (30,887 shares)	--	31	392	--	--	--	423
Preferred stock retired (114,810 shares)	(1,148)	--	--	--	--	--	(1,148)
Treasury stock purchased (147,474 shares)	--	--	--	--	(5,749)	--	(5,749)
Reduction of KSOP liability	--	--	711	--	--	--	711
Dividends declared on preferred stock (\$0.60 per share)	--	--	--	(121)	--	--	(121)
Balance, December 31, 2001	\$ 1,726	\$ 10,903	\$ 73,732	\$108,371	\$(5,749)	\$ 5,682	\$ 194,665

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2001, 2000 and 1999

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating activities:			
Net income	\$ 27,231	\$ 14,517	\$ 16,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	6,299	5,451	5,782
Provision for loan losses	6,000	7,631	5,966
Deferred income tax benefit	(59 4)	(3,791)	(1,857)
(Gain) loss on sale of securities available for sale	(214)	1,577	(544)
Loss on sale of securities held to maturity	--	1,110	--
(Gain) loss on disposal of premises and equipment	(290)	1,848	--
Change in assets and liabilities, net of effects of purchase acquisitions:			
Other assets and accrued interest receivable	(22)	(8,420)	(5,072)
Accrued expenses and other liabilities	(3,008)	(770)	5,182
Mortgage loans held for sale	(10,413)	201	1,805
Net cash provided by operating activities	24,989	19,354	27,360
Investing activities, net of effects of purchase acquisitions:			
Proceeds from sales of securities available for sale	30,457	58,990	9,132
Proceeds from sales of securities held to maturity	--	3,867	--
Proceeds from maturities and calls of securities available for sale	158,317	84,316	110,082
Purchases of securities available for sale	(129,200)	(78,833)	(267,920)
Proceeds from maturities and calls of securities held to maturity	--	1,920	1,533
Purchases of securities held to maturity	--	--	(114)
Net increase in loans	(160,925)	(232,107)	(347,992)
Purchases of premises and equipment	(7,980)	(7,166)	(9,831)
Cash acquired from acquisitions and (paid for) branch purchases	2,895	--	(2,757)
Cash deposits for life insurance contracts	(942)	(3,350)	--
Proceeds from sale of other real estate	2,406	889	267
Net cash used in investing activities	(104,972)	(171,474)	(507,600)
Financing activities, net of effects of purchase acquisitions:			
Net change in deposits	54,859	126,486	407,088
Net change in federal funds purchased and repurchase agreements	24,574	20,828	5,656
Net change in notes payable and other borrowings	6,948	(16,812)	19,596
Proceeds from FHLB advances	149,000	231,625	201,625
Repayments of FHLB advances	(123,831)	(268,679)	(100,907)
Proceeds from Trust Preferred Securities	--	14,479	--
Proceeds from exercise of stock options	423	41	216
Proceeds from common stock offering	--	15,764	--
Proceeds from capital investment into pooled subsidiaries	--	1,000	--
Retirement of preferred stock	(1,148)	--	--
Purchase of treasury stock	(5,749)	--	--
Cash dividends on common stock	(4,238)	(3,139)	(2,223)
Cash dividends on preferred stock	(121)	(43)	--
Net cash provided by financing activities	100,717	120,550	532,051
Net change in cash and cash equivalents	20,734	(31,570)	51,811
Cash and cash equivalents at beginning of period	102,293	133,863	82,052
Cash and cash equivalents at end of period	\$ 123,027	\$ 102,293	\$ 133,863

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

The accounting principles followed by United Community Banks, Inc. ("United") and its subsidiaries and the methods of applying these principles conform with accounting principles generally accepted in the United States of America and with general practices within the banking industry. The following is a description of the more significant of those policies.

Organization and Basis of Presentation

United is a multi-bank holding company whose business is conducted by its wholly-owned bank subsidiaries. United is subject to regulation under the Bank Holding Company Act of 1956. The consolidated financial statements include the accounts of United Community Banks, Inc. and its wholly-owned commercial bank subsidiaries in Georgia and North Carolina, United Community Bank: Union County; North Carolina; North Georgia; Towns County; White County; Rabun County; Dawson County; Metro; and, West Georgia (collectively, the "Banks"), and Brintech, Inc., a financial services consulting subsidiary based in New Smyrna Beach, Florida. All significant intercompany accounts and transactions have been eliminated in consolidation. During 2001, United merged two of its subsidiary banks, Bank of Adairsville and 1st Floyd Bank, into United Community Bank Union County.

The Banks are commercial banks that serve markets throughout north Georgia, metropolitan Atlanta and western North Carolina and provide a full range of banking services. The Banks are insured and subject to the regulation of the Federal Deposit Insurance Corporation ("FDIC").

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the balance sheet and revenue and expenses for the years then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate that is used as collateral for a substantial portion of United's loans and real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with these valuations, management obtains independent appraisals for significant properties.

Cash and Cash Equivalents

Cash equivalents include amounts due from banks, interest bearing deposits in banks, and federal funds sold. Generally, federal funds are sold for one-day periods and interest bearing deposits in banks mature within a period less than 90 days.

Investment Securities

United classifies its securities in one of three categories: held to maturity, available for sale, or trading. Trading securities are bought and held principally for the purpose of selling them in the near term. United does not have investments classified in the trading category. Held to maturity securities are those securities for which United has the ability and intent to hold until maturity. All other securities are classified as available for sale. At December 31, 2001 and 2000, all securities were available for sale.

Held to maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on securities available for sale are excluded from earnings and are reported in other comprehensive income as a separate component of stockholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held to maturity to available for sale are recorded as a separate component of stockholders' equity. These unrealized holding gains or losses are amortized into earnings over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

A decline in the fair value of investments below cost that is deemed other than temporary is charged to earnings and establishes a new cost basis for the security.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available for sale and held to maturity securities are included in earnings and are derived using the specific identification method for determining the cost of the securities sold.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net earnings for the period in which the change occurs. No market valuation allowances were required at December 31, 2001 or 2000.

Loans and Allowance for Loan Losses

All loans are stated at principal amount outstanding, net of any unearned revenue. Interest on loans is primarily calculated by using the simple interest method on daily balances of the principal amount outstanding.

Except for installment and revolving credit loans, accrual of interest is discontinued on a loan when a loan becomes 90 days past due and is not both well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest revenue on loans. Generally, payments received on nonaccrual loans are applied to principal. Interest is accrued on revolving credit loans until payments become 180 days past due, at which time the outstanding principal balance and accrued interest is charged off. For installment loans and other closed-end consumer loans, the accrual of interest is discontinued when the loan becomes 120 days past due, at which time the outstanding principal and accrued interest is charged off.

A loan is impaired when, based on current information and events, it is probable that all amounts due, according to the contractual terms of the loan, will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Interest revenue on impaired loans is recognized using the cash-basis method of accounting during the time within the period in which the loans were impaired.

The allowance for loan losses is established through a provision for loan losses charged to earnings. Loans are charged against the allowance for loan losses when available information confirms that the collectibility of the principal is unlikely. The allowance represents an amount, which, in management's judgment, is adequate to absorb probable losses on existing loans as of the date of the balance sheet.

Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectibility of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, historical loss experience as adjusted for current economic conditions that may affect the borrower's ability to pay, overall portfolio quality, and review of specific problem loans. In determining the adequacy of the allowance for loan losses, management uses a loan grading system consistent with those applied by bank regulatory agencies. Management prepares a quarterly analysis of the allowance for loan losses and material deficiencies are adjusted by increasing the provision for loan losses. Management has an internal loan review department that is independent of the lending function to challenge and corroborate the loan grading system and provide additional analysis in determining the adequacy of the allowance for loan losses.

Management believes the allowance for loan losses is adequate at December 31, 2001. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review United's allowance for loan losses. Such agencies may require United to recognize additions to the allowance based on their judgment of information available to them at the time of their examination.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed as incurred. The range of estimated useful lives for buildings and improvements is 15 to 40 years, and for furniture and equipment, 3 to 10 years.

Notes to Consolidated Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Income Taxes Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income taxes during the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of United's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable earnings and tax planning strategies.

Derivative Instruments and Hedging Activities

Effective January 1, 1999, United adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as subsequently amended by SFAS No. 137 and SFAS No. 138, which establishes accounting and reporting standards for hedging activities and for derivative instruments including derivative instruments embedded in other contracts. SFAS No. 133 requires the fair value recognition of derivatives as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. The change in fair value of instruments used as fair value hedges is accounted for in the earnings of the period simultaneous with accounting for the fair value change of the item being hedged. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income rather than earnings. The change in fair value of derivative instruments that are not intended as a hedge is accounted for in the earnings of the period of the change.

In 1999, United transferred all securities held to maturity to available for sale under this provision of SFAS No. 133. The transferred securities had an amortized cost of \$58.3 million and net unrealized gains of \$1.8 million. This transfer resulted in a \$1.1 million, net of taxes, increase in stockholders' equity.

United maintains derivative positions for interest rate risk management purposes only. Interest rate swaps and interest rate caps are used as part of United's overall interest rate risk management and are designated as hedges of interest-earning assets and interest-bearing liabilities.

As of December 31, 2001, United had fair value hedges with a notional amount of \$90 million for the purpose of converting fixed rate funding to floating rate. As of December 31, 2001, United recorded an asset of \$1.9 million for the fair value of these instruments. No hedge ineffectiveness from fair value hedges was recognized in the statement of income. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

As of December 31, 2001, United had cash flow hedges with a notional amount of \$130 million. These derivatives were used to convert floating rate loans to fixed rate. United recorded an asset of \$1 million for the fair value of these cash flow hedges resulting in an after-tax increase in other comprehensive income of \$637,000. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

At December 31, 2001, United had interest rate cap contracts with a notional amount of \$20 million. The cap contracts are not designated as hedges and had no value at December 31, 2001 and 2000 and had been written down accordingly in the consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

In September 2000, the Financial Accounting Standards Board ("FASB") issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – A Replacement of FASB Statement No. 125". SFAS No. 140 revises the criteria for accounting for securitizations and other transfers of financial assets and collateral. In addition, SFAS No. 140 requires certain additional disclosures. Except for the new disclosure provisions, which were effective for the year ended December 31, 2000, SFAS No. 140 was effective for the transfer of financial assets occurring after March 31, 2001. The provisions of SFAS No. 140 did not have a material effect on United's consolidated financial statements.

Accounting for Business Combinations

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill, which is the excess of the purchase price over the fair value of the net identifiable assets of the acquired company. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual review for impairment. The new standards generally are effective for United in the first quarter of 2002 and have been effective for business combinations consummated after June 30, 2001 including United's acquisition of Peoples Bank of West Georgia. United had previously amortized goodwill on a straight line basis over periods not exceeding 25 years. In 2001, 2000 and 1999, United recorded goodwill amortization expense of \$421,000, \$421,000 and \$368,000, respectively. Upon adoption, United will no longer amortize goodwill. The impact of not amortizing goodwill will increase United's 2002 net income by \$421,000. Deposit premiums associated with business combinations and branch acquisitions will continue to be amortized over the estimated useful life of the deposit base, generally not more than 15 years.

Reclassifications

Certain 2000 and 1999 amounts have been reclassified to conform to the 2001 presentation.

Other

Assets held by United in a fiduciary or agency capacity for customers are not included in the consolidated balance sheets since such items are not assets of United.

Earnings Per Share

United is required to report on the face of the statement of income, earnings per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants. Basic earnings per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per common share. During 2001 and 2000, United paid dividends to Series A preferred stockholders totaling \$121,000 and \$43,000, respectively.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31 (in thousands, except per share data):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net income available to common shareholders	\$ 27,110	\$ 14,474	\$ 16,098
Effects of convertible debentures	169	220	191
	<u>27,279</u>	<u>14,694</u>	<u>16,289</u>
Diluted net earnings	\$ 27,279	\$ 14,694	\$ 16,289
	<u>27,279</u>	<u>14,694</u>	<u>16,289</u>
Earnings per common share:			
Basic	\$ 2.57	\$ 1.41	\$ 1.60
Diluted	2.51	1.39	1.56
Weighted average common shares			
Basic	10,563	10,300	10,079
Effect of dilutive securities:			
Stock options	172	157	202
Convertible debentures	140	140	140
	<u>10,875</u>	<u>10,597</u>	<u>10,421</u>
Diluted	10,875	10,597	10,421
	<u>10,875</u>	<u>10,597</u>	<u>10,421</u>

(2) Mergers and Acquisitions

On November 6, 2001, United acquired, for 358,126 shares of its common stock, all of the outstanding common stock of Peoples Bancorp, Inc., parent company of Peoples Bank of West Georgia ("West Georgia"), an \$88 million one-bank holding company located in Carrollton, Georgia. The acquisition was recorded in accordance with SFAS No. 141 and resulted in goodwill of approximately \$5 million which will not be subject to amortization. The results of operations of West Georgia are included in consolidated earnings from the date of acquisition.

Effective July 26, 2000, United acquired, for 958,024 shares of its common stock, all of the outstanding common stock of North Point Bancshares, Inc. ("Dawson County"), a \$119 million one-bank holding company, located in Dawsonville, Georgia. In addition, United acquired, for 817,604 shares of its common stock, all of the outstanding common stock of Independent Bancshares, Inc. ("Metro"), a \$153 million one-bank holding company, located in Powder Springs, Georgia.

Effective September 29, 2000, United acquired, for 283,390 shares of its common stock, all of the outstanding common stock of Brintech, Inc. ("Brintech"), a consulting firm located in New Smyrna Beach, Florida. United has not filed a registration statement with the Securities and Exchange Commission ("SEC") for issuance of these shares and, accordingly, the shareholders of Brintech will be restricted from resale of their shares until the shares are registered with the SEC or sold pursuant to an exemption from registration. In addition, United issued 287,410 shares of its preferred stock to key non-shareholder employees of Brintech in connection with satisfaction of certain contractual deferred compensation obligations triggered by the change in control of Brintech.

The acquisitions of Dawson County, Metro and Brintech were accounted for as poolings of interests and accordingly, the consolidated financial statements for all periods presented have been restated to include the financial position and results of operations as if the combination had occurred prior to the earliest period presented.

In March 1999, United acquired all the outstanding common stock of Adairsville Bancshares, Inc. ("Adairsville"), the parent company of Bank of Adairsville, for \$7.1 million plus certain acquisition costs. United accounted for this transaction using the purchase method, and accordingly, the original purchase price was allocated to assets and liabilities acquired based upon their fair values at the date of acquisition. Goodwill, the excess of the purchase price over the fair value of the net assets acquired, was approximately \$2.9 million and is amortized over 15 years using the straight-line method. The results of operations of Adairsville are included in consolidated earnings from the date of acquisition. During 2001, Adairsville bank was merged into United Community Bank Union County and operates under the trade name "United Community Bank Adairsville".

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(2) Mergers and Acquisitions, continued

In August 1999, United acquired for 632,890 shares of its common stock, all of the outstanding common stock of First Floyd Bankshares, Inc. ("Rome"), a \$115 million one-bank holding company located in Rome, Georgia. The acquisition was accounted for as a pooling of interests. During 2001, Rome was merged into United Community Bank Union County and operates under the trade name "United Community Bank Rome".

The following is a reconciliation of the amounts of net interest revenue and net earnings previously reported with the restated amounts (*in thousands*):

	2000	1999
	<u> </u>	<u> </u>
Net interest revenue:		
As previously reported in 1999	\$ 81,665	\$ 67,974
Dawson County	5,287	4,528
Metro	7,237	6,289
Brintech	(32)	(41)
	<u> </u>	<u> </u>
As restated	\$ 94,157	\$ 78,750
	<u> </u>	<u> </u>
Net income:		
As previously reported in 1999	\$ 15,066	\$ 13,648
Dawson County	1,254	1,009
Metro	90	1,621
Brintech	(1,893)	(180)
	<u> </u>	<u> </u>
As restated	\$ 14,517	\$ 16,098
	<u> </u>	<u> </u>

United recorded merger, integration and restructuring charges of \$1.6 million during 2001, \$10.6 million during 2000 and \$1.8 million in 1999 associated with acquisitions. The components of the charges are shown below (*in thousands*):

	2001	2000	1999
	<u> </u>	<u> </u>	<u> </u>
Merger charges included in operating expenses:			
Salaries and employee benefits - severance and related costs	\$ 433	\$ 3,615	\$ 692
Occupancy - disposal of premises and equipment	306	1,848	424
Professional fees and contract termination costs	428	927	522
Other merger-related expenses	450	1,223	207
	<u> </u>	<u> </u>	<u> </u>
	1,617	7,613	1,845
Adjustment to conform accounting for loan loss methodology	--	367	--
Loss on restructuring and sale of securities	--	2,654	--
	<u> </u>	<u> </u>	<u> </u>
Total merger-related charges	\$ 1,617	\$ 10,634	\$ 1,845
	<u> </u>	<u> </u>	<u> </u>

At December 31, 2001, approximately \$268,000 remained accrued for unpaid merger charges most of which was for legal fees and systems conversion costs.

(3) Cash Flows

United paid approximately \$104 million, \$117 million and \$87 million in interest on deposits and other liabilities during 2001, 2000 and 1999, respectively. In connection with United's 2001 acquisition of West Georgia, assets having a fair value of \$88 million were acquired and liabilities totaling \$75 million were assumed.

	For the Years Ended December 31,		
	2001	2000	1999
	<u> </u>	<u> </u>	<u> </u>
Schedule of noncash investing and financing activities (<i>in thousands</i>):			
Investment securities purchase obligations	\$ --	\$ --	\$ 14,500
Issuance of preferred stock in satisfaction of compensation liabilities	--	2,874	--
Transfer of held to maturity securities to available for sale	--	4,081	58,306

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(4) Investment Securities

Investment securities at December 31, 2001 and 2000, (in thousands):

As of December 31, 2001

Available for sale securities:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	\$ 1,899	\$ 52	\$ --	1,951
U.S. Government agencies	204,738	4,888	94	209,532
State and political subdivisions	77,247	1,390	514	78,123
Mortgage-backed securities	172,407	2,424	727	174,104
Other	30,080	484	--	30,564
Total	\$ 486,371	\$ 9,238	\$ 1,335	\$ 494,274

As of December 31, 2000

Available for sale securities:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	\$ 5,996	\$ 38	\$ --	\$ 6,034
U.S. Government agencies	108,022	712	372	108,362
State and political subdivisions	83,808	827	659	83,976
Mortgage-backed securities	301,938	1,531	2,106	301,363
Other	32,266	213	103	32,376
Total	\$ 532,030	\$ 3,321	\$ 3,240	\$ 532,111

The amortized cost and fair value of the investment securities at December 31, 2001, by contractual maturity, is presented in the following table. Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(4) Investment Securities, continued

	Available for Sale Securities	
	Amortized Cost	Fair Value
U.S. Treasuries		
Within 1 year	\$ 1,899	\$ 1,951
U.S. Government agencies:		
Within 1 year	22,661	23,100
1 to 5 years	146,353	150,494
5 to 10 years	26,053	26,240
More than 10 years	9,671	9,698
	<u>204,738</u>	<u>209,532</u>
State and political subdivisions:		
Within 1 year	10,015	10,118
1 to 5 years	27,043	27,844
5 to 10 years	24,965	25,227
More than 10 years	15,224	14,934
	<u>77,247</u>	<u>78,123</u>
Other:		
Within 1 year	333	335
1 to 5 years	7,971	8,135
5 to 10 years	21,776	22,094
	<u>30,080</u>	<u>30,564</u>
Total securities other than mortgage-backed securities:		
Within 1 year	34,908	35,504
1 to 5 years	181,367	186,473
5 to 10 years	72,794	73,561
More than 10 years	24,895	24,632
Mortgage-backed securities	172,407	174,104
	<u>\$ 486,371</u>	<u>\$ 494,274</u>

The following summarizes investment securities sales activities for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Proceeds from the sales of securities	\$ 30,457	\$ 62,857	\$ 9,132
Gross gains on sales of securities	\$ 235	\$ 21	\$ 647
Gross losses on sales of securities	21	2,708	103
Net gains (losses) on sales of securities	\$ 214	\$ (2,687)	\$ 544
Income taxes (benefits) attributable to sale of securities	\$ 75	\$ (1,017)	\$ 206

During 2000 and 1999, in connection with the acquisitions of Dawson County, Metro, and Rome, United realigned the held-to-maturity securities portfolios. As part of this realignment, during 2000 United sold \$5.0 million of the held-to-maturity securities which resulted in a net loss of

approximately \$1.1 million. Additionally, during 2000 and 1999, United transferred \$4.1 million and \$58.3 million, respectively, of the held-to-maturity securities to the available for sale portfolio.

At December 31, 2001 and 2000, securities with a carrying value of \$258 million and \$137 million, respectively, were pledged to secure public deposits and Federal Home Loan Bank advances.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(5) Loans and Allowance for Loan Losses

Major classifications of loans at December 31, 2001 and 2000, are summarized as follows (*in thousands*):

	2001	2000
Commercial, financial and agricultural	\$ 146,754	\$ 177,009
Real estate - construction	308,566	256,886
Real estate - mortgage	1,406,919	1,194,625
Consumer	145,751	163,535
	<hr/>	<hr/>
Total loans	2,007,990	1,792,055
	<hr/>	<hr/>
Less - allowance for loan losses	27,124	24,698
	<hr/>	<hr/>
Loans, net	\$ 1,980,866	\$ 1,767,357
	<hr/>	<hr/>

The Banks grant loans and extensions of credit to individuals and a variety of firms and corporations located primarily in counties in north Georgia, metropolitan Atlanta and western North Carolina. Although the Banks have diversified loan portfolios, a substantial portion of the loan portfolios is collateralized by improved and unimproved real estate and is dependent upon the real estate market.

At December 31, 2001, United had \$4.5 million of loans classified as impaired under the definition outlined in SFAS 114. Of these impaired loans, \$2.9 million had specific reserves of \$565,000 allocated to them. The amount of impaired loans at December 31, 2000 was immaterial.

Changes in the allowance for loan losses are summarized as follows (*in thousands*):

	2001	2000	1999
Balance at beginning of year	\$ 24,698	\$ 20,043	\$ 14,402
Provision for loan losses	6,000	7,631	5,966
Loan charge-offs	(5,523)	(3,737)	(3,186)
Recoveries	945	761	1,039
Allowance acquired through purchase business combinations	1,004	--	1,822
	<hr/>	<hr/>	<hr/>
Balance at end of year	\$ 27,124	\$ 24,698	\$ 20,043
	<hr/>	<hr/>	<hr/>

In the ordinary course of business the Banks may have loans outstanding to Executive Officers and Directors, including their immediate families and companies with which they are associated. Management believes that such loans are made substantially on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers. The following is a summary of such loans outstanding and the activity in these loans for the year ended December 31, 2001 (*in thousands*):

Balances at December 31, 2000	\$ 43,301
New loans	48,261
Repayments	(44,403)
Adjustment for changes in executive officers and directors	(5,783)
	<hr/>
Balances at December 31, 2001	\$ 41,376
	<hr/>

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(6) Premises and Equipment

Premises and equipment at December 31, 2001 and 2000, (in thousands):

	2001	2000
Land and land improvements	\$ 15,868	\$ 14,254
Buildings	36,105	32,011
Furniture and equipment	34,326	30,719
Construction in progress	3,254	1,430
	<u>89,553</u>	<u>78,414</u>
Less - accumulated depreciation	<u>25,487</u>	<u>21,484</u>
Premises and equipment, net	<u>\$ 64,066</u>	<u>\$ 56,930</u>

Depreciation expense was approximately \$5.7 million, \$4.8 million and \$4.9 million for 2001, 2000 and 1999, respectively.

(7) Time Deposits

The aggregate amount of time deposit accounts with a minimum denomination of \$100,000 was approximately \$371 million and \$383 million at December 31, 2001 and 2000, respectively.

At December 31, 2001, the contractual maturities of time deposits are summarized as follows (in thousands):

<u>Maturing In</u>	
2002	\$ 946,526
2003	175,453
2004	37,482
2005	18,334
2006	33,012
thereafter	3,097
	<u>\$ 1,213,904</u>

(8) Federal Home Loan Bank Advances

The Banks have advances from the Federal Home Loan Bank ("FHLB") with monthly interest payments and principal payments due at various maturity dates and interest rates ranging from 2.00% to 7.81% at December 31, 2001. At December 31, 2001, the weighted average rate of interest on FHLB advances was 5.15%. The FHLB advances are collateralized by first mortgage loans, mortgage-backed securities and FHLB stock.

The maturities of outstanding advances from FHLB at December 31, 2001 are as follows (in thousands):

<u>Year</u>	
2002	\$ 96,225
2003	22,349
2004	55,271
2005	9,000
2006	--
thereafter	107,549
	<u>\$ 290,394</u>

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(9) Long-term Debt

Long-term debt at December 31, 2001 and 2000 consisted of the following (in thousands):

	<u>2001</u>	<u>2000</u>
Trust Preferred securities	\$ 36,000	\$ 36,000
Convertible subordinated debentures	3,500	3,500
Other borrowings	8,691	1,743
	<u> </u>	<u> </u>
Total	<u>\$ 48,191</u>	<u>\$ 41,243</u>

Convertible Subordinated Debentures

On December 31, 1996, United completed a private placement of convertible subordinated debentures (the "Debentures") due December 31, 2006. The Debentures bear interest at the rate of .25% over the prime rate, payable quarterly. The Debentures may be redeemed, in whole or in part at the option of United, within 60 days notice, at a redemption price equal to 100% of the principal amount of the Debentures plus accrued interest. The Debentures are exercisable at any time, and may be converted into shares of common stock of United at the price of \$25 per share, subject to adjustment for stock splits and stock dividends.

At December 31, 2001 and 2000, certain Directors and Executive Officers of United held convertible debentures totaling \$2,175,000 and \$2,575,000, respectively.

Trust Preferred Securities

In September 2000, United formed a wholly owned Connecticut statutory business trust, United Community Statutory Trust I ("United Statutory Trust"), which issued \$5 million of guaranteed preferred beneficial interests in United's junior subordinated deferrable interest debentures (the "Trust Preferred Securities"). These debentures qualify as Tier 1 capital under Federal Reserve Board guidelines. All of the common securities of United Statutory Trust are owned by United. The proceeds from the issuance of the common securities and the Trust Preferred Securities were used by United Statutory Trust to purchase \$5.2 million of junior subordinated debentures of United, which carry a fixed interest rate of 10.60%. The proceeds received by United from the sale of the junior subordinated debentures were used to prepay other borrowings of approximately \$1.9 million and for other corporate purposes. The debentures represent the sole asset of United Statutory Trust. The debentures and related earnings statement effects are eliminated in United's financial statements.

The Trust Preferred Securities accrue and pay distributions semiannually at a fixed rate of 10.60% per annum of the stated liquidation value of \$1,000 per capital security. United has entered into contractual arrangements which, taken collectively, fully and unconditionally guarantee payment of: (i) accrued and unpaid distributions required to be paid on the Trust Preferred Securities; (ii) the redemption price with respect to any Trust Preferred Securities called for redemption by United Statutory Trust, and (iii) payments due upon a voluntary or involuntary dissolution, winding up or liquidation of United Statutory Trust.

The Trust Preferred Securities are mandatorily redeemable upon maturity of the debentures on September 7, 2030, or upon earlier redemption as provided in the indenture. United has the right to redeem the debentures purchased by United Statutory Trust in whole or in part, on or after September 7, 2010. As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the principal amount, any accrued but unpaid interest, plus a premium ranging from 5.3% in 2010 to .53% in 2019.

In July 2000, United formed a wholly owned Delaware statutory business trust, United Community Capital Trust II ("United Trust II"), which issued \$10 million of guaranteed preferred beneficial interests in United's junior subordinated deferrable interest debentures (the "Trust Preferred Securities"). These debentures qualify as Tier 1 capital under Federal Reserve Board guidelines. All of the common securities of United Trust II are owned by United. The proceeds from the issuance of the common securities and the Trust Preferred Securities were used by United Trust II to purchase \$10.3 million of junior subordinated debentures of United, which carry a fixed interest rate of 11.295%. The proceeds received by United from the sale of the junior subordinated debentures were used to prepay other borrowings of approximately \$10.6 million. The debentures represent the sole asset of United Trust II. The debentures and related earnings statement effects are eliminated in United's financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(9) Long-term Debt, continued

The Trust Preferred Securities accrue and pay distributions semiannually at a fixed rate of 11.295% per annum of the stated liquidation value of \$1,000 per capital security. United has entered into contractual arrangements which, taken collectively, fully and unconditionally, guarantee payment of: (i) accrued and unpaid distributions required to be paid on the Trust Preferred Securities; (ii) the redemption price with respect to any Trust Preferred Securities called for redemption by United Trust II, and (iii) payments due upon a voluntary or involuntary dissolution, winding up or liquidation of United Trust II.

The Trust Preferred Securities are mandatorily redeemable upon maturity of the debentures on July 19, 2030, or upon earlier redemption as provided in the indenture. United has the right to redeem the debentures purchased by United Trust II in whole or in part, on or after July 19, 2010. As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the principal amount, any accrued but unpaid interest, plus a premium ranging from 2.824% in 2010 to .565% in 2019.

In July 1998, United formed a wholly owned Delaware statutory business trust, United Community Capital Trust ("United Trust"), which issued \$21 million of guaranteed preferred beneficial interests in United's junior subordinated deferrable interest debentures that qualify as Tier 1 capital under Federal Reserve Board guidelines. All of the common securities of United Trust are owned by United. The proceeds from the issuance of the Common Securities and the Trust Preferred Securities were used by United Trust to purchase \$21.7 million of junior subordinated debentures of United that carry a fixed interest rate of 8.125 %. The proceeds received by United from the sale of the junior subordinated debentures were used to prepay other borrowings of approximately \$11.8 million and for further investments in the Banks. The debentures represent the sole asset of United Trust. The debentures and related earnings statement effects are eliminated in United's financial statements.

The Trust Preferred Securities accrue and pay distributions semiannually at a fixed rate of 8.125 % per annum of the stated liquidation value of \$1,000 per capital security. United has entered into contractual arrangements which, taken collectively, fully and unconditionally guarantee payment of: (i) accrued and unpaid distributions required to be paid on the Trust Preferred Securities; (ii) the redemption price with respect to any Trust Preferred Securities called for redemption by United Trust, and (iii) payments due upon a voluntary or involuntary dissolution, winding up or liquidation of United Trust.

The Trust Preferred Securities are mandatorily redeemable upon maturity of the debentures on July 15, 2028, or upon earlier redemption as provided in the indenture. United has the right to redeem the debentures purchased by United Trust: (i) in whole or in part, on or after July 15, 2008, and (ii) in whole (but not in part) at any time within 90 days following the occurrence and during the continuation of a tax event, investment company event or capital treatment time (as defined in the offering circular). As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the principal amount, any accrued but unpaid interest, plus a premium ranging from 4.06 % in 2008 to .41 % in 2017.

(10) Income Taxes

Income taxes for the years ended December 31, 2001, 2000 and 1999 (*in thousands*):

	2001	2000	1999
Current	\$ 14,125	\$ 10,357	\$ 8,886
Deferred	(594)	(3,791)	(1,857)
Total income taxes	<u>\$ 13,531</u>	<u>\$ 6,566</u>	<u>\$ 7,029</u>

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(10) Income Taxes, continued

The differences between the provision for income taxes and the amount computed by applying the statutory federal income tax rate (of 34%) to income before income taxes are as follows (*in thousands*):

	2001	2000	1999
Pretax earnings at statutory rates	\$ 13,859	\$ 7,168	\$ 7,863
Add (deduct):			
State taxes, net of federal benefit	1,002	780	388
Tax-exempt interest revenue	(1,438)	(1,588)	(1,541)
Nondeductible interest expense	232	307	276
Other	(124)	(101)	43
	<u>\$ 13,531</u>	<u>\$ 6,566</u>	<u>\$ 7,029</u>

The following summarizes the sources and expected tax consequences of future taxable deductions (revenue) which comprise the net deferred tax asset at December 31, 2001 and 2000 (*in thousands*):

	2001	2000
Deferred tax assets:		
Allowance for loan losses	\$ 10,193	\$ 9,172
Accrued expenses	872	933
Net operating loss and credit carryforwards	268	604
Unrealized investment securities losses	--	12
Other	591	547
	<u>11,924</u>	<u>11,268</u>
Total deferred tax assets		
	<u>11,924</u>	<u>11,268</u>
Deferred tax liabilities:		
Unrealized investment securities gains	2,754	--
Premises and equipment	1,544	1,470
Unrealized gains on cash flow hedges	328	--
Other	5	5
	<u>4,631</u>	<u>1,475</u>
Total deferred tax liabilities		
	<u>4,631</u>	<u>1,475</u>
Net deferred tax asset	<u>\$ 7,293</u>	<u>\$ 9,793</u>

During 2001, 2000 and 1999, United made income tax payments of approximately \$14.0 million, \$9.6 million and \$8.6 million, respectively.

At December 31, 2001, United has remaining loss carryforwards for state purposes of approximately \$3,769,000, which begin to expire in 2013.

(11) Employee Benefit Plans

United has contributory employee benefit plans covering substantially all employees, subject to certain minimum service requirements. United's contribution to the plans is determined annually by the Board of Directors and amounted to approximately \$2,191,000, \$1,714,000 and \$1,460,000 in 2001, 2000, and 1999, respectively.

During 1998, United initiated a defined post-retirement benefit plan to provide retirement benefits to certain Executive Officers and other key employees and to provide death benefits for their designated beneficiaries. Under this plan, United purchased split-dollar whole life insurance contracts for certain participants. At December 31, 2001 and 2000, the cash surrender value of the insurance contracts was approximately \$16.2 million and \$14.5 million, respectively. Expenses incurred for these benefits were approximately \$367,000, \$423,000 and \$204,000 for 2001, 2000 and 1999, respectively.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(12) Regulatory Matters

United and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, action by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, United and the Banks must meet specific capital guidelines that involve quantitative measures of the Banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

Quantitative measures (as defined) established by regulation to ensure capital adequacy require United and the Banks to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets.

As of December 31, 2001, the Banks were categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must exceed the well capitalized guideline ratios, as set forth in the table, and meet certain other requirements. Management believes that the Banks exceed all well capitalized requirements, and there have been no conditions or events since year-end that would change the status of well capitalized.

Minimum amounts required for capital adequacy purposes and to be well capitalized under prompt corrective action provisions are presented below for United and its most significant subsidiaries (*in thousands*).

	Regulatory Guidelines(1)		United		Union County		North Carolina	
	Minimum	Well Capitalized	2001	2000	2001	2000	2001	2000
Risk-based ratios:								
Tier I capital	4%	6%	10.5%	10.3%	10.2%	10.1%	11.3%	10.2%
Total capital	8	10	11.9	11.8	11.5	11.3	12.5	11.5
Leverage ratio	3	5	8.0	7.5	7.8	7.5	7.8	7.3
Tier I capital			\$ 211,878	\$ 185,700	\$ 70,780	\$ 45,170	\$ 50,546	\$ 44,964
Total capital			240,398	211,761	79,459	50,788	56,155	50,467

(1) The regulatory designation of "well capitalized" under prompt corrective action regulations is not applicable to United (a bank holding company). However, Regulation Y defines "well capitalized" for a bank holding company for the purpose of determining eligibility for a streamlined review process for acquisition proposals. For such purposes; "well capitalized" requires United to maintain a minimum Tier I risk-based capital ratio of 6% and a minimum total risk-based capital ratio of 10%.

Cash, Dividend, Loan and Other Restrictions

At December 31, 2001 and 2000, the Banks were required by the Federal Reserve Bank to maintain reserve balances of \$11 million and \$8 million, respectively. Federal and state banking regulations place certain restrictions on dividends paid by the Banks to United. At December 31, 2001, the Banks had approximately \$17 million of retained earnings available for distribution to United in the form of dividends.

The Federal Reserve Act requires that extensions of credit by United to certain affiliates, including United, be secured by specific collateral, that the extension of credit to any one affiliate be limited to 10% of capital and surplus (as defined), and that extensions of credit to all such affiliates be limited to 20% of capital and surplus.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(13) Commitments and Contingencies

United and the Banks are parties to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, letters of credit and financial guarantees. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Banks have in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, letters of credit and financial guarantees written is represented by the contractual amount of these instruments. United uses the same credit policies in making commitments and conditional obligations as for on-balance-sheet instruments. In most cases, collateral or other security is required to support financial instruments with credit risk.

The following table summarizes, as of December 31, 2001 and 2000, the contract amount of off-balance sheet instruments (*in thousands*):

	2001	2000
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 278,300	\$ 273,559
Standby letters of credit	7,787	9,285

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. United evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, personal property or other acceptable collateral.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to local businesses. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks hold real estate, certificates of deposit, equipment and automobiles as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments varies.

United maintains an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that the net interest margin is not, on a material basis, adversely affected by movements in interest rates. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in fair value. The effect of this unrealized appreciation or depreciation will generally be offset by earnings or loss on the derivative instruments that are linked to the hedged assets and liabilities. United views this strategy as a prudent management of interest rate sensitivity, such that earnings are not exposed to undue risk presented by changes in interest rates.

Derivative instruments that are used as part of United's interest rate risk-management strategy include interest rate contracts (swaps and caps). As a matter of policy, United does not use highly leveraged derivative instruments for interest rate risk management. Interest rate swaps generally involve the exchange of fixed- and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. Interest rate cap agreements provide for a variable cash flow if interest rates exceed the cap rate, based on a notional principal amount and maturity date.

By using derivative instruments, United is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair-value gain in a derivative. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes United, and, therefore, creates a repayment risk for United. When the fair value of a derivative contract is negative, United owes the counterparty and, therefore, it has no repayment risk. United minimizes the credit risk in derivative instruments by entering into transactions with

Notes to Consolidated Financial Statements, continued

(13) Commitments and Contingencies, continued

high-quality counterparties that are reviewed periodically by United, and United requires the counterparty to pledge collateral to cover the positive fair value .

United's derivative activities are monitored by its asset/liability management committee as part of that committee's oversight of United's asset/liability and treasury functions. United's asset/liability committee is responsible for implementing various hedging strategies that are developed through its analysis of data from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the overall interest-rate risk management.

United, in the normal course of business, is subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. Although it is not possible to predict the outcome of these lawsuits, or the range of any possible loss, management, after consultation with legal counsel, does not anticipate that the ultimate aggregate liability, if any, arising from these lawsuits will have a material adverse effect on United's financial position or results of operations.

(14) Preferred Stock

United may issue preferred stock in one or more series, up to a maximum of 10,000,000 shares. Each series shall include the number of shares issued, preferences, special rights and limitations as determined by the Board of Directors. At December 31, 2001, there were 172,600 preferred shares issued and outstanding which were issued as Series A non-cumulative preferred stock. The dividend rate of the preferred stock is 6% per annum, provided a dividend has been declared for the common shares. The holders of the preferred stock maintain a liquidation preference to the common stockholder. The preferred stock has no voting rights and United may redeem the preferred stock for an amount equal to the stated value plus the accrued dividend.

(15) Stockholders' Equity

In May 2000, shareholders approved a proposal to increase the number of authorized shares of common stock from 10,000,000 to 50,000,000 shares. Through a private offering, which was completed in September 2000, United issued 418,377 shares of common stock in exchange for approximately \$15.8 million. The proceeds from the sale of stock were used to provide capital for its subsidiary banks, general corporate purposes, and the reduction of parent company debt.

On July 18, 2001, United's Board of Directors authorized the repurchase of up to 300,000 shares of United's outstanding common stock effective through the end of 2002. On December 19, 2001, the Board of Directors increased the authorization to 500,000 shares. Through December 31, 2001, United repurchased a total of 156,875 shares under this authorization.

In 2000, the shareholders approved the 2000 Key Employee Stock Option Plan ("2000 Plan"). Under the 2000 Plan, 490,000 options can be granted for shares of United's common stock at a price equal to the fair market value at the date of grant. The number of shares available for grant is adjusted proportionately with the change in the number of shares outstanding. The general terms of the stock option plan include a four-year vesting period with an exercisable period not to exceed ten years. Metro and West Georgia also had stock option plans for their key employees. Metro's and West Georgia's plans had provisions similar to United's plan. Holders of options under the Metro plan were issued options in connection with the merger of United and Metro at the exchange ratio of .4211 per option held. Holders of options under the West Georgia plan were issued options in connection with the merger of United and West Georgia at the exchange ratio of .4473684 per option held. All option amounts detailed below have been restated to reflect the options outstanding under Independent's plan to reflect the pooling of interests accounting treatment. Options outstanding under West Georgia's plan are reflected on the table as being assumed through acquisition. As of December 31, 2001, 288,520 options may be granted under the 2000 Plan. United has options outstanding under other plans with terms substantially the same as the 2000 plan. No options are available for grant under any of the other plans.

SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, entities to compute the fair value of options at the date of grant and to recognize such costs as compensation expense immediately if there is no vesting period or ratably over the vesting period of the options. United has chosen not to adopt the cost recognition principles of this statement and accounts for stock options under Accounting Principles Board Opinion No. 25 and its related interpretations. Had compensation costs been determined based upon the fair value of the

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(15) Stockholders' Equity, continued

options at the grant dates consistent with the method of SFAS No. 123, United's net income and earnings per common share would have reflected the pro forma amounts below (in thousands, except per share data):

	2001	2000	1999
Net income available to common shareholders:			
As reported	\$27,110	\$14,474	\$16,098
Pro forma	26,517	13,991	15,727
Basic earnings per common share:			
As reported	2.57	1.41	1.60
Pro forma	2.51	1.36	1.56
Diluted earnings per common share:			
As reported	2.51	1.39	1.56
Pro forma	2.45	1.34	1.52

The weighted average fair value of options at grant date in 2001, 2000, and 1999 was \$7.89, \$8.57 and \$15.65, respectively.

The fair value of each option granted is estimated on the date of grant using the minimum value method with the following weighted average assumptions used for grants in 2001, 2000 and 1999: dividend yield of 1% for all periods; a risk free interest rate of 5% for 2001 and 2000 and 6% for 1999; and, an expected life of 7 years for 2001 and 2000 and 10 years for 1999.

Options outstanding and activity for the years ended December 31, consisted of the following:

	2001		2000		1999	
	<u>Shares</u>	<u>Weighted Avg. Exercise Price</u>	<u>Shares</u>	<u>Weighted Avg. Exercise Price</u>	<u>Shares</u>	<u>Weighted Avg. Exercise Price</u>
Beginning of period	563,768	\$ 27.70	391,132	\$ 23.07	341,522	\$ 18.12
Granted	111,500	35.04	181,536	38.00	82,300	39.50
Assumed – purchase acquisition	31,534	22.67	-	-	-	-
Exercised	(33,449)	16.07	(2,000)	20.63	(31,690)	12.23
Cancelled	(10,600)	37.00	(6,900)	37.88	(1,000)	26.80
End of period	662,753	\$ 29.14	563,768	\$ 27.70	391,132	\$ 23.07

The following is a summary of stock options outstanding at December 31, 2001:

Options Outstanding				Options Exercisable		
<u>Shares</u>	<u>Range</u>	<u>Average Price</u>	<u>Remaining Life</u>	<u>Shares</u>	<u>Weighted Average Price</u>	
108,602	\$ 10.00 – 14.25	\$ 12.35	4.7 years	108,602	\$ 12.35	
42,977	15.34 – 18.00	17.48	4.5 years	42,977	17.48	
102,238	22.00 – 23.25	22.33	5.9 years	102,238	22.33	
48,800	30.00 – 32.50	30.05	6.0 years	39,600	30.05	
360,136	35.00 – 40.00	37.40	8.5 years	140,593	38.01	
662,753		\$ 29.14		434,010	\$ 25.13	

During 2001, United terminated Metro's former Employee Stock Ownership Plan with 401(k) provisions ("KSOP"). United had recognized a liability for the fair value of its common shares held by the plan in the consolidated financial statements since employees had the right to receive cash in lieu of shares upon termination and in other circumstances in accordance with provisions of the plan. The remaining recorded liability was reversed against capital surplus upon the plan's termination and settlement.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(16) Fair Value of Financial Instruments

United uses the following methods to estimate the fair value of financial instruments:

For financial instruments that have quoted market prices, those quotes are used to determine fair value. Financial instruments that have no defined maturity, have a remaining maturity of 180 days or less, or reprice frequently to a market rate, are assumed to have a fair value that approximates reported book value, after taking into consideration any applicable credit risk. If no market quotes are available, financial instruments are valued by discounting the expected cash flows using an estimated current market interest rate for the financial instrument. For off-balance sheet derivative instruments, fair value is estimated as the amount that United would receive or pay to terminate the contracts at the reporting date, taking into account the current unrealized gains or losses on open contracts.

The short maturity of United's assets and liabilities results in having a significant number of financial instruments whose fair value equals or closely approximates reported balance sheet value. Such financial instruments are reported in the following balance sheet captions: cash and cash equivalents, mortgage loans held for sale, securities sold under repurchase agreements, and federal funds purchased. Fair value of securities available for sale equals the balance sheet value. As of December 31, 2001 and 2000, the fair value of interest rate contracts used for balance sheet management were a receivable of \$2.9 million and \$320 thousand, respectively.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect the premium or discount on any particular financial instrument that could result from the sale of United's entire holdings. Because no market exists for a significant portion of United's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include the mortgage banking operation, brokerage network, deferred income taxes, premises and equipment and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The carrying amount and fair values for other balance sheet options at December 31, 2001 and 2000 are as follows (*in thousands*):

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets:				
Loans, net	\$ 1,980,866	\$ 2,012,831	\$ 1,767,357	\$ 1,766,999
Liabilities:				
Deposits	2,116,499	2,135,604	1,995,865	2,003,686
Federal Home Loan Bank advances	290,394	301,053	257,225	254,443
Long-term debt	48,191	50,151	41,243	39,091

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(17) Condensed Financial Statements of United Community Banks, Inc. (Parent Only)

Statement of Income

For the Years Ended December 31, 2001, 2000 and 1999

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Dividends from subsidiaries	\$ 11,570	\$ 3,611	\$ 4,537
Other	18,202	6,998	5,248
	<hr/>	<hr/>	<hr/>
Total income	29,772	10,609	9,785
Interest	3,866	3,619	2,671
Other	23,606	16,507	10,502
	<hr/>	<hr/>	<hr/>
Total expense	27,472	20,126	13,173
Income tax benefit	3,016	4,552	2,689
	<hr/>	<hr/>	<hr/>
Income (loss) before equity in undistributed income of subsidiaries	29,772	10,609	9,785
Equity in undistributed income of subsidiaries	21,915	19,482	16,797
	<hr/>	<hr/>	<hr/>
Net income	\$ 27,231	\$ 14,517	\$ 16,098
	<hr/>	<hr/>	<hr/>

Balance Sheet

As of December 31, 2001 and 2000

(in thousands)

Assets

	<u>2001</u>	<u>2000</u>
Cash	\$ 197	\$ 557
Investment in subsidiaries	231,798	191,497
Other assets	17,673	14,985
	<hr/>	<hr/>
Total assets	\$ 249,668	\$ 207,039
	<hr/>	<hr/>

Liabilities and Stockholders' Equity

Other liabilities	\$ 5,698	\$ 6,294
Other short-term borrowings	8,691	1,743
Convertible subordinated debentures	3,500	3,500
Trust Preferred securities	37,114	37,114
	<hr/>	<hr/>
Total liabilities	55,003	48,651
Stockholders equity	194,665	158,388
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 249,668	\$ 207,039
	<hr/>	<hr/>

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(17) Condensed Financial Statements of United Community Banks, Inc. (Parent Only), continued

Statement of Cash Flows

For the Years Ended December 31, 2001, 2000 and 1999

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating activities:			
Net income	\$ 27,231	\$ 14,517	\$ 16,098
Adjustments to reconcile net income to net cash Provided (used) by operating activities:			
Equity in undistributed income of the subsidiaries	(21,915)	(19,482)	(16,797)
Depreciation, amortization and accretion	1,692	1,246	862
Change in:			
Other assets	(1,278)	(3,646)	525
Other liabilities	115	2,042	3,138
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by operating activities	5,845	(5,323)	3,826
	<hr/>	<hr/>	<hr/>
Investing activities:			
Purchase of premises and equipment	(2,771)	(1,191)	(737)
Investment in subsidiaries	(11)	(8,179)	(9,300)
Charge in cash resulting from business combinations	612	--	(7,191)
Purchase of investment securities	(150)	--	(104)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(2,320)	(9,370)	(17,332)
	<hr/>	<hr/>	<hr/>
Financing activities:			
Proceeds from junior subordinated debentures	---	15,464	--
Net change in notes payable	6,948	(13,622)	15,365
Proceeds from exercise of stock options	423	41	216
Proceeds from common stock offering	---	15,764	---
Retirement of preferred stock	(1,148)	---	---
Purchase of treasury stock	(5,749)	---	---
Cash dividends on common stock	(4,238)	(3,139)	(2,223)
Cash dividends on preferred stock	(121)	(43)	---
	<hr/>	<hr/>	<hr/>
Net cash (used) provided by financing activities	(3,885)	14,465	13,358
	<hr/>	<hr/>	<hr/>
Net change in cash	(360)	(228)	(148)
Cash at beginning of year	557	785	933
	<hr/>	<hr/>	<hr/>
Cash at end of year	\$ 197	\$ 557	\$ 785
	<hr/>	<hr/>	<hr/>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON

ACCOUNTING AND FINANCIAL DISCLOSURE.

During United's two most recent fiscal years, United did not change accountants and had no disagreement with its accountants on any matters of accounting principles or practices or financial statement disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF UNITED.

The information contained under the heading "Information About Nominees for Director" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2002 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, information relating to the executive officers of United is included in Item 1 of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the heading "Executive Compensation" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2002 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND

MANAGEMENT.

The information contained under the heading "Security Holdings of Certain Beneficial Owners and Management," in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2002 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference. For purposes of determining the aggregate market value of United's voting stock held by nonaffiliates, shares held by all directors and executive officers of United have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be "Affiliates" of United as defined by the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained under the heading "Certain Relationships and Related Transactions" in the Proxy Statement to be used in connection with the solicitation of proxies for United's 2002 Annual Meeting of Shareholders, to be filed with the SEC, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements.

The following consolidated financial statements are located in Item 8 of this Report:

Report of Independent Certified Public Accountants
Consolidated Statement of Income – Years ended December 31, 2001, 2000, and 1999
Consolidated Balance Sheet – December 31, 2001 and 2000
Consolidated Statement of Changes in Stockholders' Equity – Years ended December 31, 2001, 2000, and 1999
Consolidated Statement of Cash Flows – Years ended December 31, 2001, 2000, and 1999
Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

Schedules to the consolidated financial statements are omitted, as the required information is not applicable.

3. Reports on Form 8-K.

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

4. Exhibits.

The following exhibits are required to be filed with this Report on Form 10-K by Item 601 of Regulation S-K:

Exhibit No. **Exhibit**

- 3.1 Restated Articles of Incorporation of United Community Banks, Inc., (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, File No. 0-21656, filed with the Commission on August 14, 2001).
- 3.2 Amended and Restated Bylaws of United Community Banks, Inc., dated September 12, 1997 (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Annual Report on Form 10-K, for the year ended December 31, 1997, File No. 0-21656, filed with the Commission on March 27, 1998).
- 4.1 Junior Subordinated Indenture between United Community Banks, Inc. and The Chase Manhattan Bank, as Trustee, dated as of July 20, 1998 (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).
- 4.2 Form of Certificate of Junior Subordinated Debenture (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).

Exhibit No. **Exhibit**

- 4.3 Certificate of Trust of United Community Capital Trust (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).
- 4.4 Amended and Restated Trust Agreement among United Community Banks, Inc., as depositor, The Chase Manhattan Bank, as Property Trustee, and Chase Manhattan Bank Delaware, as Delaware Trustee, dated as of July 20, 1998 (incorporated herein by reference to Exhibit 4.4 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).
- 4.5 Form of New Capital Security Certificate for United Community Capital Trust (incorporated herein by reference to Exhibit 4.5 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).
- 4.6 Guarantee Agreement between United Community Banks, Inc., as Guarantor, and The Chase Manhattan Bank, as Guarantee Trustee, dated as of July 20, 1998 (incorporated herein by reference to Exhibit 4.6 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).
- 4.7 Registration Rights Agreement dated July 20, 1998 among United Community Banks, Inc., United Community Capital Trust and Wheat First Securities, Inc. as Initial Purchaser of 8.125% Junior Subordinated Deferrable Interest Debentures Due July 15, 2028 (incorporated herein by reference to Exhibit 4.7 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-64911, filed with the Commission on September 30, 1998).
- 4.8 Form of Floating Rate Convertible Subordinated Payable In Kind Debenture due December 31, 2006 (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Registration Statement on Form S-1, File No. 333-20887, filed with the Commission on January 31, 1997).
- 4.9 See Exhibits 3.1 and 3.2 for provisions of Restated Articles of Incorporation and Amended and Restated By-Laws, which define the rights of the Shareholders.
- 10.1 United Community Banks, Inc.'s 1995 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).*
- 10.2 Loan Agreement dated April 26, 1995 by and between The Bankers Bank and United Community Banks, Inc., together with the related Promissory Note in the principal amount of \$12,000,000 and Stock Pledge Agreement (incorporated herein by reference to Exhibit 10.17 to United Community Banks, Inc.'s Registration Statement on Form S-1, File No. 33-93278, filed with the Commission on June 8, 1995).

Exhibit No.	Exhibit
10.3	Split-Dollar Agreement between United and Jimmy C. Tallent dated June 1, 1994 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).*
10.4	Agreement and Plan of Merger between United Community Banks, Inc. and Independent Bancshares, Inc., dated as of March 3, 2000 (incorporated herein by reference to Exhibit 2.2 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-38856, filed with the Commission on June 8, 2000, as amended).
10.5	Agreement and Plan of Merger between United Community Banks, Inc. and North Point Bancshares, Inc., dated as of March 3, 2000 (incorporated herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-38540, filed with the Commission on June 2, 2000, as amended).
10.6	Share Purchase Agreement by and among United Community Banks, Inc., United Community Bank, Brintech, Inc., Harold Brewer, and Ross Whipple dated as of September 29, 2000.
10.7	Agreement and Plan of Reorganization between United Community Banks, Inc. and Peoples Bancorp, Inc., dated as of June 29, 2001 (incorporated herein by reference to Exhibit 2.1 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-69656, filed with the Commission on September 19, 2001, as amended).
10.8	Amendment to Agreement and Plan of Reorganization between United Community Banks, Inc. and Peoples Bancorp, Inc., dated as of June 29, 2001 (incorporated herein by reference to Exhibit 2.2 to United Community Banks, Inc.'s Registration Statement on Form S-4, File No. 333-69656, filed with the Commission on September 19, 2001, as amended).
10.9	Form of Change of Control Severance Agreement by and between United Community Banks, Inc. and Jimmy C. Tallent, Harold Brewer and Thomas C. Gilliland (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, File No. 0-21656, filed with the Commission on August 14, 2001).*
10.10	Change of Control Severance Agreement by and between United Community Banks, Inc. and Guy W. Freeman (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, File No. 0-21656, filed with the Commission on August 14, 2001).*
10.11	Change of Control Severance Agreement by and between United Community Banks, Inc. and Rex S. Schuette * (1)
21	Subsidiaries of United

Exhibit No. Exhibit

- | | |
|----|--|
| 23 | Consent of Certified Public Accountants |
| 24 | Power of Attorney of certain officers and directors of United (included on Signature Page) |

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) of Form 10-K.

(1) Agreement filed supersedes the version of the agreement that was filed as Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2001, which contained an error.

(b) United did not file any reports on Form 8-K during the fourth quarter of 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(a) of the Securities Exchange Act of 1934, United has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on the 14th of March, 2002.

**UNITED COMMUNITY BANKS, INC.
(Registrant)**

By: /s/ Jimmy C. Tallent
Jimmy C. Tallent
President and Chief Executive Officer

By: /s/ Rex S. Schuette
Rex S. Schuette
Executive Vice President and Chief Financial Officer

POWER OF ATTORNEY AND SIGNATURES

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 Report on Form 10-K 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 Exchange Act of 1934, this Report has been signed below by the following persons on behalf of United in the capacities set forth and on the 25th day of February, 2002.

/s/ Jimmy C. Tallent

Jimmy C. Tallent
President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Robert L. Head, Jr.

Robert L. Head, Jr.
Chairman of the Board

/s/ W. C. Nelson, Jr.

W. C. Nelson, Jr.
Vice Chairman of the Board

/s/ Robert Blalock

Robert Blalock
Director

/s/ Harold Brewer

Harold Brewer
Director

/s/ Guy W. Freeman

Guy W. Freeman
Director

/s/ Thomas C. Gilliland

Thomas C. Gilliland
Director

/s/ Charles E. Hill

Charles E. Hill
Director

/s/ Hoyt O. Holloway

Hoyt O. Holloway
Director

/s/ Clarence W. Mason, Sr.

Clarence W. Mason, Sr.
Director

/s/ Charles E. Parks

Charles E. Parks
Director

/s/ Tim Wallis

Tim Wallis
Director

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.6	Share Purchase Agreement by and among United Community Banks, Inc., United Community Bank, Brintech, Inc., Harold Brewer, and Ross Whipple dated as of September 29, 2000.
10.11	Change of Control Severance Agreement by and between United Community Banks, Inc. and Rex S. Schuette
21	Subsidiaries of United.
23	Consent of Certified Public Accountants.

Links

[Item 1. Business](#)

[Item 2. Properties](#)

[Item 3. Legal Proceedings](#)

[Item 4. Submission of Matters to a Vote of Security Holders](#)

[Item 5. Market for United's Common Equity and Related Stockholder Matters.](#)

[Item 6. Selected Financial Data](#)

[Item 7. Management's Discussion of Analysis of Financial Condition and Results of Operations](#)

[Item 7A. Quantitative and Qualitative Disclosures about Market Risk](#)

[Item 8. Financial Statements and Supplementary Data](#)

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[Item 10. Directors and Executive Officers of United](#)

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[Item 13. Certain Relationships and Related Transactions](#)

[Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K](#)

SHARE PURCHASE AGREEMENT

BY AND AMONG

**UNITED COMMUNITY BANKS, INC.,
a Georgia corporation,**

**UNITED COMMUNITY BANK,
a Georgia bank,**

**BRINTECH, INC.,
a Florida corporation,**

**HAROLD BREWER,
a resident of the state of Florida,**

AND

**ROSS WHIPPLE,
a resident of the state of Arkansas,**

FOR THE ACQUISITION

OF ALL OF THE ISSUED

AND OUTSTANDING CAPITAL STOCK OF

**BRINTECH, INC.,
a Florida corporation**

DATED AS OF SEPTEMBER 28, 2000

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EXHIBITS

Exhibit A	Form of Opinion of Counsel to United and UCB
Exhibit B	Form of Officer's Certificate
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SCHEDULES

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Schedule 3.21	Changes Since Balance Sheet Date
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SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (the "Agreement") is made as of September 28, 2000, by and among **United Community Banks, Inc.**, a Georgia corporation ("United"), **United Community Bank**, a Georgia bank ("UCB"), **Brintech, Inc.**, a Florida Corporation (the "Company"), **Harold Brewer**, a resident of the State of Florida ("Brewer"), and **Ross Whipple**, a resident of the State of Arkansas ("Whipple" and, collectively with Mr. Brewer, the "Shareholders").

PRELIMINARY STATEMENT

The Shareholders own all of the issued and outstanding shares of common stock, no par value per share, of the Company (the "Company Capital Stock"). The Company is a professional services firm with a specialty in bank information technology consulting (the "Business"). United is a bank holding company and its subsidiary, UCB, is a Georgia bank. The parties to this Agreement have determined that it is in their respective best interests to enter into this Agreement pursuant to which UCB will purchase, and each of the Shareholders will sell, pursuant to the terms of this Agreement, all of the capital stock of the Company to UCB (the "Stock Acquisition") in exchange for common stock, par value \$1.00 per share, of United ("United Common Stock").

The parties to this Agreement intend that the Stock Acquisition be deemed a reorganization within the provisions of Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the premises and the mutual agreements, representations, and undertakings contained herein, the parties hereto hereby agree as follows:

ARTICLE I

THE STOCK ACQUISITION, RELATED MATTERS, AND RELATED AGREEMENTS

1.01 Sale and Transfer of the Purchased Shares. Subject to the terms and conditions set forth herein, each Shareholder shall sell to UCB, and UCB shall purchase from such Shareholder, on the Closing Date, the number of shares set forth opposite the name of such Shareholder on the signature page hereto (the "Purchased Shares").

1.02 The Effective Time. The effective time of the Stock Acquisition (the "Effective Time") will be 10:00 a.m., Eastern Standard Time, on the Closing Date or such other time as the parties may agree.

1.03 Purchase Price. In full consideration for the purchase by UCB of the Purchased Shares, United shall deliver to the Shareholders the number of shares of United Common Stock as shown on the signature page hereto, for a total of 283,390 shares (the "Acquisition Consideration").

1.04 Delivery, Exchange, and Payment. (a) At the Closing each Shareholder shall deliver to UCB (or any agent that may be appointed by UCB for purposes of this Section) any and all certificates representing the Purchased Shares held by such Shareholder, and each Shareholder shall, subject to the provisions of this Article, be entitled to receive the Acquisition Consideration applicable to such shares. At the Closing, or as soon as reasonably practicable thereafter, but in no event later than five business days after the Closing, UCB shall deliver the shares of United Common Stock representing the Acquisition Consideration to the Shareholders, subject to the provisions of this Article. All shares of United Common Stock issuable in the Stock Acquisition will be deemed for all purposes to have been issued by United at the Effective Time.

(b) Each Shareholder will deliver to UCB (or any agent that may be appointed by UCB for purposes of this Section), on or before the Closing Date, the certificates representing the Purchased Shares owned by the Shareholder, duly endorsed in blank, or accompanied by duly executed stock powers in blank, and with all necessary transfer taxes and other revenue stamps, acquired at the Shareholders' expense and affixed. Each Shareholder shall cure any deficiencies in the endorsement of the certificates or other documents of conveyance respecting, or in the stock powers accompanying, the certificates representing the Purchased Shares delivered by the Shareholders, as may be requested by UCB.

(c) All dividends or other distributions declared or earned after the Effective Time with respect to United Common Stock and payable to the holders of record thereof after the Effective Time will be paid to the Shareholders irrespective of whether the shares of United Common Stock due to such Shareholders have been delivered thereto. No interest will be payable with respect to any such dividends or other distributions on delivery of the outstanding certificates.

1.05 Fractional Shares. Notwithstanding any other provision herein, no fractional shares of United Common Stock will be issued. Any Shareholder who otherwise would be entitled hereunder to receive a fractional share of United Common Stock but for this Section will be entitled to receive, in lieu thereof, a cash payment for and in the amount (rounded up to the nearest whole cent) equal to that Shareholder's fractional interest in a share of United Common Stock multiplied by \$38.00 per share.

1.06 Registration Rights

(a) Whenever United proposes to register any common stock for its own or others' account under the Securities Act, other than a registration relating to employee benefit plans or a registration relating to Rule 145 under the Securities Act of 1933, as amended (the "Securities Act"), United shall give each of the Shareholders prompt written notice of its intent to do so. Upon the written request of any such Shareholder given within 15 days after receipt of such notice, United will use its reasonable efforts to cause to be included in such registration all of the United Common Stock issued in connection with this Agreement (the "Registrable Shares") that the Shareholders request to be registered.

(b) If such registration is an underwritten registration and the managing underwriter advises United that the total number of Registrable Shares requested to be included

in such registration exceeds the number of shares of United Common Stock that can be sold in such offering, United will include in such registration in the following priority: (i) first, all shares of United Common Stock United proposes to sell; and (ii) second, up to the full number of Registrable Shares requested to be included in such registration that, in the opinion of such managing underwriter, can be sold without adversely affecting the price range or probability of success of such offering, which shall be allocated among the Shareholders on a pro rata basis. The pro rata amount will be calculated based on the total share ownership of the members of each group.

(c) Requirements of United. In connection with the filing by United of a Registration Statement that covers Registrable Shares, United shall furnish to each Shareholder a copy of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act.

(1) If United has delivered preliminary or final prospectuses to the Shareholders and after having done so the prospectus is amended or supplemented to comply with the requirements of the Securities Act, United shall promptly notify the Shareholders and, if requested by United, the Shareholders shall immediately cease making offers or sales of shares under the Registration Statement and return all prospectuses to United. United shall promptly provide the Shareholders with revised or supplemented prospectuses and, following receipt of the revised or supplemented prospectuses, the Shareholders shall be free to resume making offers and sales under the Registration Statement.

(2) United shall pay the expenses incurred by it in complying with its obligations under this Section, including all registration and filing fees, exchange listing fees, fees, expenses of its counsel, and fees and expenses of its accountants. The Shareholders shall pay their respective expenses incurred in selling their Shares, including attorneys fees and any brokerage fees, selling commissions, or underwriting discounts incurred by the Shareholders in connection with sales under the Registration Statement.

(d) Requirements of Shareholders. United shall not be required to include any Registrable Shares in the Registration Statement unless:

(1) the Shareholder owning such shares furnishes to United in writing such information regarding such Shareholder and the proposed sale of Registrable Shares by such Shareholder as United may reasonably request in writing in connection with the Registration Statement or as shall be required in connection therewith by the Securities and Exchange Commission (the "SEC") or any state securities law authorities;

(2) such Shareholder shall have provided to United its written agreement to report to United sales made pursuant to the Registration Statement.

(e) Indemnification.

(1) Each of the Shareholders, severally and not jointly, agrees to indemnify United and each of its directors and officers against, and to hold United and each of its directors and officers harmless from, any losses, claims, damages, expenses, or liabilities (including reasonable attorneys fees) (collectively, "Damages") to which United or such

directors and officers may become subject by reason of any statement or omission in the Registration Statement made in reliance upon, or in conformity with, a written statement relating to such Shareholder and furnished by such Shareholder expressly for use in the Registration Statement.

(2) United agrees to indemnify and hold harmless each Shareholder whose shares are included in the Registration Statement against any Damages to which such Shareholder may become subject by reason of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission to state therein a fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such Damages arose out of or were based upon information relating to such Shareholder furnished in writing to United by a Shareholder expressly for use in the Registration Statement. United shall have the right to assume the defense and settlement of any claim or suit for which United may be responsible for indemnification under this Section.

(3) If the indemnification from the indemnifying party provided for in this section is found, pursuant to a final judicial determination not subject to appeal, to be unavailable to an indemnified party hereunder or insufficient in respect of any Damages incurred by such indemnified party, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the Damages paid or payable by such indemnified party in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified parties in connection with the actions or omissions that resulted in such Damages, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action or omission in question, including any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the Damages referred to above shall be deemed to include any legal or other expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section, no shareholder shall be required to contribute any amount in excess of the amount by which the total net proceeds received by such shareholder with respect to the Shares sold by such shareholder exceeds the amount of any Damages which such shareholder has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. Each Shareholder's obligation to contribute pursuant to this Section is several and not joint and shall be determined by reference to the proportion that the proceeds of the offering received by such Shareholder bears to the total proceeds of the offering received by all the Shareholders. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section are not exclusive and shall not limit any rights or remedies that may otherwise be available to any indemnified party at law or in equity.

Notwithstanding the foregoing, if indemnification is available under paragraph (1) or (2) of this Section, the indemnifying parties shall indemnify each indemnified party to the full extent provided in such paragraphs without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section.

(4) Assignment of Rights. A Shareholder may not assign any of its rights under this Section except in connection with the transfer of some or all of his, her or its Registrable Shares to a child or spouse, or trust for their benefit or, in the case of a partnership, to the partners of such partnership pursuant to a pro rata distribution, provided that each such transferee agrees in a written instrument delivered to the United to be bound by the provisions of this Section.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF EACH SHAREHOLDER

2.01 Representations and Warranties of Each Shareholder. Each Shareholder represents and warrants to UCB that, as applied solely to such Shareholder, all of the representations and warranties made pursuant to this Agreement are, as of the date hereof, and as amended or supplemented, will be, on the Closing Date, true and correct, and do not and will not contain or omit any disclosure that has or will or could have a Material Adverse Effect on the Company or UCB.

2.02 Investment Intentions. (a) Each Shareholder (i) will be acquiring the shares of United Common Stock to be issued pursuant to Article I to the Shareholder solely for such Shareholder's account, for investment purposes only, and with no current intention or plan to distribute, sell, or otherwise dispose of any of those shares in connection with any distribution that is not made pursuant to a registration statement filed by United covering such shares or an applicable exemption under the Securities Act; (ii) is not a party to any agreement or other arrangement for the disposition of any shares of United Common Stock other than this Agreement; (iii) is an "accredited investor" as defined in Securities Act Rule 501(a); (iv) (A) is able to bear the economic risks of an investment in the United Common Stock acquired pursuant to this Agreement; (B) can afford to sustain a total loss of that investment; (C) has such knowledge and experience in financial and business matters that the Shareholder is capable of evaluating the merits and risks of the proposed investment in the United Common Stock; (D) has had an adequate opportunity to ask questions and receive answers from the officers of United concerning any and all matters relating to the transactions contemplated hereby, including the background and experience of the current and proposed officers and directors of United, the plans for the operations of the business of United, and the business, operations, and financial condition of United; (E) has asked all questions of the nature described in preceding clause (D), and all those questions have been answered to such Shareholder's satisfaction; and (F) understands that, notwithstanding any other provisions of this Agreement, the Acquisition Consideration to be received pursuant to this Agreement is further restricted from transfer until the date upon which combined earnings for a period of at least 30 days are released as public information.

(b) The Shareholder has no present plan, intention, or arrangement to dispose of any of the United Common Stock received in the Acquisition Transaction if such disposition would reduce the fair value of the United Common Stock (with such value measured as of the Closing Date) retained by the Shareholder to an amount less than 50% of the fair value of the Company Capital Stock held by the Shareholder immediately before the consummation of the Acquisition Transaction.

2.03 Ownership and Status of the Purchased Shares. Each Shareholder is the record and beneficial owner of the number of Purchased Shares set forth opposite the Shareholder's name on the signature page hereto, free and clear of all Liens.

2.04 Power of the Shareholder; Approval of the Acquisition Transaction. (a) Each Shareholder has the full power, legal capacity, and authority to execute and deliver this Agreement and each Transaction Document to which the Shareholder is a party and to perform the Shareholder's obligations in this Agreement and in all Transaction Documents to which the Shareholder is a party. This Agreement constitutes, and each such Transaction Document when executed in the Shareholder's individual or legal capacity and delivered by the Shareholder will constitute, the legal, valid, and binding obligation of each respective Shareholder, enforceable against each Shareholder in accordance with its terms, except as that enforceability may be (i) limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and (ii) subject to general principles of equity (regardless of whether that enforceability is considered in a proceeding in equity or at law).

(b) The Shareholder has voted all the shares of Company Capital Stock owned by him in favor of entering into this Agreement and the consummation of the Stock Acquisition and the other transactions contemplated hereby.

2.05 No Conflicts or Litigation. The execution, delivery, and performance in accordance with their respective terms by the Shareholder of this Agreement and the Transaction Documents to which the Shareholder is a party do not and will not (a) violate or conflict with any Governmental Requirement, (b) breach or constitute a default under any agreement or instrument to which such Shareholder is a party or by which each Shareholder or any of the shares of Company Capital Stock owned by such Shareholder is bound, or (c) result in the creation or imposition of, or afford any Person the right to obtain, any Lien upon any of the shares of Company Capital Stock owned by such Shareholder. No Litigation is pending or, to the knowledge of the Shareholder, threatened to which such Shareholder is or may become a party that (i) questions or involves the validity or enforceability of any of such Shareholder's obligations under any Transaction Document or (ii) seeks (or reasonably may be expected to seek) (A) to prevent or delay the consummation by such Shareholder of the transactions contemplated by this Agreement to be consummated by such Shareholder or (B) Damages in connection with any consummation by such Shareholder of the transactions contemplated by this Agreement.

2.06 No Brokers. The Shareholder has not, directly or indirectly, in connection with this Agreement or the transactions contemplated hereby (a) employed any broker, finder, or agent or (b) agreed to pay or incurred any obligation to pay any broker's or finder's fee, any sales commission, or any similar form of compensation.

2.07 Preemptive and Other Rights; Waiver. Except for the rights of the Shareholder to receive shares of United Common Stock as a result of the Stock Acquisition, the Shareholder either (a) does not own or otherwise have any statutory or contractual preemptive or other right of any kind (including any right of first offer or refusal) to acquire any shares of Company Capital Stock or United Common Stock or (b) hereby irrevocably waives each right of that type the Shareholder does own or otherwise has.

3.08 Pooling of Interests. Each Shareholder, as to itself, makes the representation and warranty set forth in Section 3.22. Each of the Shareholders agree, notwithstanding any other provisions of this Agreement, that the Acquisition Consideration to be received pursuant to this Agreement is further restricted from transfer until the date upon which combined earnings for a period of at least 30 days are released as public information.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND BREWER

3.01 Truthfulness of the Representations and Warranties by the Company and Brewer. The Company and Brewer, jointly and severally, represent and warrant to UCB that all of the following representations and warranties in this Article are, as of the date of this Agreement, and as amended or supplemented pursuant to this Agreement, will be, on the Closing Date, true and correct, and do not and will not contain or omit any disclosure that has or will or could have a Material Adverse Effect on the Company or UCB.

3.02 Organization and Capitalization of Company. (a) The Company (i) is a corporation duly organized, validly existing, and in good standing under the laws of Florida, (ii) has all requisite corporate power and authority under all applicable laws and its Articles of Incorporation and Bylaws, each as amended or restated to date, to own or lease and to operate its properties and to carry on its business as it is now conducted, and (iii) is duly qualified and in good standing as a foreign corporation in all jurisdictions in which it owns or leases property or in which the carrying on of its business as now conducted so requires, except where the failure to be so qualified, singularly or in the aggregate, would not have a Material Adverse Effect.

(b) The authorized, issued, and outstanding shares or depository receipts or other certificate representing any share of an equity ownership interest of the Company is as set forth on the Financial Statements, and, except as set forth therein, (i) no shares are held by the Company as treasury shares, and (ii) no outstanding equity or debt security or other Indebtedness that is convertible into, or exchangeable for, or any option, warrant, or other right to acquire common stock ("Derivative Securities") or stock appreciation rights or similar plans of the Company exist.

3.03 Qualification. The Company is authorized or qualified to own, lease, or operate its properties, or to carry on its business where as now conducted, and the Company does not own, lease, or operate properties or carries on any business that is Material to the Company in any jurisdiction other than Florida.

3.04 Authorization; Enforceability; Absence of Conflicts; Required Consents. (a) Except for approval by the Shareholders, the execution, delivery, and performance by the Company of this Agreement and each Transaction Document to which it is a party, and the consummation of the Stock Acquisition and the other transactions contemplated hereby and thereby, are within its corporate or other power under its Articles of Incorporation and Bylaws, each as amended or restated to date, and the applicable Governmental Requirements of Florida and have been duly authorized by all proceedings, including actions permitted to be taken in lieu of proceedings, as permitted under its Articles of Incorporation and Bylaws, each as amended or restated to date, and those Governmental Requirements.

(b) This Agreement has been, and each of the Transaction Documents to which the Company is a party, when executed and delivered to UCB will have been, duly executed and delivered by the Company and is, or when so executed and delivered will be, the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as that enforceability may be (i) limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and (ii) subject to general principles of equity (regardless of whether that enforceability is considered in a proceeding in equity or at law).

(c) The execution, delivery, and performance in accordance with their respective terms by the Company of the Transaction Documents to which it is a party does not and will not (i) violate, breach, or constitute a default under (A) the Articles of Incorporation and Bylaws, each as amended or restated to date, of the Company, (B) any Governmental Requirement applicable to the Company, or (C) any Material Agreement of the Company, (ii) result in the acceleration or mandatory prepayment of any Indebtedness, or any Guaranty not constituting Indebtedness, of the Company or afford any holder of any Indebtedness, or any beneficiary of any Guaranty, the right to require the Company to redeem, purchase, or otherwise acquire, reacquire, or repay any Indebtedness, or to perform any Guaranty, (iii) cause or result in the imposition of, or afford any Person the right to obtain, any Lien upon any property or assets of the Company (or upon revenues, income, or profits of the Company therefrom), or (iv) result in the revocation, cancellation, suspension, or material modification, in any single case or in the aggregate, of any Governmental Approval possessed by the Company at the date hereof and necessary for the ownership, lease, or operation of its properties or the uninterrupted carrying on of its business as now conducted, including any necessary Governmental Approval under each applicable Environmental Law.

(d) Except for (i) as may be required by state or federal banking laws or (ii) as may be required by applicable state securities or blue sky laws, no Governmental Approvals are required to be obtained, and no reports or notices to, or filings with, any Governmental Authority are required to be made by the Company for the execution, delivery, or performance by the Company of the Transaction Documents to which it is a party, the enforcement against the Company of its obligations thereunder, or the effectuation of the Stock Acquisition and the other transactions contemplated hereby and thereby.

3.05 Charter Documents and Records; No Violation. The Company has caused true, complete, and correct copies of the Articles of Incorporation and Bylaws, each as amended or restated to date and in effect on the date hereof, and the minute books and similar corporate or other records of the Company to be made available or otherwise made available to UCB. No breach or violation of the Articles of Incorporation and Bylaws, each as amended or restated to date, of the Company has occurred and is continuing.

3.06 No Defaults. No condition or state of facts exists, or, with the giving of notice or the lapse of time or both, would exist, that (a) entitles any holder of any outstanding Indebtedness, or any Guaranty not constituting Indebtedness, of the Company, or a representative of that holder, to accelerate the maturity, or require a mandatory prepayment, of that Indebtedness or Guaranty, or affords that holder or its representative, or any beneficiary of that Guaranty, the right to require the Company to redeem, purchase, or otherwise acquire, reacquire, or repay any of that Indebtedness, or to perform that Guaranty in whole or in part, (b) entitles any Person to obtain any Lien (other than a Permitted Lien) upon any properties or assets of the Company (or upon revenues, income, or profits of any of the Company therefrom), or (c) constitutes a violation or breach of, or a default under, any Material Agreement of the Company by the Company.

3.07 Company Subsidiaries. The Company has no subsidiaries.

3.08 Capital Stock of the Company. All of the issued and outstanding shares of Capital Stock of the Company have been duly authorized and validly issued in accordance with the laws of the State of Florida and the Company's Articles of Incorporation and Bylaws, each as amended or restated to date, and are fully paid and nonassessable. The Company has not issued or sold any shares of outstanding Company Capital Stock in breach or violation of any applicable statutory or contractual preemptive rights or any rights of first offer or refusal of any Person or the terms of any of its Derivative Securities that were outstanding at the time of such issuance. No Person has, other than solely by reason of that Person's right, if any, to vote any of the shares of the Company Capital Stock (to the extent those shares afford the holder thereof any voting rights), any right to vote on any matter with the holders of Company Capital Stock.

3.09 Transactions in Capital Stock. (a) The Company has no obligation (contingent or otherwise) to purchase, redeem, or otherwise acquire or reacquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (b) no transaction has been effected since December 31, 1999, and no action in contemplation of the transactions described in this Agreement has been taken, respecting the equity ownership of the Company.

3.10 Related Party Agreements. Except for the Agreements listed on **Schedule 3.10**, each Related Party Agreement in effect on the date hereof will have been terminated as of the Closing Date.

3.11 Litigation. No Litigation is pending or, to the knowledge of the Company and Brewer, threatened to which the Company is or may become a party.

3.12 Financial Statements; Disclosure. (a) The Financial Statements (including in each case the related schedules and notes) delivered to UCB present fairly, in all Material respects, the consolidated financial position of the Company at the respective dates of the balance sheets included therein, and the consolidated results of their operations and their consolidated cash flows and shareholders' or other owners' equity for the respective periods set forth therein and have been prepared in accordance with GAAP except that any unaudited Financial Statements so delivered need not contain footnotes required by GAAP or otherwise comply with GAAP as noted therein. As of the date of any balance sheet included in those Financial Statements, the Company had no outstanding Indebtedness to any Person or any liabilities of any kind (including contingent obligations, tax assessments, or unusual forward or long-term commitments), or any unrealized or anticipated loss, that in the aggregate were Material to the Company other than those reflected in those Financial Statements or in the notes related thereto, and since June 30, 2000 (the "Balance Sheet Date"), no change has occurred in the business, operations, properties or assets, liabilities, condition (financial or other), results of operations, or prospects of the Company that could reasonably be expected, either alone or together with all other such changes, to have a Material Adverse Effect on the Company.

(b) (i) As of the date hereof, all Information that has been made available to UCB by or on behalf of the Company prior to the date of this Agreement in connection with the transactions contemplated hereby is, taken together, true and correct in all Material respects and does not contain, to the knowledge of the Company or Brewer, any untrue statement of a Material fact or omit to state a Material fact necessary to make the statements contained therein not misleading in light of the circumstances under which those statements were made, except where the failure to do so would not have a Material Adverse Effect.

(ii) All Information that is made available to UCB by or on behalf of the Company after the date hereof from time to time prior to the Closing in connection with or pursuant to this Agreement or any Transaction Document will be, when made available and taken together, true and correct in all Material respects and will not contain any untrue statement of a Material fact or omit to state a Material fact necessary to make the statements contained therein not misleading in any Material respect in light of the circumstances under which those statements are made.

3.13 Compliance with Laws. To the knowledge of the Company and Brewer, (i) the Company possesses all necessary licenses, permits, and similar Governmental Approvals required for the conduct of its business; and (ii) the Company is in compliance in all Material respects with the terms and conditions of all Governmental Approvals necessary for the ownership or lease and the operation of its properties (including all the facilities and sites it owns or holds under any lease) and the carrying on of its business as now conducted.

3.14 Liabilities and Obligations.

(a) The Financial Statements accurately list all present liabilities, of every kind, character, and description and whether accrued, absolute, fixed, contingent, or otherwise, of the Company and the Company Subsidiaries (i) that exceed \$10,000 and (ii) that had been incurred prior to the Balance Sheet Date, but are not reflected on the unaudited balance sheet of the Company at the Balance Sheet Date.

3.15 Proprietary Rights. The Company owns or has the legal right to use all Proprietary Rights that are necessary to the conduct of its business as now conducted, in each case free of any claims or infringements known to the Company or Brewer. **Schedule 3.15** accurately lists these Proprietary Rights and indicates those owned by the Company and, for those not listed as so owned, the agreement or other arrangement pursuant to which the Company is entitled to possess and use such Proprietary Rights. No consent of any Person will be required for the use of any of these Proprietary Rights by UCB or the Company following the Effective Time, and no governmental registration of any of these Proprietary Rights has lapsed or expired or been canceled, abandoned, opposed, or the subject of any reexamination request.

3.16 Commitments. (a) Except for the Agreements listed on **Schedule 3.16**, there are none of the following agreements (each a “Company Commitment”) to which the Company is a party or by which any of its properties are bound and that presently remain executory in whole or in any part:

- (i) partnership, joint venture, or cost-sharing agreement;
- (ii) guaranty or suretyship, indemnification or contribution agreement, or performance bond;
- (iii) instrument, agreement, or other obligation evidencing or relating to Indebtedness or to money lent or to be lent to another Person;
- (iv) contract to purchase or sell real property or any Material personal property;
- (v) agreement with dealers or sales or commission agents, public relations or advertising agencies, accountants, or attorneys (other than in connection with this Agreement and the transactions contemplated hereby) involving total payments within any 12-month period in excess of \$10,000 and that is not terminable without penalty and on no more than 30 days’ prior notice;
- (vi) Related Party Agreement involving total payments within any 12-month period in excess of \$10,000 and that is not terminable without penalty on no more than 30 days’ prior notice;
- (vii) agreement for the acquisition or provision of services, supplies, equipment, inventory, fixtures, or other property involving more than \$10,000 in the aggregate;
- (viii) contract containing any noncompetition agreement, covenant, or undertaking;
- (ix) agreement providing for the purchase from a supplier of all or substantially all the requirements of the Company of a particular product or service; or
- (x) other agreement or commitment not made in the ordinary course of business, or that is Material to the Company, its Business, or assets.

True, correct, and complete copies of all written Company Commitments, have heretofore been delivered or made available to UCB, and true, correct, and complete written descriptions of all oral Company Commitments have been delivered or made available to UCB.

(b) There are no existing or asserted defaults, events of default, or events, occurrences, acts, or omissions that, with the giving of notice or lapse of time or both, would constitute defaults or events of default by the Company or, to the knowledge of the Company or Brewer, any other party thereto under any Company Commitment; (ii) no penalties have been incurred, nor are there any amendments pending, with respect to any of the Company Commitments that are Material to the Company. The Company Commitments are in full force and effect and are valid and enforceable obligations of the Company and, to the knowledge of the Company or Brewer, the other parties thereto in accordance with their respective terms; and (iii) no defenses, off-sets, or counterclaims have been asserted or, to the knowledge of the Company or Brewer, can be made by any party thereto (other than by the Company), nor has the Company waived any rights thereunder.

(c) Except as contemplated hereby or by any Transaction Document to which the Company or Shareholder is a party, (i) neither the Company nor any Shareholder has received notice of any plan or intention of any other party to any Company Commitment to exercise any right to cancel or terminate any Company Commitment, and neither the Company nor Brewer knows of any condition or state of facts that would justify the exercise of such a right; and (ii) neither the Company nor Brewer currently contemplates, or has reason to believe any other Person currently contemplates, any amendment or change to any Company Commitment.

3.17 Insurance. **Schedule 3.17(a)** sets forth a list of all insurance policies carried by the Company; and **Schedule 3.17(b)** sets forth an accurate list of all insurance loss runs and worker's compensation claims received for the most recently ended three policy years to the extent reasonably available. True, complete, and correct copies of all insurance policies carried by the Company that are presently in effect have been provided to UCB, and all such insurance policies have been issued by insurers of recognized responsibility and currently are, and will remain without interruption through the Closing Date, in full force and effect. No insurance carried by the Company has been canceled by the insurer during the past five years, and the Company has never been denied insurance coverage in any regard or to any degree. The Company or Shareholder has not received any notice or other communication from any issuer of any such insurance policy of any Material increase in any deductibles, retained amounts, or premiums payable thereunder, and, to the knowledge of the Company or Brewer, no such increase in deductibles, retainages, or premiums is threatened.

3.18 Employee Matters. (a) *Cash Compensation.* **Schedule 3.18(a)** accurately lists the names, titles, and rates of annual wages, salaries, bonuses (discretionary and formula), fees, and other cash compensation paid or payable by the Company (the "Cash Compensation"), at the Balance Sheet Date and at the date hereof (and the portions thereof attributable to salary or the equivalent, fixed bonuses, discretionary bonuses, and other Cash Compensation, respectively) of all employees (including all employees who are officers or directors), non-employee officers, nonemployee directors, and key consultants and independent contractors of the Company that

have been paid during the past fiscal year, or reasonably expect to be paid during the current fiscal year, aggregate compensation in excess of \$50,000.

(b) *Engagement and Non-Competition Agreements.* **Schedule 3.18(b)** accurately lists all Engagement and Non-Competition Agreements remaining executory in whole or in part on the date hereof, and the Company has provided UCB with true, complete, and correct copies of all such Engagement and Non-Competition Agreements. The Company is not a party to any oral Engagement and Non-Competition Agreement with any Person.

(c) *Other Compensation Plans.* **Schedule 3.18(c)** accurately lists all Other Compensation Plans either in effect at the date hereof or to become effective after the date hereof. The Company has provided UCB with a true, correct, and complete copy of each of those Other Compensation Plans that is in writing and an accurate description of each of those Other Compensation Plans that are oral. Each of the Other Compensation Plans, may be unilaterally amended or terminated by the Company without liability to any of them, except as to benefits accrued thereunder prior to any such amendment or termination.

(d) *ERISA Benefit Plans.* **Schedule 3.18(d)** accurately lists each “employee benefit plan” as defined in Section 3(3) of ERISA, excluding any Multi-employer Plan “ERISA Benefit Plan” maintained by, sponsored in whole or in part by, or contributed to by, the Company or any ERISA Affiliate currently, or at any time during the six-year period ending on the date hereof, under which employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate, including, but not limited to, all pension, retirement, profit sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus, or other incentive plans, medical, vision, dental or other health plans, life insurance plans, and all other employee benefit plans or fringe benefit plans. **Schedule 3.18(d)** classifies each of the ERISA Benefit Plans as an “employee pension benefit plan” as defined in Section 3(2) of ERISA, excluding a Multi-employer Plan “ERISA Pension Benefit Plan” or an “employee welfare benefit plan” as defined in Section 3(i) of ERISA (a “Welfare Plan”). The Company has provided UCB with a true, correct, and complete copy of each ERISA Benefit Plan, all related trust agreements and amendments, actuarial reports and valuations for the most recent three years, summary plan descriptions, prospectuses, annual report form 5500s or similar forms (and attachments thereto) for the most recent three years, all Internal Revenue Service determination letters, and any related documents requested by UCB.

(e) *Labor Compliance.* To the knowledge of the Company or Brewer, the Company has been and is in compliance with all applicable Governmental Requirements respecting employment and employment practices, terms and conditions of employment, and wages and hours, and the Company is not liable for any arrears of wages or penalties for failure to comply with any of the foregoing. The Company has not engaged in any unfair labor practice or discriminated on the basis of race, color, religion, sex, sexual orientation, national origin, age, disability, or handicap in its employment conditions or practices. There are no (i) unfair labor practice charges or complaints or racial, color, religious, sex, sexual orientation, national origin, age, disability, or handicap discrimination charges or complaints pending or, to the knowledge of the Company, threatened against the Company before any Governmental Authority (nor, to the knowledge of the Company or Brewer, does any valid basis therefor exist) or (ii) existing or, to the knowledge of the Company or Brewer, threatened labor strikes, disputes, grievances,

controversies, or other labor troubles affecting the Company (nor, to the knowledge of the Company or Brewer, does any valid basis therefor exist).

(f) *Unions.* Neither the Company nor an ERISA Affiliate has ever been a party to any agreement with any union, labor organization, or collective bargaining unit. No employees of the Company are represented by any union, labor organization, or collective bargaining unit. To the knowledge of the Company or Brewer, none of the employees of the Company has threatened to organize or join a union, labor organization, or collective bargaining unit.

(g) *No Unauthorized Aliens.* All employees of the Company are citizens of, or are authorized in accordance with federal immigration laws to be employed in, the United States.

(h) *Change of Control Benefits.* Except as disclosed on **Schedule 3.18(h)**, either the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute, or otherwise) becoming due to any director or any employee from the Company under any ERISA Benefit Plan, Other Compensation Plan or otherwise, (ii) increase any benefits otherwise payable under any ERISA Benefit Plan or Other Compensation Plan, or (iii) result in any acceleration of the time of payment or vesting of any such benefit. Neither the Company nor any ERISA Affiliate, is obligated, contingently or otherwise, under any agreement to pay any amount that would be treated as a “parachute payment,” as defined in Section 280G(b) of the Internal Revenue Code (determined without regard to Section 280G(b)(2)(A)(ii) of the Internal Revenue Code).

(i) *Retirees.* The Company has no any obligation or commitment to provide medical, dental, or life insurance benefits to or on behalf of any of its employees who may retire or any of its former employees who have retired, except as may be required pursuant to the continuation of coverage provisions of Section 4980B of the Code and the applicable parallel provisions of ERISA.

3.19 Compliance with ERISA, Etc. (a) *Compliance.* Each of the ERISA Benefit Plans and Other Compensation Plans (i) is in Material compliance with all applicable provisions of ERISA, the Code, and all other applicable Governmental Requirements, (ii) has been administered, operated and managed in accordance with its governing documents, and (iii) has timely filed or distributed all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including annual reports, summary annual reports (form 5500s), summary plan descriptions, actuarial reports, PBGC-1 Forms, or returns).

(b) *Qualification.* All ERISA Pension Benefit Plans that are intended to be qualified under Section 401(a) of the Code (the “Qualified Plans”) are so qualified and have received a favorable determination letter from the Internal Revenue Service (the “IRS”), and the Company and Brewer are not aware of any circumstances likely to result in the revocation of any such favorable determination letter. To the extent that any Qualified Plans have not been amended to comply with applicable Governmental Requirements, the remedial amendment

period permitting retroactive amendment of these Qualified Plans has not expired and will not expire within 120 days after the Effective Time.

(c) *No Defined Benefit Plans.* Neither the Company nor any ERISA Affiliate, maintains, or within the past six years has maintained, an ERISA Pension Benefit Plan that is or was a “defined benefit plan” subject to Title IV of ERISA.

(d) *No Prohibited Transactions, Etc.* With respect to each ERISA Benefit Plan, neither such plan, nor any trustee, administrator, fiduciary, agent or employee thereof, and none of the Shareholders nor the Company has engaged in any Prohibited Transaction with respect to such ERISA Benefit Plan. With respect to each ERISA Pension Benefit Plan (i) all minimum funding standards required by law with respect to funding of benefits payable or to be payable under such plan have been met; (ii) there is no accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(a) of ERISA; and (iii) there have been no terminations, partial terminations, or discontinuances of contributions without a determination by the IRS that such action does not adversely affect the tax-qualified status of that plan.

(e) *COBRA.* With respect to ERISA Benefit Plans qualifying as “group health plans” under Section 4980B of the Code or Section 607(l) or 609 of ERISA and related regulations (relating to the benefit continuation rights imposed by “COBRA” or qualified medical child support orders), the Company and the Shareholders have complied (and at the Effective Time will have complied) in all Material respects with all reporting, disclosure, notice, election and other benefit continuation and coverage requirements imposed thereunder as and when applicable to those plans, and the Company has not incurred (or will incur) any direct or indirect liability or is (or will be) subject to any loss, assessment, excise tax penalty, loss of federal income tax deduction or other sanction, arising on account of or in respect of any direct or indirect failure by the Company or any Shareholder, at any time prior to the Effective Time, to comply with any such federal or state benefit continuation or coverage requirement.

(f) *Financial Disclosure.* The Company has made, and as of the Closing Date will have made or accrued, all payments and contributions required, or reasonably expected to be required, to be made under the provisions of each ERISA Benefit Plan or Other Compensation Plan, or required to be made under applicable laws, rules and regulations, with respect to any period prior to the Effective Date, such amounts to be determined using the ongoing actuarial and funding assumptions of such plan. The Financial Statements reflect the approximate total pension, medical and other benefit liability for all ERISA Benefit Plans and Other Compensation Plans, and no Material funding changes or irregularities are reflected thereon which would cause such statements to be not representative of prior periods.

(g) *Multiemployer Plans.* The Company, and no ERISA Affiliate of it, is not, nor at any time during the six-year period ended on the date hereof was, obligated to contribute to a Multiemployer Plan. The Company, and no ERISA Affiliate of it, has not taken, and does not intend to take, any action and no event has occurred which has resulted or could reasonably be expected to result in withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan.

(h) *Claims and Litigation.* No Litigation or claims (other than routine claims for benefits) are pending or, to the knowledge of the Company or Brewer, threatened against, or with respect to, any of the ERISA Benefit Plans or Other Compensation Plans or with respect to any fiduciary, administrator, sponsor (in their capacities as such), or any party-in-interest thereof.

(i) *Excise Taxes, Damages and Penalties.* With respect to any ERISA Benefit Plan or Other Compensation Plan, no act, omission or transaction has occurred which would result in the imposition on the Company of (i) breach of fiduciary duty liability damages under Section 409 of ERISA, (ii) a civil penalty assessed pursuant to subsection (c), (i) or (l) of Section 502 of ERISA, or (iii) any excise tax under applicable provisions of the Code.

(j) *VEBA Welfare Trust.* Any trust which is intended to be exempt from federal income taxation pursuant to Section 501(c)(9) of the Code, satisfies the requirements of that section and has received a favorable determination letter from the IRS regarding that exempt status and has not, since receipt of the most recent favorable determination letter, been amended or operated in a way that would adversely affect that exempt status.

(k) *Amendments and Termination.* The Company has the right to amend, modify, or terminate any ERISA Benefit Plan or Other Compensation Plan without incurring any liability thereunder, except as to any benefits accrued prior to such amendment, modification, or termination. Prior to the Effective Date, the Company agrees not to amend or modify any ERISA Benefit Plan or Other Compensation Plan or take any other action which results in an increase in liability under such ERISA Benefit Plan or Other Compensation Plan. To the extent UCB adopts or continues any ERISA Benefit Plan or Other Compensation Plan, nothing contained in this Agreement limits or restricts UCB's right to amend, modify, or terminate any of such plans in such manner as UCB deems appropriate.

3.20 Taxes. (a) All Returns required to be filed with respect to any Tax for which the Company is liable have been duly and timely filed with the appropriate governmental authority having or purporting to exercise jurisdiction with respect to any Tax (a "Taxing Authority"). All such Returns were correct and complete in all Material respects, and each Tax shown to be payable on each such Return has been paid. Each Tax payable by the Company by assessment has been timely paid in the amount assessed, and adequate reserves have been established on the consolidated books of the Company for all Taxes for which the Company is liable, but the payment of which is not yet due. The Company is not, nor ever has been, liable for any Tax payable by reason of the income or property of a Person other than the Company. The Company has timely filed true, correct and complete declarations of estimated Tax in each jurisdiction in which any such declaration is required to be filed by it. No Liens for Taxes exist upon the assets of the Company except Liens for Taxes which are not yet due. The Company is not, nor ever has been, subject to Tax in any jurisdiction outside of the United States. No Litigation with respect to any Tax for which the Company is asserted to be liable is pending or, to the knowledge of the Company or Brewer, threatened and no basis which the Company or Brewer believes to be valid exists on which any claim for any such Tax can be asserted against the Company. There are no requests for rulings or determinations in respect of any taxes pending between the Company and any Taxing Authority. No extension of any period during which any Tax may be assessed or collected and for which the Company is or may be liable has been granted to any Taxing Authority. The Company is not nor has been a party to any tax

allocation or sharing agreement. All amounts required to be withheld by the Company and paid to governmental agencies for income, social security, unemployment insurance, sales, excise, use and other Taxes have been collected or withheld and paid to the proper Taxing Authority. The Company has made all deposits required by law to be made with respect to employees' withholding and other employment taxes.

(b) Neither the Company nor any Shareholder is a "foreign person," as that term is referred to in Section 1445(f)(3) of the Code.

(c) The Company has not filed a consent pursuant to Section 341(f) of the Code or any comparable provision of any other tax statute and has not agreed to have Section 341(f)(2) of the Code or any comparable provision of any other tax statute apply to any disposition of an asset. The Company has not made, is not obligated to make, and is not a party to any agreement that could require it to make any payment that is not deductible under Section 280G of the Code. No asset of the Company is subject to any provision of applicable law which eliminates or reduces the allowance for depreciation or amortization in respect of that asset below the allowance generally available to an asset of its type. No accounting method changes of the Company exist or are proposed or threatened which could give rise to an adjustment under Section 481 of the Code.

3.21 Absence of Changes. Since the Balance Sheet Date, except as accurately set forth in **Schedule 3.21**, none of the following has occurred with respect to the Company:

(a) any circumstance, condition, event, or state of facts (either singularly or in the aggregate), that has caused or is causing a Material Adverse Effect on the Company;

(b) any change in its authorized or outstanding Capital Stock or Derivative Securities;

(c) any Restricted Payment;

(d) any increase in, or any commitment or promise to increase, the rates of Cash Compensation, or the amounts or other benefits paid or payable under any Company ERISA Pension Plan or Other Compensation Plan, except for ordinary and customary bonuses and salary increases for employees (other than the Shareholders or an Immediate Family Member) at the times and in the amounts consistent with its past practice;

(e) any work interruptions, labor grievances or claims filed, or any similar event or condition of any character, that will, or could reasonably expect to, have a Material Adverse Effect on the Company;

(f) any distribution, sale, or transfer of, or any Company Commitment to distribute, sell, or transfer, any of its assets or properties of any kind that singularly is, or in the aggregate are, Material to the Company, other than distributions, sales, or transfers in the ordinary course of its business and consistent with its past practices to Persons other than the Shareholders or an Immediate Family Member or Affiliates;

- (g) any cancellation of, or agreement to cancel, any Indebtedness, obligation, or other liability owing to it, including any Indebtedness, obligation, or other liability of any Shareholder or any Related Person or Affiliate thereof;
- (h) any plan, agreement, or arrangement granting any preferential rights to purchase or acquire any interest in any of its assets, property, or rights or requiring consent of any Person to the transfer and assignment of any such assets, property, or rights;
- (i) any purchase or acquisition of, or agreement, plan, or arrangement to purchase or acquire, any property, rights, or assets, or the entering of any other transaction, outside of the ordinary course of its business consistent with its past practices;
- (j) any waiver of any of its rights or claims that singularly is, or in the aggregate are, Material to the Company;
- (k) any Indebtedness incurred by it or any Guaranty not constituting its Indebtedness, or any Company Commitment to incur any Indebtedness or any such Guaranty;
- (l) any investment in the Capital Stock, Derivative Securities, or Indebtedness of any Person, other than a Permitted Investment;
- (m) except in accordance with the Company's consolidated capital expenditure budget for the Company's current fiscal year, any capital expenditure or series of related capital expenditures by the Company and the Company Subsidiaries collectively in excess of \$50,000, or commitments by the Company and the Company Subsidiaries to make capital expenditures aggregating in excess of \$50,000; or
- (n) any cancellation or termination of a Material Agreement of the Company.

3.22 Pooling of Interests. The Company and the Shareholders have not, since a date which is at least two years prior to the date hereof, engaged in any transaction with respect to any shares of Company Capital Stock or of United Common Stock or any interest therein, the intent or effect of which is to reduce the risk of owning shares of Company Capital Stock or United Common Stock, modified the equity ownership of the Company in contemplation of the Stock Acquisition, or otherwise taken any action that could in any manner adversely affect UCB's ability to use "pooling of interests" accounting treatment with respect to the Stock Acquisition.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF UNITED AND UCB

4.01 Representations and Warranties of United and UCB. United and UCB represent and warrant to each Shareholder that all of the following representations and warranties in this Article IV are, as of the date of this Agreement, and will be, on the Closing Date, true and correct.

4.02 Organization; Power. United and UCB are corporations duly organized, validly existing, and in good standing under the laws of the State of Georgia, and have all requisite

corporate power and authority under the laws of Georgia and their Articles of Incorporation and Bylaws, each as amended or restated to date to own or lease and to operate their properties presently and following the Effective Time and to carry on their businesses as now conducted and as proposed to be conducted following the Effective Time.

4.03 Authorization; Enforceability; Absence of Conflicts; Required Consents.

(a) The execution, delivery, and performance by UCB and United of this Agreement and each Transaction Document to which they are a party, and the consummation of the Acquisition Transaction and the other transactions contemplated hereby and thereby, are within their corporate power under its respective Articles of Incorporation and Bylaws, each as amended or restated to date and the applicable Governmental Requirements of Georgia, and has been duly authorized by all proceedings, including actions permitted to be taken in lieu of proceedings, as may be permitted under their Articles of Incorporation and Bylaws, each as amended or restated to date and the applicable Governmental Requirements of Georgia.

(b) This Agreement has been, and each of the Transaction Documents to which UCB and United are parties, when executed and delivered to the other parties thereto will have been, duly executed and delivered by them and is, or when so executed and delivered will be, their legal, valid, and binding obligation, enforceable against them in accordance with its terms, except as that enforceability may be (i) limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and (ii) subject to general principles of equity (regardless of whether that enforceability is considered in a proceeding in equity or at law).

(c) The execution, delivery, and performance in accordance with their respective terms by UCB and United of the Transaction Documents to which they are parties have not and will not (i) violate, breach, or constitute a default under (A) their Articles of Incorporation and Bylaws, each as amended or restated to date, (B) any Governmental Requirement applicable to them, or (C) any of their Material Agreements, (ii) result in the acceleration or mandatory prepayment of any Indebtedness, or any Guaranty not constituting Indebtedness, of UCB and United or afford any holder of any of that Indebtedness, or any beneficiary of any Guaranty, the right to require them to redeem, purchase, or otherwise acquire, reacquire, or repay any of that Indebtedness, or to perform any Guaranty, (iii) cause or result in the imposition of, or afford any Person the right to obtain, any Lien upon any property or assets of UCB and United (or upon any revenues, income, or profits of UCB and United therefrom), or (iv) result in the revocation, cancellation, suspension, or Material modification, singularly or in the aggregate, of any Governmental Approval possessed by UCB and United at the date hereof and necessary for the ownership, lease, or operation of their properties or the carrying on of their business as now conducted, including any necessary Governmental Approval under each applicable Environmental Law.

(d) Except for (i) filings with state or federal banking regulators or (ii) as may be required by applicable state securities or blue sky laws, no Governmental Approvals are required to be obtained, and no reports or notices to or filings with any Governmental Authority are required to be made, by UCB for the execution, delivery, or performance by UCB and United of the Transaction Documents to which they are parties, the enforcement against UCB and

United of their obligations thereunder, or the consummation of the Acquisition Transaction and the other transactions contemplated thereby.

4.04 Capital Stock of United. (a) The authorized Capital Stock of United consists of (i) 50,000,000 shares of United Common Stock and (ii) 10,000,000 shares of United Preferred Stock, of which 10,230,974 shares of United Common Stock, no shares of the United Preferred Stock, and 492,132 options are issued and outstanding as of the Closing Date (except as contemplated by this Agreement).

(b) All shares of United Common Stock outstanding, and all shares of United Common Stock to be issued pursuant to Section 1.04, when issued, (i) have been or will be duly authorized and validly issued in accordance with the laws of the State of Georgia and its Articles of Incorporation and Bylaws, each as amended or restated to date and (ii) will be fully paid and nonassessable. None of the shares of United Common Stock to be issued pursuant to Section 1.04, will, when issued, be issued in breach or violation of (i) any applicable statutory or contractual preemptive rights, or any other rights of any kind (including any rights of first offer or refusal), of any Person or (ii) the terms of any Derivative Securities.

4.05 Financial Statements of United. United has previously furnished to the Shareholders a true and complete copy of United's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 1999 and such other documents publicly filed with the SEC since that date (collectively, the "SEC Documents"). Except as stated therein, the financial statements contained in the SEC Documents have been prepared in conformity with GAAP, consistently applied, and present fairly the consolidated financial position of United or its predecessors, as the case may be, at the dates indicated, and the consolidated results of operations and changes in cash flow position for each of the periods indicated.

4.06 Absence of Undisclosed Liabilities. Except as fully reflected in the financial statements contained in the SEC Documents or in **Schedule 4.07**, UCB has no knowledge of any Material liabilities of any kind of UCB, other than those incurred in connection with this Agreement and the transactions contemplated hereby, or incurred in the ordinary course of business since June 30, 2000, except for United's acquisition of North Point Bancshares, Inc. and Independent Bancshares, Inc. and its issuance of trust preferred securities, none of which have, individually or in the aggregate, materially and adversely affected the business, assets, results of operations, financial condition, or prospects of UCB. UCB is not in default with respect to any term or condition of any Material Indebtedness; and no notice has been given by any holder of any debt claiming that any default or breach exists that has not been remedied by UCB or waived in writing by such holder.>

4.07 Securities Filings. Each registration statement, proxy statement, or report filed and not withdrawn by United with the SEC under the Securities Act or the Exchange Act did not, on the date of effectiveness in the case of each such registration statement, or on the later of the date of filing of each such report or any subsequent amendment thereof, or on the date of mailing in the case of each such proxy or information statement, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Copies of each such registration statement, report, and proxy statement have been furnished or

made available to the Shareholders by United, and such copies are accurate and complete copies thereof (excluding exhibits). United has filed all documents required to be filed by it with the SEC pursuant to Section 13 and 14(a) of the Exchange Act, and all such documents complied in all material respects as to form with applicable requirements of law.

4.08 Compliance with Laws; No Litigation. United and UCB are each in compliance with all Material Governmental Requirements applicable to it, and no Litigation is pending or, to the knowledge of United and UCB, threatened to which United or UCB or any United or UCB Subsidiary is or may become a party that (a) questions or involves the validity or enforceability of any obligation of United or UCB under any Transaction Document, (b) seeks (or reasonably may be expected to seek) (i) to prevent or delay consummation by United and UCB of the transactions contemplated by this Agreement to be consummated by them, as the case may be, or (ii) Damages from United and UCB in connection with any such consummation.

4.09 No Brokers. UCB has not, directly or indirectly, in connection with this Agreement or the transactions contemplated hereby, (a) employed any broker, finder, or agent or (b) agreed to pay or incurred any obligation to pay any broker's or finder's fee, any sales commission, or any similar form of compensation.

ARTICLE V

COVENANTS EXTENDING TO THE EFFECTIVE TIME

5.01 Access and Cooperation; Due Diligence. (a) From the date hereof until the Closing Date, the Company will (i) afford to the Representatives of UCB reasonable access to all of the key employees, sites, properties, and books and records of the Company, (ii) provide UCB with such additional financial and operational data and other information relating to the business and properties of the Company as UCB may from time to time reasonably request, and (iii) cooperate with UCB and its Representatives in the preparation of any documents or other material that may be required in connection with any Transaction Documents. Each Shareholder and the Company will treat all Confidential Information obtained by them in connection with the negotiation and performance of this Agreement as confidential in accordance with the provisions of Section 9.13.

(b) Each of the Company and the Shareholders will use their best efforts to secure, as soon as practicable after the date hereof, all approvals or consents of third Persons as may be necessary to consummate the transactions contemplated hereby.

(c) From the date hereof until the Closing Date, UCB will (i) afford to the Representatives of the Company reasonable access to the sites, properties, and books and records of UCB, (ii) provide the Shareholders with such additional financial and operational data and other information relating to the business and properties of UCB as the Shareholders may from time to time reasonably request, and (iii) cooperate with the Company and the Shareholders and their respective Representatives in the preparation of any documents or other material that may be required in connection with any Transaction Documents.

(d) If this Agreement is terminated pursuant to Section 10.01, UCB promptly will return to the Company upon request all written Confidential Information of the Company that it then possesses or has under its control.

5.02 Conduct of Business Pending Closing. From the date hereof until the Effective Time, except as set forth in **Schedule 5.02**, the Company will:

(a) carry on their businesses in substantially the same manner as they have heretofore and not introduce any material new method of management, operation, or accounting;

(b) keep in full force and effect without interruption all their present insurance policies or other comparable insurance coverage;

5.03 Prohibited Activities. From the date hereof until the Effective Time, without the prior written consent of UCB or unless as required or expressly permitted by this Agreement, the Company and Brewer will not:

(a) make any change in its Articles of Incorporation and Bylaws, each as amended or restated to date;

(b) issue or repurchase any of its Capital Stock or issue or otherwise create any Derivative Securities;

(c) make any Restricted Payment;

(d) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures in a single transaction or a series of related transactions involving an aggregate amount of more than \$50,000 other than in the ordinary course of its business and consistent with its past practice;

(e) increase or commit or promise to increase the Cash Compensation payable or to become payable to any officer, director, shareholder, employee or agent, consultant, or independent contractor of the Company or make any discretionary bonus or management fee payment to any such Person, except bonuses or salary increases to employees (other than the Shareholders or an Immediate Family Member) at the times and in the amounts consistent with its past practice;

(f) create, assume, or permit to be created or imposed any Liens (other than Permitted Liens) upon any of its assets or properties, whether now owned or hereafter acquired, except for purchase money Liens incurred in connection with the acquisition of equipment acquired in the ordinary course of business consistent with past practices, and necessary or desirable for the conduct of the business of the Company;

(g) (i) adopt, establish, amend, or terminate any ERISA Employee Benefit Plan, or any Other Compensation Plan or Employee Policies and Procedures, or (ii) take any discretionary action, or omit to take any contractually required action, if that action or omission could either (A) deplete the assets of any ERISA Employee Benefit Plan or any Other Compensation Plan or (B) increase the liabilities or obligations under any such plan;

(h) sell, assign, lease, or otherwise transfer or dispose of any of its owned or leased property (whether real or personal, tangible or intangible) or equipment (A) to any Related Person or (B) to any Person other than in the ordinary course of its business and consistent with its past practice;

(i) merge, consolidate, or effect a share exchange with, or agree to merge, consolidate, or effect a share exchange with, any other entity;

(j) sell, transfer, or otherwise convey or dispose of any Company Capital Stock;

(k) waive any of its material rights or claims, provided that it may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practices;

(l) commit a material breach of or amend or terminate any Material Agreement of the Company or any of its Governmental Approvals; or

(m) enter into any other transaction (i) outside the ordinary course of its business and consistent with its past practice or (ii) prohibited hereby.

5.04 No Shop; Release of Directors. (a) The Company and the Shareholders agree that, from the date hereof and until the first to occur of the Effective Time or the termination of this Agreement, neither the Company nor any Shareholder, nor any officer or director thereto shall, and the Company and each Shareholder will direct and use their best efforts to cause each of their respective Representatives not to, (i) initiate, solicit, or encourage, directly or indirectly, any inquiries or the making or implementation of any proposal or offer (including any proposal or offer to the Shareholders) with respect to a merger, acquisition, consolidation, or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, the Company (any such proposal or offer being an "Acquisition Proposal"), (ii) engage in any activities, discussions, or negotiations concerning, or provide any Confidential Information respecting, the Company, or United or any United Subsidiary to, or have any discussions with, any Person relating to an Acquisition Proposal, or (iii) otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal. The Company and each Shareholder will immediately cease and cause to be terminated any existing activities, discussions, or negotiations with any Persons conducted heretofore with respect to any of the foregoing, and each will take the steps necessary to inform the Persons referred to in the first sentence of this Section of the obligations undertaken in this Section, and will notify UCB immediately if any such inquiries or proposals are received by, any such information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, the Company or any Shareholder (including the detail of any such discussions or negotiations).

(b) Each of the Company and the Shareholders hereby (i) waives every right, if any, the Governmental Requirements of Florida afford the Company or the Shareholders to require the Company's directors, in the exercise of their fiduciary duties in their capacity as such, to engage in any of the activities prohibited by this Section and (ii) releases each such person

from any and all liability he or she might otherwise have to the Company or any Shareholder but for this release.

5.05 Notification of Certain Matters. The Shareholders and the Company shall give prompt notice to UCB of (a) the existence or occurrence of each condition or any facts that will or reasonably could be expected to cause any representation or warranty of the Company or any Shareholder contained herein to be untrue or incorrect in any material respect at or prior to the Closing or on the Closing Date and (b) any material failure of any Shareholder or the Company to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by that Person hereunder. UCB shall give prompt notice to the Company of the existence or occurrence of each condition or any facts that will or reasonably could be expected to cause any representation or warranty of UCB contained herein to be untrue or inaccurate at or prior to the Closing or on the Closing Date, any Material failure of UCB to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section shall not be deemed to modify the representations or warranties herein of the party delivering that notice, or any other party (which modification may be made only pursuant to Section 5.06), modify the conditions set forth in Article VI, or limit or otherwise affect the remedies available hereunder to the party receiving that notice.

5.06 Supplemental Information. The Company and each of the Shareholders agree that, with respect to the representations and warranties of that party contained in this Agreement, that party will have the continuing obligation until the Closing Date to provide UCB promptly with such additional supplemental Information (the “Supplemental Information”), in the form of (a) amendments to then existing Schedules or (b) additional Schedules to the Disclosure Statement, as would be necessary, in the light of the circumstances, conditions, events, and any facts then known to such party, to make each of those representations and warranties true and correct as of the Closing Date. For purposes only of determining whether the conditions to the obligations of UCB that are specified in Section 6.04 have been satisfied, and not for any purpose under Article VIII, the Schedules as of the Closing Date shall be deemed to be the Schedules as of the date hereof as amended or supplemented by the Supplemental Information provided to UCB prior to the Closing pursuant to this Section; provided, however, that if the Supplemental Information so provided discloses the existence of circumstances, conditions, events, or any facts that, in any combination thereof, have had a Material Adverse Effect on the Company that was not reflected in the determination of the Transaction Value, or in the sole judgment of UCB (which shall be conclusive for purposes of this Section and Article X, but not for any purpose of Article VII), are having or will have a Material Adverse Effect on the Company, as the case may be, then UCB will be entitled to terminate this Agreement pursuant to Section 10.01(a)(iii).

ARTICLE VI

THE CLOSING AND CONDITIONS TO CLOSING

6.01 The Closing and Certain Actions. The consummation of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of Kilpatrick Stockton, LLP, 1100 Peachtree Street, Suite 2800, Atlanta, Georgia 30309 at 10:00 a.m., Eastern Standard Time, on the second business day after receipt of all regulatory approvals required to

consummate the transaction, or at such other time or date as UCB and the Company shall specify (the “Closing Date”). Not later than two (2) business days before such scheduled Closing Date, the parties hereto agree to take all actions that are reasonable and necessary as may be requested by UCB to (i) effect the Acquisition Transaction, including, but not limited to, (i) verify the location of the certificates evidencing the outstanding shares of Company Capital Stock to be exchanged for the Acquisition Consideration pursuant to Section 1.05 and (ii) satisfy the document delivery requirements set forth in Sections 6.02 and 6.03 to which the obligations of the parties to effect the Acquisition Transaction and the other transactions contemplated hereby are conditioned (all such actions are referred to as the “Pre-Closing”). The actions taken as part of the Pre-Closing will not include either the completion of the Acquisition Transaction or the delivery of the Acquisition Consideration pursuant to Section 1.05. Thereafter, on the Closing Date, the Acquisition Transaction will become effective pursuant to Section 1.02.

6.02 Conditions to the Obligations of Each Party at the Closing. The obligation of each party hereto to take the actions contemplated to be taken by that party at the Closing is subject to the satisfaction of each of the following conditions on or prior to the Closing Date:

(a) *No Litigation.* No Litigation shall be pending on the Closing Date to restrain, prohibit, or otherwise materially interfere with, or to obtain Material Damages or other relief from UCB in connection with the consummation of the Acquisition Transaction;

(b) *Governmental Approvals.* All Governmental Approvals required to be obtained by the Company, the Shareholders, United, or UCB in connection with the consummation of the Acquisition Transaction shall have been obtained, except for those that would not have a Material Adverse Effect if not obtained;

(c) *Board Approval.* The Agreement and the transactions contemplated herein shall have been approved by the Board of Directors of UCB, United, and the Company in compliance with applicable state law.

6.03 Conditions to the Obligations of the Company and the Shareholders. The obligations of the Company and each Shareholder with respect to actions to be taken by them at or before the Closing are subject to the satisfaction, or the written waiver by the Company and the Shareholders pursuant to Section 9.04, on or before the Closing Date of, in addition to the conditions specified in Section 6.02, all of the following conditions:

(a) *Representations And Warranties.* All of the representations and warranties of UCB in Article IV shall be true and correct in all Material respects as of the Closing Date as though made as of and at that time;

(b) *Delivery Of Documents.* UCB shall have delivered to the Company:

(i) an officer’s certificate respecting the truthfulness of the representations and warranties of UCB in Article IV and compliance with the covenants of UCB in Article VI and elsewhere in the Agreement;

(ii) opinion dated the Closing Date and addressed to the Company and the Shareholders from Kilpatrick Stockton LLP substantially in the form thereof attached hereto as Exhibit A;

(iii) a certificate of the secretary or any assistant secretary of United and respecting, and to which is attached, (A) the Articles of Incorporation and Bylaws, each as amended or restated to date of United; (B) the resolutions of the board of directors of United respecting the approval of the entering and delivery of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby; and (C) a certificate respecting the incumbency and true signatures of the United officers who executed this Agreement or will execute any of the Transaction Documents on behalf of United;

(iv) a certificate of the secretary or any assistant secretary of UCB and respecting, and to which is attached, (A) the Articles of Incorporation and Bylaws, each as amended or restated to date of UCB; (B) the resolutions of the board of directors of UCB respecting the approval of the entering and delivery of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby; and (C) a certificate respecting the incumbency and true signatures of the UCB officers who executed this Agreement or will execute any of the Transaction Documents on behalf of UCB;

(v) certificates, dated as of any day within the twenty days prior to closing, duly issued by the appropriate officer of the State of Georgia showing United to be in good standing and authorized to do business in that State;

(vi) an executed original of the Transaction Documents, as appropriate; and

(vii) an opinion of Kilpatrick Stockton LLP that the Acquisition Transaction will be treated as a reorganization pursuant to Section 368(a)(1)(B) of the Code.

6.04 Conditions to the Obligations of UCB. The obligations of United with respect to actions to be taken by it at or before the Closing are subject to the satisfaction, or written waiver by United pursuant to Section 9.04, on or before the Closing Date of, in addition to the conditions specified in Section 6.02, all of the following conditions:

(a) *Representations And Warranties.* Except as set forth in Section 6.04(a)(ii) below, all the representations and warranties of the Shareholders and the Company in Articles II and III shall be true and correct in all Material respects as of the Closing Date as though made as of and at that time.

(b) *Delivery Of Documents.* The Shareholders and the Company, as applicable, shall have delivered to UCB:

(i) an officer's certificate, signed by an executive officer of the Company, respecting the truthfulness of the representations and warranties of the

Company in Article III and compliance with the covenants of the Company in Article IV and elsewhere in this Agreement, and otherwise in the form thereof attached hereto as Exhibit B;

(ii) opinion dated the Closing Date and addressed to UCB from Counsel for the Shareholders substantially in the form thereof attached hereto as Exhibit C;

(iii) a certificate of the secretary or any assistant secretary of the Company respecting, and to which is attached, (A) the Articles of Incorporation and Bylaws, each as amended or restated to date of the Company; (B) the resolutions of the board of directors of the Company respecting the approval of the entering and delivery of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby; and (C) a certificate respecting the incumbency and true signatures of the Company officers who executed this Agreement or will execute any of the Transaction Documents on behalf of the Company;

(iv) from each Shareholder, an executed certificate respecting the truthfulness of the representations and warranties of the respective Shareholder in Article II and compliance with the covenants of the Shareholder in the Agreement in a form reasonably acceptable to Kilpatrick Stockton LLP;

(v) for the Company, a certificate, dated as of any day within the 20 days prior to closing, duly issued by the appropriate Governmental Authorities in Florida and, unless waived by UCB, in each other jurisdiction listed for it in **Schedule 3.03**, showing it to be in good standing and authorized to do business in Florida and those other jurisdictions and that all state franchise and/or income tax returns and taxes due by it in Florida and those other jurisdictions for all periods prior to the Closing have been filed and paid; and

(vi) an executed original of each of the Transaction Documents, as appropriate;

(c) *Termination of Employment Agreements.* UCB shall have received confirmation that any employment agreement between the Company and any Shareholder has been terminated prior to the Closing.

(d) *Purchase of Real Estate.* UCB shall have purchased the Real Estate from Harold Brewer pursuant to a Real Estate Purchase Agreement of even date herewith in substantially the form attached hereto as Exhibit D.

(e) *Pooling of Interest Opinion.* UCB shall have received an opinion of Porter Keadle Moore LLP, certified public accountants, to the effect that the Stock Acquisition 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 UCB.

(f) *Performance Share Plan.* United will have issued to certain of Company's employees its Series A 6% non-cumulative Preferred Stock with an aggregate stated

value of \$2,874,159 in full payment and satisfaction of the rights held by certain of the Company's employees under the Company's Performance Share Plan (the "Rights").

ARTICLE VII

COVENANTS FOLLOWING THE EFFECTIVE TIME

Each party hereto will, and will cause its Affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return, or claim for refund, in determining a liability for Taxes, or a right to a refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. This cooperation and information shall include providing copies of all relevant portions of the relevant Returns, together with such accompanying schedules and work papers, documents relating to rulings or other determinations by Taxing Authorities, and records concerning the ownership and Tax bases of property as are relevant that a party possesses. Each party will make its employees, if any, reasonably available on a mutually convenient basis at its cost to provide an explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs attributable to the preparation and filing of those Returns.

ARTICLE VIII

LIMITATIONS ON COMPETITION

8.01 Prohibited Activities. Brewer agrees that he will not, during the period beginning on the date hereof and ending on the second anniversary of the Closing Date, directly or indirectly, for any reason, for his or her own account, or on behalf of, or together with, any other Person except for, and on behalf of, the Company:

(a) be engaged as an officer or director or in any other managerial or sales capacity or as an owner, co-owner or other investor of or in, whether as an employee, independent contractor, consultant or advisor, or as a sales representative or distributor of any kind, in a business that sells any products or provides any services in competition with the Company or United or any Subsidiary of United (United and its Subsidiaries collectively being "United" for purposes of this Article IX) within a radius of 25 miles of each location in which the Company was engaged in the Business on the date hereof or on the Closing Date (those locations collectively being the "Territory");

(b) call on any natural person who is at that time employed by the Company or United in any managerial or sales capacity with the purpose or intent of attracting that person from the employ of the Company or United;

(c) call on any Person who at that time is, or at any time within one year prior to that time was, a customer of the Company or United within the Territory, of whom the Shareholder had knowledge, and contact with, that customer relationship, for the purpose of

soliciting or selling any product or service in competition with the Company or United within the Territory; or

(d) call on any United Acquisition Candidate, with the knowledge of that Person's status as an United Acquisition Candidate, for the purpose of acquiring that Person or arranging the acquisition of that Person by any Person other than United.

Notwithstanding the foregoing, (1) Brewer may own and hold as a passive investment up to five percent (5%) of the outstanding Capital Stock of a competing entity if that class of Capital Stock is listed for trading or quotation on a national or regional stock exchange registered with the SEC or on The Nasdaq Stock Market and (2) Brewer may continue to provide consulting services to third parties for which he may be separately remunerated consistent with his past practices during his employment by the Company.

8.02 Damages. Because of the difficulty in measuring the economic losses that may be incurred by United as a result of any breach by Brewer of his covenants in Section 9.01, and because of the immediate and irreparable damage that could be caused to United for which it would have no other adequate remedy, each Shareholder agrees that United may enforce the provisions of Section 8.01 by any equitable or legal means, including seeking an appropriate injunction or restraining order against Brewer if a breach of any of those provisions occurs.

8.03 Reasonable Restraint. The parties hereto each agree that Sections 8.01 and 8.02 impose a reasonable restraint on Brewer in light of the activities and Business of the Company on the date hereof, the current business plans of United as a result of its proposed acquisitions of the Company and other similarly positioned companies, and the consideration to be received by Brewer from United as a result of the Stock Acquisition.

8.04 Severability; Reformation. The covenants in this Article VIII are severable and separate, and the unenforceability of any specific covenant in this Article VIII is not intended by any party hereto to, and shall not, affect the provisions of any other covenant in this Article VIII. If any court of competent jurisdiction shall determine that the scope, time, or territorial restrictions set forth in Section 9.01 are unreasonable as applied to any Shareholder, the parties hereto, including Brewer, acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable, and thereby shall be reformed to that extent as applied to Brewer or any other Shareholder similarly situated.

8.05 Independent Covenant. All of the covenants in this Article VIII are intended by each party hereto to be, and shall be construed as, an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any Shareholder against United, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by United of any covenant in this Article VIII. It is specifically agreed that the period specified in Section 8.01 shall be computed in the case of each Shareholder by excluding from that computation any time during which that Shareholder is in violation of any provision of Section 8.01. The covenants contained in this Article IX shall not be affected by any breach of any other provision hereof by any party hereto.

8.06 **Materiality.** The Company and Brewer, severally and not jointly with any other Person, hereby agree that this Article VIII is a material and substantial part of the transactions contemplated hereby.

ARTICLE IX

GENERAL PROVISIONS

9.01 **Restrictions on Transfer of United Common Stock.** (a) Each Shareholder, severally and not jointly with any other Person, (i) acknowledges that the shares of United Common Stock to be delivered to that Shareholder, or the Shareholders' Agent, as the case may be, have not been registered under the Securities Act, and therefore may not be resold by that Shareholder without being in compliance with the Securities Act or an exemption thereof, until such time as a Registration Statement covering such shares, if any, becomes effective and (ii) covenants that none of the shares of United Common Stock issued to that Shareholder will be offered, sold, assigned, transferred, or otherwise disposed of except upon full compliance with all the applicable provisions of the Securities Act and the rules and regulations of the SEC and applicable state securities laws and regulations. All certificates evidencing shares of United Common Stock issued may bear substantially the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED PURSUANT TO A BUSINESS COMBINATION WHICH IS ACCOUNTED FOR AS A "POOLING OF INTERESTS" AND MAY NOT BE SOLD, NOR MAY THE OWNER THEREOF REDUCE HIS RISKS RELATIVE THERETO IN ANY WAY, UNTIL SUCH TIME AS THE COMPANY HAS PUBLISHED THE FINANCIAL RESULTS COVERING AT LEAST 30 DAYS OF COMBINED OPERATIONS AFTER THE EFFECTIVE DATE OF THE MERGER THROUGH WHICH THE BUSINESS COMBINATION WAS EFFECTED. IN ADDITION, THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS, HAVE BEEN ISSUED PURSUANT TO AND UNDER ONE OR MORE EXEMPTIONS THERETO, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, OR DISPOSED OF UNLESS AND UNTIL REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

In addition, certificates evidencing shares of United Common Stock issued to each Shareholder will bear any legend required by the securities or blue sky laws of the state in which that Shareholder resides.

9.02 **Brokers and Agents.** The Company and the Shareholders jointly and severally represent and warrant to UCB that the Company has not directly or indirectly employed or become obligated to pay any broker or similar agent in connection with the transactions contemplated hereby, and agree to indemnify UCB against all Damage Claims arising out of

claims for any and all fees and commissions of brokers or similar agents employed or promised payment by the Company.

9.03 Assignment; No Third Party Beneficiaries. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding on and inure to the benefit of the parties hereto, the successors of UCB, and the heirs and legal representatives of the Shareholders (and, in the case of any trust, the successor trustees of that trust). Neither this Agreement nor any other Transaction Document is intended, or shall be construed, deemed, or interpreted to confer on any Person not a party hereto or thereto any rights or remedies hereunder or thereunder, except as provided in Section 5.04(b), or as otherwise expressly provided herein or therein.

9.04 Entire Agreement; Amendment; Waivers. This Agreement and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Shareholders, the Company and UCB and supersede all prior agreements and understandings, both written and oral, relating to the subject matter of this Agreement. This Agreement may be amended, modified, or supplemented, and any right hereunder may be waived, if, but only if, that amendment, modification, supplement, or waiver is in writing and signed by the party to be bound thereby, and in the case of each Shareholder, the Shareholders' Agent or such Shareholder. The waiver of any of the terms and conditions hereof shall not be construed or interpreted as, or deemed to be, a waiver of any other term or condition hereof.

9.05 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be an original, but all of which together will constitute one and the same instrument.

9.06 Expenses. Whether or not the transactions contemplated hereby are consummated, UCB will pay the fees, expenses, and disbursements of UCB and its Representatives that are incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance of and compliance with all conditions to be performed by UCB under this Agreement incurred in connection with the transactions contemplated hereby. The Shareholders will file all necessary documentation and Returns with respect to all Transfer Taxes. In addition, each Shareholder acknowledges that he or she, and not the Company or UCB or the Surviving Corporation, will be responsible for and pay all Taxes, if any, due upon receipt of the consideration payable to that Shareholder pursuant to the Stock Acquisition.

9.07 Notices. All notices required or permitted hereunder shall be in writing, and shall be deemed to be delivered and received (a) if personally delivered or, if delivered by telegram, facsimile, or courier service, when actually received by the party to whom notice is sent (or upon confirmation of receipt received by the sender), or (b) if delivered by mail (whether actually received or not), at the close of business on the third business day next following the day when placed in the mail, postage prepaid, certified or registered, addressed to the appropriate party or parties, at the address of such party set forth below (or at such other address as such party may designate by written notice to all other parties in accordance herewith):

- (i) if to UCB:

United Community Banks
63 Highway 515
Blairsville, Georgia 30512
Attn.: Chief Executive Officer
Facsimile No.: (706) 781-6713
Telephone No.: (706) 745-2151
E-mail: _____

with copies (which shall not constitute notice for purposes of this Agreement) to:

Kilpatrick Stockton LLP
1100 Peachtree Street
Atlanta, Georgia 30309
Attn.: Richard R. Cheatham
Facsimile No.: (404) 815-6555
Telephone No.: (404) 815-6570
E-mail: rcheatham@kilstock.com

(ii) if to a Shareholder, to the address set forth with respect to such Shareholder on the signature page hereto; and

(iii) if to the Company:

Brintech, Inc.
124 Canal Street
New Smyrna Beach, Florida 32168
Attn: Harold Brewer
Facsimile No.: (904) 427-2895
Telephone No.: (904) 427-6772
E-mail: _____

with copies (which shall not constitute notice for purposes of this Agreement) to:

Powell, Goldstein, Frazer & Murphy
191 Peachtree Street, Suite 1600
Atlanta, Georgia 30303
Attn: Walter G. Moeling
Facsimile No.: (404) 572-6999
Telephone No.: (404) 572-6629
E-mail: wmoeling@pgfm.com

9.08 Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the substantive laws of the state of Georgia without regard to the conflicts of law provisions thereof.

9.09 Exercise of Rights and Remedies. Except as otherwise provided herein, no delay or omission in the exercise of any right, power, or remedy accruing to any party hereto as a

result of any breach or default hereunder by any other party hereto shall impair any such right, power, or remedy, nor shall it be construed, deemed, or interpreted as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be construed, deemed, or interpreted as a waiver of any other breach or default hereunder occurring before or after that waiver.

9.10 Time. Time is of the essence in the performance of this Agreement in all respects.

9.11 Reformation and Severability. If any provision of this Agreement is invalid, illegal, or unenforceable, that provision shall, to the extent possible, be modified in such manner as to be valid, legal, and enforceable and so as to most nearly retain the intent of the parties hereto as expressed herein, and if such a modification is not possible, that provision shall be severed from this Agreement, and in either case the validity, legality, and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

9.12 Remedies Cumulative. No right, remedy, or election given by any term of this Agreement shall be deemed exclusive, but each shall be cumulative with all other rights, remedies, and elections available at law or in equity.

9.13 Treatment of Confidential Information. (a) Each of the Company and the Shareholders, severally and not jointly with any other Person, acknowledges that it, he or she has or may have had in the past, and in the future may have, access to Confidential Information of the Company and its Subsidiaries, and UCB and its Subsidiaries. Each of the Company and the Shareholders, severally and not jointly with any other Person, agrees that it, he or she will keep confidential all such Confidential Information and, except with the specific prior written consent of UCB, will not disclose such Confidential Information to any Person except: (i) Representatives of UCB, (ii) its own Representatives, provided that such Representatives agree to the confidentiality provisions of this Section. Confidential Information shall not include (A) such information that becomes known to the public generally through no fault of the Company or any Shareholder, (B) information required to be disclosed by law or the order of any Governmental Authority under color of law, provided that prior to disclosing any information pursuant to this clause (B), each of the Company and the Shareholders shall, if possible, give prior written notice thereof to UCB and provide UCB with the opportunity to contest such disclosure, or (C) such information that the disclosing party reasonably believes the disclosure of which is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any Shareholder of the provisions of this Section with respect to any Confidential Information, UCB shall be entitled to an injunction restraining such Shareholder from disclosing, in whole or in part, that Confidential Information. Nothing herein shall be construed as prohibiting UCB from pursuing any other remedy available at law or in equity for such breach or threatened breach, including the recovery of Damages.

(b) Because of the difficulty of measuring the economic loss that may be incurred by UCB, the Surviving Company, or any UCB Subsidiary as a result of the breach of the covenants in Section 9.13(a), and because of the immediate and irreparable damage that would be caused to UCB and its Subsidiaries for which it would have no other adequate remedy, each of the Company and the Shareholders agrees that UCB may enforce the provisions of

Section 9.13(a) by injunctions and restraining orders against each of them who breaches any of those provisions.

- (c) The obligations of UCB set forth in Section 5.01(d) are incorporated in this Section by this reference.
- (d) The obligations of the parties under this Section shall survive the termination of this Agreement.

9.14 Restriction on Trading. The Company and the Shareholders agree that they will not trade (or cause or encourage any third party to trade), and will use their respective best efforts to assure that none of the Company Representatives will trade (or cause or encourage any third party to trade), in the United Common Stock (or securities convertible into or exercisable for shares of United Common Stock), while in possession of any material non-public information concerning UCB.

9.15 Survival of Representations. All representations, warranties, covenants, and agreements made by either party hereto in or pursuant to this Agreement or in any 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 force and effect upon the Effective Date:

- (a) the opinions of counsel referred to in Sections 6.03 and 6.04;
- (b) any fraudulent 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 to this Agreement;
- (c) the representations made in Section 3.22;
- (d) the agreements made in Article VIII; and
- (e) the agreements made in Section 9.14.

ARTICLE X

TERMINATION

10.01 Termination of this Agreement. (a) This Agreement may be terminated at any time prior to the Closing solely:

- (i) by the mutual written consent of UCB and all of the Shareholders;
- (ii) by the Shareholders, on the one hand, or by UCB, on the other hand, if the conditions to Closing in Article VI have not either been satisfied or waived and the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by December 31, 2000, unless the failure of such transactions to

be consummated results from the willful failure of the party (or in the case of the Shareholders, any of them) seeking to terminate this Agreement to perform or adhere to any agreement required hereby to be performed or adhered to by such party prior to or at the Closing or on the Closing Date; or

(iii) by the Shareholders, on the one hand, or by UCB, on the other hand, if a material breach or default shall be made by the other party (or in the case of the Shareholders, any of them) in the observance or in the due and timely performance of any of the covenants, agreements, or conditions contained herein and such breach or default shall not have been cured by the breaching or defaulting party or parties within ten (10) days after notice of such breach or default is provided thereto.

(b) If this Agreement is terminated pursuant to this Section, the Acquisition Transaction will be deemed for all purposes to have been abandoned and of no force or effect.

10.02 Liabilities in Event of Termination. If this Agreement is terminated pursuant to Section 10.01, there shall be no liability or obligation on the part of any party hereto except (a) as provided in Section 9.06 and (b) to the extent that such liability is based on the breach by that party of any of its representations, warranties, or covenants set forth in this Agreement.

ARTICLE XI

DEFINITIONS

11.01 Certain Defined Terms. As used in this Agreement, the following terms have the meanings assigned to them below in this Section.

“COBRA” means the continuation coverage requirements of Section 1001 of the Consolidated Omnibus Reconciliation Act of 1985, as amended, as codified in ERISA Sections 601 through 608 and Section 4980B of the Code.

“Confidential Information” means, with respect to any Person, all trade secrets and other confidential, nonpublic and/or proprietary information of that Person, including information derived from reports, investigations, research, work in progress, codes, marketing and sales programs, capital expenditure projects, cost summaries, pricing formulae, contract analyses, financial information, projections, confidential filings with any Governmental Authority, and all other confidential, nonpublic concepts, methods of doing business, ideas, materials, or information prepared or performed for, by or on behalf of that Person.

“Damages” to any specified Person means any costs, damages (including any consequential, exemplary, punitive, or treble damages) or expenses (including reasonable fees and actual disbursements by attorneys, consultants, experts, or other Representatives, and Litigation costs) to, any fine of or penalty on, or any liability (including loss of earnings or profits) of any other nature to that Person.

“Damages Claim” means, as asserted (a) against any specified Person, any claim, demand, or Litigation made or pending against that Person for Damages to any other Person, or

(b) by the specified Person, any claim or demand of the specified Person against any other Person for Damages to the specified Person.

“Employee Policies and Procedures” means at any time all employee manuals and all material policies, procedures, and work-related rules that apply at that time to any employee, non-employee director or officer of, or any other natural person performing consulting or other independent contractor services for, the Company.

“Engagement and Non-Competition Agreements” means at any time any (a) agreement to which the Company is a party that then relates to the direct or indirect employment or engagement, or arises from the past employment or engagement, of any natural person by the Company, whether as an employee, a non-employee officer or director, a consultant or other independent contractor, a sales representative, or a distributor of any kind, including any employee leasing or service agreement and any noncompetition agreement, and (b) agreement between the Company and any Person that arises from the sale of a business by that Person to the Company and limits that Person’s competition with the Company.

“Environmental Laws” means any and all Governmental Requirements applicable to the Business relating to the environment or worker health or safety, including ambient air, surface water, land surface, or subsurface strata, or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial toxic or hazardous substances or wastes (including Hazardous Substances) or noxious noise or odor into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, recycling, removal, transport, or handling of pollutants, contaminants, chemicals, or industrial toxic or hazardous substances or wastes (including petroleum, petroleum distillates, asbestos or asbestos-containing material, polychlorinated biphenyls, chlorofluorocarbons (including chlorofluorocarbon-12), or hydrochlorofluorocarbons), including but not limited to the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C.A. § 9601 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C.A. § 6901 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C.A. § 1251 *et seq.*; the Federal Clean Air Act, 42 U.S.C.A. § 7401 *et seq.*; the Federal Insecticide Fungicide and Rodenticide Act, 7 U.S.C.A. § 135 *et seq.*; the Toxic Substances Control Act, 15 U.S.C.A. § 2601 *et seq.*

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any Person that is, or at any time within six years of that time was, a member of any “group of organizations” within the meaning of Section 414(b), (c), (m) or (o) of the Code or any “controlled group” as defined in Section 4001(a)(14) of ERISA of which the specified Person is or was a member at the same time.

“Financial Statements” means the Balance Sheet of the Company at June 30, 2000 and December 31, 1999, the Statements of Income of the Company for the six months ended June 30, 2000 and the year ended December 31, 1999, the Statements of Cash Flows of the Company for the six months ended June 30, 2000 and the year ended December 31, 1999 and the Notes to these financial statements

“GAAP” means generally accepted accounting principles and practices in the United States as in effect from time to time and, with respect to the Financial Statements of the Company.

“Governmental Approval” means at any time any authorization, consent, approval, permit, franchise, certificate, license, implementing order, or exemption of, or registration or filing with, any Governmental Authority, including any certification or licensing of a natural person to engage in a profession or trade or a specific regulated activity, at that time.

“Governmental Authority” means (a) any national, state, county, municipal, or other government, domestic or foreign, or any agency, board, bureau, commission, court, department, or other instrumentality of any such government, and (b) any Person having the authority under any applicable Governmental Requirement to assess and collect Taxes for its own account.

“Governmental Requirement” means at any time (a) any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, writ, edict, award, authorization or other requirement of any Governmental Authority in effect at that time, and (b) any obligation included in any certificate, certification, franchise, permit, or license issued by any Governmental Authority or resulting from binding arbitration, including any requirement under common law, at that time.

“Guaranty” means, for any specified Person, without duplication, any liability, contingent or otherwise, of that Person guaranteeing or otherwise becoming liable for any obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any liability of the specified Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) that obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment of that obligation, (b) to purchase property, securities, or services for the purpose of assuring the owner of that obligation of its payment, or (c) to maintain working capital, equity capital, or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay that obligation; provided, that the term “Guaranty” does not include endorsements for collection or deposit in the ordinary course of the endorser’s business.

“Hazardous Substances” means any material or substance, or combination of materials or substances, that by reason of quantity, concentration, composition, or characteristic is or in the future becomes regulated under any Environmental Law.

“Immediate Family Member” of a Shareholder means at any time: (a) if that Shareholder is a natural person, then any child or grandchild (by blood or legal adoption) or spouse of that Shareholder at that time, or any child of that spouse, or such person’s parents, siblings, mothers and fathers-in-law, or brothers and sisters-in-law; and (b) if that Shareholder is an Entity whose ultimate beneficial owner is a natural person, or a natural person and his or her spouse, then any child or grandchild (by blood or legal adoption) or spouse at that time, or any child of that spouse, or such person’s parents, siblings, mothers and fathers-in-law, or brothers and sisters-in-law of the ultimate beneficial owner or owners.

“Indebtedness” of any Person means, without duplication, (a) any liability of that Person (i) for borrowed money or arising out of any extension of credit to or for the account of that Person (including reimbursement or payment obligations with respect to surety bonds, letters of credit, banker’s acceptances, and similar instruments), for the deferred purchase price of property or services or arising under conditional sale or other title retention agreements, other than trade payables arising in the ordinary course of business, (ii) evidenced by notes, bonds, debentures, or similar instruments, or (iii) in respect of a lease of (or other agreement conveying the right to use) real or personal property that is required to be classified and accounted for as a capital lease in accordance with GAAP as in effect on the date of this Agreement (“Capital Leases”); (b) any liability secured by any Lien upon any property or assets of that Person (or upon any revenues, income, or profits of that Person therefrom), whether or not that Person has assumed that liability or otherwise becomes liable for the payment thereof; or (c) any liability of others of the type described in the preceding clause (a) or (b) in respect of which that Person has incurred, assumed, or acquired a liability by means of a Guaranty.

“Information” means written information, including without limitation, (a) data, certificates, reports, files, records, agreements, correspondence, plans, policies, practices, manuals, and statements, and (b) summaries of unwritten agreements, arrangements, contracts, plans, policies, programs, or practices or of unwritten amendments or modifications of, supplements to, or waivers under any of the foregoing.

“Lien” means, with respect to any property or asset of any Person (or any revenues, income, or profits of that Person therefrom) (in each case whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process, or otherwise), (a) any mortgage, lien, security interest, pledge, attachment, levy, or other charge or encumbrance of any kind thereupon or in respect thereof or (b) any other arrangement under which the same is transferred, sequestered, or otherwise identified with the intention of subjecting the same to, or making the same available for, the payment or performance of any liability in priority to the payment of the ordinary, unsecured creditors of that Person, including any “adverse claim” (as defined in Section 8-302(b) of each applicable Uniform Commercial Code) in the case of any Capital Stock. For purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease, or other title retention agreement relating to that asset.

“Litigation” means any action, case, proceeding, claim, grievance, suit, or other proceeding conducted by or pending before any Governmental Authority or any arbitration or mediation proceeding.

“Material” means, as applied to any Entity, material to the business, operations, property or assets, liabilities, financial condition, results of operations, or prospects of that Entity and its Subsidiaries considered as a whole.

“Material Adverse Effect” means, with respect to the consequences of any fact or circumstance (including the occurrence or non-occurrence of any event) to the Company and the Company Subsidiaries considered as a whole, that such fact or circumstance has caused, is causing, or may reasonably be expected to cause, directly, indirectly, or consequentially, singularly or in the aggregate with other facts and circumstances, any Damages in excess of the one percent of the Transaction Value.

“Material Agreement” of an Entity means any contract or agreement (a) to which that Entity or any of its Subsidiaries is a party, or by which that Entity or any of its Subsidiaries is bound or to which any property or assets of that Entity or any of its Subsidiaries is subject and (b) which is Material to that Entity.

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA, Section 414 of the Code, or Section 3(37) of ERISA.

“Other Compensation Plan” means any compensation or benefit arrangement, plan, policy, practice, or program established, maintained, or sponsored by the Company, or to which the Company contributes, on behalf of any of its employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries, including, but not limited to, all pension, retirement, profit sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus, or other incentive plans, medical, vision, dental or other health plans, life insurance plans, and all other employee benefit plans or fringe benefit plans, but excluding any ERISA Benefit Plan.

“Permitted Liens” means, as applied to the property or assets of any Person (or any revenues, income or profits of that Person therefrom), (a) Liens for Taxes if the same are not at the time due and delinquent; (b) Liens of carriers, warehousemen, mechanics, laborers and materialmen for sums not yet due; (c) Liens incurred in the ordinary course of that Person’s business in connection with workmen’s compensation, unemployment insurance and other social security legislation (other than pursuant to ERISA or Section 412(n) of the Code); (d) Liens incurred in the ordinary course of that Person’s business in connection with deposit accounts or to secure the performance of bids, tenders, trade contracts, statutory obligations, surety and appeal bonds, performance and return-of-money bonds and other obligations of like nature; (e) easements, rights-of-way, reservations, restrictions and other similar encumbrances incurred in the ordinary course of that Person’s business or existing on property and not materially interfering with the ordinary conduct of that Person’s business or the use of that property; (f) defects or irregularities in that Person’s title to its real properties which do not materially (i) diminish the value of the surface estate or (ii) interfere with the ordinary conduct of that Person’s business or the use of any of such properties; (g) any interest or title of a lessor of assets being leased by any Person pursuant to any Capital Lease disclosed in **Schedule 3.18(c)** or any lease that, pursuant to GAAP, would be accounted for as an operating lease; and (h) Liens securing purchase money Indebtedness so long as such Liens do not attach to any property or assets other than the properties or assets purchased with the proceeds of such Indebtedness.

“Person” means any natural person, Entity, estate, trust, union or employee organization, or Governmental Authority or, for the purpose of the definition of “ERISA Affiliate,” any trade or business.

“Prohibited Transaction” means any transaction that is prohibited under Section 4975 of the Code or Section 406 of ERISA and not exempt under Section 4975 of the Code or Section 408 of ERISA.

“Proprietary Rights” means (a) patents, applications for patents, and patent rights, (b) in each case, whether registered, unregistered, or under pending registration, trademark rights, trade names, trade name rights, corporate names, business names, trade styles or dress, service marks and logos, and other trade designations and copyrights, and (c), in the case of the Company, all agreements relating to the technology, know-how, or processes used in any business of the Company, which are protectable as trade secrets under applicable law.

“Pro Rata Share” means, for each Shareholder, the fraction expressed as a percentage the numerator of which is the number of shares of outstanding Company Capital Stock owned by that Shareholder and the denominator of which is the total number of shares of outstanding Company Capital Stock owned by all Shareholders, as of the Closing Date.

“Related Party Agreement” means any contract or other agreement, written or oral, (a) to which the Company is a party or is bound or by which any property of the Company is bound or may be subject, and (b) (i) to which any Shareholder or any of that Shareholder’s Related Persons or Affiliates also is a party, (ii) of which any Shareholder or any of that Shareholder’s Related Persons or Affiliates is a beneficiary, or (iii) as to which any transaction contemplated thereby properly would be characterized (without regard to the amount involved) as a related party transaction for purposes of applying the disclosure requirements of GAAP or the SEC applicable to the Registration Statement.

“Related Person” of a Shareholder means (a) if that Shareholder is a natural person, (i) any Immediate Family Member of that Shareholder, (ii) any Estate of that Shareholder or any Immediate Family Member of that Shareholder, (iii) the trustee of any inter vivos or testamentary trust of which all the beneficiaries are Related Persons of that Shareholder, and (iv) any Entity the entire equity interest in which is owned by any one or more of that Shareholder and Related Persons of that Shareholder; and (b) if that Shareholder is an Entity, Estate, or trust, (i) any Person who owns an equity interest in that Shareholder on the date hereof, (ii) any Person who would be a Related Person under clause (a) of this definition of a natural person who is an ultimate beneficial owner of that Shareholder, or (iii) any other Entity the entire equity interest in which is owned by any one or more of that Shareholder and Related Persons of that Shareholder. As used in this definition, “Estate” means, as to any natural person who has died or been adjudicated mentally incompetent by a court of competent jurisdiction, that person’s estate or the administrator, conservator, executor, guardian, or representative of that estate.

“Representatives” means, with respect to any Person, the directors, officers, employees, Affiliates, accountants (including independent certified public accountants), advisors, attorneys, consultants, or other agents of that Person, or any other representatives of that Person or of any of those directors, officers, employees, Affiliates, accountants (including independent certified public accountants), advisors, attorneys, consultants or other agents.

“Restricted Payment” means, with respect to any Entity at any time, any of the following effected by that Entity, (a) any declaration or payment of any dividend or other distribution, direct or indirect, on account of any Capital Stock of that Entity or any Affiliate of that Entity or (b) any direct or indirect redemption, retirement, purchase, or other acquisition for value of, or any direct or indirect purchase, payment, or sinking fund or similar deposit for the redemption, retirement, purchase, or other acquisition for value of, or to obtain the surrender of,

(i) any then outstanding Capital Stock of that Entity or any Affiliate of that Entity or (ii) any then outstanding warrants, options, or other rights to acquire or subscribe for or purchase unissued or treasury Capital Stock of that Entity or any Affiliate of that Entity.

“**Returns**” means the returns, reports, or statements (including any information returns) any Governmental Requirement requires to be filed for purposes of any Tax.

“**Schedules**” shall mean those certain disclosures made by the Company, the Shareholders, or UCB containing such information, as appropriate, relating to the representations and warranties made by the respective party as set forth in the Disclosure Statement.

“**Tax**” or “**Taxes**” means all net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add-on minimum, environmental, or other taxes, assessments, duties, fees, levies, or other governmental charges or assessments of any nature whatever imposed by any Governmental Requirement, whether disputed or not, together with any interest, penalties, or additional amounts with respect thereto.

“**Transaction Documents**” means this Agreement, and the other written agreements, documents, instruments, and certificates executed pursuant to or in connection with this Agreement or the Stock Acquisition, including those specified in Article VI to be delivered at or before the Closing Date, all as amended, modified, or supplemented from time to time.

“**Transaction Value**” means the value expressed in dollars resulting as the product of (a) the aggregate number of shares of United Common Stock designated as Acquisition Consideration and allocated to the Shareholders, multiplied by (b) \$38.00 per share.

11.02 Other Definitional Provisions. (a) Except as otherwise specified herein, all references herein to any Governmental Requirement defined or referred to herein, including the Code, ERISA, the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Securities Act of 1933, as amended (the “Securities Act”), shall be deemed references to that Governmental Requirement or any successor Governmental Requirement, as the same may have been amended or supplemented from time to time, and any rules or regulations promulgated thereunder.

(b) When used in this Agreement, the words “herein,” “hereof,” and “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any provision of this Agreement, and the words “Article,” “Section,” “Schedule,” and “Exhibit” refer to Articles and Sections of, and Schedules and Exhibits to, this Agreement, unless otherwise specified.

(c) Whenever the context so requires, the singular includes the plural and vice versa, and a reference to one gender includes the other genders.

(d) The word “including” (and, with correlative meaning, the word “include”) means that the generality of any description preceding such word is not limited, and the words “shall” and “will” are used interchangeably and have the same meaning.

11.03 Captions. Captions to Articles, Sections, and subsections of, and Schedules and Exhibits to, this Agreement or any Transaction Document are included for convenience of reference only, and such captions shall not constitute a part of this Agreement or any Transaction Document for any other purpose or in any way affect the meaning or construction of any provision of this Agreement or any Transaction Document.

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

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy C. Tallent

Jimmy C. Tallent
President

UNITED COMMUNITY BANK

By: /s/ Jimmy C. Tallent

Jimmy C. Tallent
President

BRINTECH, INC.

By: /s/ Harold Brewer

Harold Brewer
Chairman and Chief Executive Officer

[signatures continued on following page]

SHAREHOLDERS:

_____ Purchased Shares

_____ Shares of United Common Stock

_____ Purchased Shares

_____ Shares of United Common Stock

_____/s/_____
Harold Brewer

_____/s/_____
Ross Whipple

EXHIBIT A

**FORM OF OPINION OF COUNSEL TO UNITED COMMUNITY
BANKS, INC. AND UNITED COMMUNITY BANK**

Re: United Community Banks, Inc. and United Community Bank

Ladies and Gentlemen:

We have served as legal counsel to United Community Bank, a Georgia bank, (the “Bank”) and United Community Banks, Inc., a Georgia corporation, (“United”) parties to that certain Agreement dated as of September __, 2000, by and among the Bank, United, Brintech, Inc., and the Shareholders Named Therein (the “Agreement”).

This opinion is being delivered to you pursuant to Section 6.03(b)(ii) of the Agreement and is limited by, and in accordance with, the January 1, 1992 edition of the Interpretive Standards applicable to Legal Opinions to Third Parties in Corporate Transactions adopted by the Legal Opinion Committee of the Corporate and Banking Law Section of the State Bar of Georgia. Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Agreement or the Interpretive Standards, as the case may be.

In order to provide our opinions to you as hereinafter set forth, we have examined any and all relevant corporate records of the Bank and United, documentation relating to the Agreement, Public Authority Documents (as defined below), and such other documents as we have deemed appropriate as a basis for the opinions, including certificates of officers and representatives of the Bank and United. For purposes of this opinion letter, “Public Authority Documents” shall mean certificates issued by the Secretary of State or any similar governmental official, office, or agency concerning a person’s property or status, such as certificates of corporate good standing. Except as expressly stated herein, we have not independently verified any factual matters underlying the matters addressed herein or the accuracy or completeness of any such factual matters.

The opinions set forth herein are limited to the laws of the State of Georgia and applicable Federal laws of the United States of America.

Based upon such examination and upon our examination of all such other documents, evidence and statutes as we deemed pertinent, we advise you that in our opinion:

(i) United has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Georgia. The Bank has been duly incorporated and is in good standing under the laws of the State of Georgia.

(ii) The Bank and United have the corporate power and corporate authority to own, lease, and operate their properties, to conduct their businesses, and to enter into and perform their obligations under the Agreement.

(iii) Except as contemplated in the Agreement, no filing with, or authorization, approval, consent, license, order, registration, qualification, or decree of any court or governmental authority or agency is necessary or required in connection with the due authorization, execution, delivery, and performance of the Agreement by the Bank and United which has not been previously received.

(iv) The execution, delivery, and performance of the Agreement, the consummation of the transactions contemplated in the Agreement (including the Stock Acquisition), and compliance by the Bank and United with their obligations under the Agreement do not and will not, whether with or without the giving of notice or lapse of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Bank and United (except for such conflicts, breaches, or defaults or liens, charges, or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the Certificate of Incorporation or Bylaws of the Bank and United, or any applicable law, statute, rule, regulation, judgment, order, writ, or decree known to be applicable to the transactions contemplated by the Agreement, of any government, government instrumentality, or court, domestic or foreign, having jurisdiction over the Bank and United, or any of their properties, assets, or operations.

(v) The Agreement has been duly and validly authorized, executed, and delivered by the Bank and United, and is enforceable in accordance with its terms.

We render the foregoing opinions as members of the State Bar of Georgia and express no opinion as to laws of any jurisdiction other than the laws of the State of Georgia and any applicable federal laws of the United States of America.

This opinion letter is provided to you for your exclusive benefit and use in connection with the Transactions, and may not be relied upon by any other person or entity, or for any other purpose, without our prior written consent.

Very truly yours,

Kilpatrick Stockton LLP

By: _____
Richard R. Cheatham, a Partner

EXHIBIT B

FORM OF OFFICER'S CERTIFICATE

B-1

EXHIBIT C

FORM OF OPINION OF COMPANY'S COUNSEL

United Community Banks, Inc.

Re: Brintech, Inc. and the Shareholders thereof

Gentlemen:

We have served as special counsel to Brintech, Inc. (the "Company") and the Shareholders, all parties to that certain Agreement dated as of September __, 2000 (the "Agreement"). We have been requested by our clients to deliver this opinion to you in satisfaction of the requirement in Section 6.04(b)(ii) of the Agreement.

This opinion is limited by, and is in accordance with, the January 1, 1992 edition of the Interpretive Standards applicable to Legal Opinions to Third Parties in Corporation Transactions adopted by the Legal Opinion Committee of the Corporate and Banking Law Section of the State Bar of Georgia, which Interpretive Standards are incorporated in this opinion letter by this reference. Capitalized terms used in this opinion letter and not otherwise defined herein shall have the meanings assigned to such terms in the Share Purchase Agreement or the Interpretive Standards.

In the capacity described above, we have considered such matters of law and of fact, including the examination of originals or copies, certified or otherwise identified to our satisfaction, of such records and documents of the Company, certificates of officers and representatives of the Company, certificates of public officials, and such other documents as we have deemed appropriate as a basis for the opinions hereinafter set forth.

The opinions set forth herein are limited to the laws of the State of Georgia and applicable federal laws. For purposes of this opinion, we presume that the corporate code of the State of Florida is the same of the Georgia Business Corporations Code.

Based upon the foregoing, it is our opinion that:

- (i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Florida.
- (ii) The Company has corporate power and authority to own, lease and operate its properties and to conduct its business and to enter into and perform its obligations under the Agreement.
- (iii) The Company authorized shares consist of _____ common shares, par value \$ _____ per share, and ___ preferred shares, par value \$ _____ per share, of which

_____ common shares and _____ preferred shares are outstanding. The outstanding shares have been duly authorized and validly issued and are fully paid and non-assessable

(iv) The execution, delivery and performance of the Agreement, and the consummation of the transactions therein (including the Stock Acquisition), and compliance by the Company and the Shareholders with their obligations under the Agreement do not and will not, whether with or without the giving of notice or lapse of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company, or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to be applicable to the transactions contemplated by the Agreement, of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company, the Shareholders, or any of their respective properties, assets or operations.

(v) The Agreement has been duly and validly authorized, executed and delivered by the Company, and executed and delivered by the Shareholders, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally, or as may be modified by a court of equity.

This opinion letter is provided to you for you and your counsel's exclusive use solely in connection with the consummation of the Stock Acquisition and the other transactions contemplated in the Agreement, and may not be relied upon by any other person or for any other purpose without our prior written consent.

We expressly disclaim any duty to update this opinion letter in the future if there are any changes in relevant fact or law that may change or otherwise affect any of the opinions expressed herein.

Very truly yours,

EXHIBIT D

FORM OF REAL ESTATE PURCHASE AGREEMENT

STATE OF _____

COUNTY OF _____

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of September, 2000, by and among Harold Brewer, a resident of the State of Florida (“Seller”) and United Community Banks, Inc., a Georgia corporation (“Buyer”).

WITNESSETH:

1. Agreement to Sell and Purchase. For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Seller and Buyer, Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase and take from Seller, subject to and in accordance with all of the terms and conditions of this Agreement, the following:

(a) All that certain lot, tract or parcel of improved real estate more particularly described on **Exhibit A** attached hereto, together with all plants, shrubs and trees located thereon, and together with all rights, ways and easements appurtenant thereto, including, without limitation, all of Seller’s right, title and interest in and to the land underlying and the air space overlying any public or private ways or streets crossing or abutting said real estate (collectively, the “Land”);

(b) All buildings, structures and other improvements of any and every nature located on the Land and all fixtures attached or affixed, actually or constructively, to the Land or to any such buildings, structures or other improvements (collectively, the “Improvements”);

(c) All goods, equipment, machinery, apparatus, fittings, furniture, furnishings, supplies, spare parts, tools and other personal property of every kind located on the Land or within the Improvements and used in connection with the operation, management or maintenance of the Land or the Improvements, excluding any such items owned by tenants of the Land or the Improvements, but specifically including, without limitation, the property described on **Exhibit B** attached hereto (collectively, the “Personalty”); and

(d) All of the right, title and interest accruing to the owner of the Land and the Improvements in, to and under: (i) those management, service and other contracts and

agreements, if any, scheduled and identified on **Exhibit C** attached hereto (the “Service Agreements”); and (ii) all warranties, guaranties, certificates, licenses, permits, authorizations, consents and approvals with respect to the use, occupancy, possession and operation of the Land and the Improvements (the “Permits”). The Land, the Improvements and the Personalty (collectively, the “Property”).

2. **Purchase Price; Method of Payment.** (a) The purchase price for the Property shall be _____ Dollars (\$ _____) (the “Purchase Price”). The Purchase Price shall be paid by Buyer to Seller on the Closing Date either (i) by a cashier’s check of a national bank with its principal offices in Atlanta, Georgia (or such other banking institution as Seller may approve in writing), or (ii) by wire delivery of funds through the Federal Reserve System to an account designated in writing by Seller.

(b) Notwithstanding the foregoing, in the event that Seller advises Buyer that Seller is a “Foreign Person” (as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the “Code”), or in the event that Seller fails or refuses to deliver the certificate and affidavit of non-foreign status described in paragraph 8(a) of this Agreement, or in the event that Buyer receives notice from any Seller-transferor’s agent or Buyer-transferee’s agent (as each of such terms are defined in the Code), or Buyer has actual knowledge that, such certificate and affidavit is false, Buyer shall deduct and withhold from the cash portion of the Purchase Price a tax equal to ten percent (10%) of the Purchase Price, as required by Section 1445 of the Code. Buyer shall remit such amount to, and file the required form with, the Internal Revenue Service, and Buyer shall receive a credit against the Purchase Price for the amount so withheld.

3. **Closing.** The closing of the purchase and sale of the Property, (“Closing”, shall be held at the offices of Kilpatrick Stockton LLP, 1100 Peachtree Street, Suite 2800, Atlanta, Georgia 30309, at 10:00 a.m. Eastern Standard Time on _____, _____ or at such other date and time as the parties may agree, herein called the “Closing Date.” Notwithstanding anything to the contrary set forth herein, however, the Closing Date shall be simultaneous with the closing date established pursuant to the Acquisition Agreement (hereinafter defined), and if the closing date under the Acquisition Agreement is extended beyond _____, 2000, the Closing Date hereunder shall be automatically extended until the closing date established pursuant to the Acquisition Agreement.

4. **Access and Inspection; Delivery of Documents and Information by Seller; Examination by Buyer.** (a) Between the date of this Agreement and the Closing Date, Buyer and Buyer’s agents and designees shall have the right to enter the Property for the purposes of inspecting the Property, conducting soil tests, and making surveys, mechanical and structural engineering studies, and any other investigations and inspections as Buyer may reasonably require to assess the condition of the Property; provided, however, that such activities by or on behalf of Buyer on the Property shall not materially damage the Property; and provided further, however, that Buyer shall indemnify and hold Seller harmless from and against any and all claims for injury to person or damage to property directly resulting from the activities of Buyer or Buyer’s agents or designees on the Property.

(b) On or before _____, 2000, Seller shall deliver to Buyer, if not previously delivered, or make available to Buyer for examination or copying by Buyer, at the address for Buyer set forth below Buyer's execution of this Agreement, the following documents and information with respect to the Property:

(i) All surveys, plans, specifications, engineering and mechanical data relating to the Property, including such items relating to tenant improvements, and reports such as soils reports and environmental audits, which are in Seller's possession or which Seller can obtain with reasonable effort;

(ii) All real property and other ad valorem tax bills and utility bills regarding the Property for the two-year period preceding the date of this Agreement;

(iii) True and correct copies of all, if any, leases or other occupancy agreements affecting the Property (herein called the "Existing Leases"), together with true and correct copies of any written amendments or modifications or other agreements with respect to, or relating to, the Existing Leases, and written disclosure of any oral agreements with respect to, or relating to, the Existing Leases (collectively, the "Supplemental Lease Agreements") and all leasing, rental, brokerage or other commissions, charges or fees payable with respect to any of Existing Leases;

(iv) True, correct, and complete copies of the Service Agreements;

(v) True, correct, and complete copies of the Permits;

(vi) A full, correct, and complete list and identifying description of all of the Personalty;

(vii) True, correct, and complete copies of all policies of insurance carried by Seller with respect to the Property, together with evidence of the premiums paid by Seller therefor; and

(viii) A copy of any policy of title insurance issued in favor of Seller, together with legible copies of all instruments referenced therein.

(c) Buyer shall have until the Closing Date, in which to examine and investigate the Property, and to determine whether the Property is suitable and satisfactory to Buyer. In the event that Buyer shall determine, in Buyer's sole and absolute judgment and discretion, that the Property is in any manner unsuitable or unsatisfactory to Buyer, Buyer shall have the right, at Buyer's option, to terminate this Agreement by giving written notice thereof to Seller on or before the Closing Date, in which event One Hundred and no/100 Dollars (\$100.00) shall be delivered to Seller within a reasonable time thereafter as consideration for Seller's execution of and entry into this Agreement, all rights and obligations of the parties under this Agreement shall expire, and this Agreement shall become null and void. Seller acknowledges that Buyer

will expend time, money and other resources in connection with the examination and investigation of the Property hereinabove described, and that, notwithstanding the fact that Buyer may terminate this Agreement pursuant to this paragraph, such time, money and other resources expended, together with the payment of \$100.00 to Seller in the event of a termination of this Agreement, constitute good, valuable, sufficient and adequate consideration for Seller's execution of and entry into this Agreement.

5. Prorations and Adjustments to Purchase Price. The following prorations and adjustments shall be made between Buyer and Seller at Closing, or thereafter if Buyer and Seller shall agree, all with respect to the cash portion of the Purchase Price:

(a) All city, state and county ad valorem taxes and similar impositions levied or imposed upon or assessed against the Property, (the "Taxes"), for the year in which Closing occurs shall be prorated as of the Closing Date. In the event the Taxes for such year are not determinable at the time of Closing, said Taxes shall be prorated on the basis of the best available information, and Seller and Buyer shall re-prorate the Taxes for such year promptly upon the receipt of the tax bills for such year and shall make between themselves any equitable adjustment required by reason of any difference between the estimated amount of the Taxes used as a basis for the proration at Closing and the actual amount of the Taxes for such year. In the event any of the Taxes are due and payable at the time of Closing, the same shall be paid at Closing. In the event Seller has paid only a portion of the Taxes billed for the year in which Closing occurs due to the pendency of a protest of such Taxes, then, in connection with Closing, Seller shall deposit with a representative of a national title company (the "Escrow Agent") an amount equal to Seller's pro rata share of the resulting underpayment. Any such deposit with Escrow Agent shall be held in escrow by Escrow Agent pending final resolution of such protest, pursuant to escrow instructions reasonably acceptable in form and substance to Buyer, Seller, Escrow Agent and their respective counsel. If the Taxes are not paid at Closing, Seller shall deliver to Buyer the bills for the Taxes promptly upon receipt thereof and Buyer shall thereupon be responsible for the payment in full of the Taxes within the time fixed for payment thereof and before the same shall become delinquent. In the event that, after the Closing Date, any additional Taxes are levied, imposed upon or assessed against the Property for periods prior to the Closing Date, Buyer shall give Seller written notice of such Taxes, and Seller shall be responsible for payment of such additional Taxes in full within the time fixed for payment thereof and before the same become delinquent. Without limiting the obligations of Seller pursuant to the immediately preceding sentence, Seller shall, and does hereby, indemnify, defend and hold harmless Buyer from and against any such additional Taxes (including all interest and penalties assessed or imposed in connection therewith) relating to periods prior to the Closing Date.

(b) All utility charges for the Property (including, without limitation, telephone, water, storm and sanitary sewer, electricity, gas, garbage and waste removal) shall be prorated as of the Closing Date, transfer fees required with respect to any such utility shall be paid by or charged to Buyer, and Seller shall be credited with any deposits transferred to the account of Buyer; provided, however, that at either party's election any one or more of such utility accounts shall be closed as of the Closing Date, in which

event Seller shall be liable and responsible for all charges for service through the Closing Date and shall be entitled to all deposits theretofore made by Seller with respect to such utility, and Buyer shall be responsible for reopening and reinstating such service in Buyer's name, and shall be responsible for any fees, charges and deposits required in connection with such new account.

(c) All amounts payable under any of the Service Agreements shall be prorated as of the Closing Date.

(d) Any other items which are customarily prorated in connection with the purchase and sale of properties similar to the Property shall be prorated as of the Closing Date.

In making the prorations required by this paragraph, the economic burdens and benefits of ownership of the Property for the Closing Date shall be allocated to Seller.

6. Title. (a) Seller covenants to convey to Buyer at Closing good and marketable fee simple title in and to the Property. For the purposes of this Agreement, "good and marketable fee simple title" shall mean fee simple ownership which is: (i) free of all claims, liens and encumbrances of any kind or nature whatsoever other than the Permitted Exceptions, hereinafter defined; and (ii) insurable by a title insurance company reasonably acceptable to Buyer, at then current standard rates under the standard form of ALTA owner's policy of title insurance (ALTA Form 1992), with the standard printed exceptions therein deleted, and without exception other than for the Permitted Exceptions. For the purposes of this Agreement, the term "Permitted Exceptions" shall mean: (i) current city, state and county ad valorem taxes not yet due and payable; and (ii) easements for the installation or maintenance of public utilities serving only the Property.

(b) Buyer shall have until _____, 2000, in which to examine title to the Property and in which to give Seller written notice of objections which render Seller's title less than good and marketable fee simple title. Thereafter, Buyer shall have until the Closing Date in which to reexamine title to the Property and in which to give Seller written notice of any additional objections disclosed by such reexamination. Seller shall have until ten (10) days prior to the Closing Date in which to satisfy all objections specified in Buyer's initial notice of title objections, or agree to satisfy any such objections that can only be satisfied at Closing, and until the Closing Date in which to satisfy all objections specified in any subsequent notice by Buyer of title objections. If Seller fails so to satisfy any such objections, then, at the option of Buyer, Buyer may: (i) terminate this Agreement, in which event the Earnest Money shall be refunded to Buyer immediately upon request, all rights and obligations of Seller and Buyer under this Agreement shall expire, and this Agreement shall become null and void; or (ii) satisfy the objections, after deducting from the Purchase Price the cost of satisfying objections which can be satisfied by the payment of money; or (iii) waive such satisfaction and performance and consummate the purchase and sale of the Property; or (iv) extend the Closing Date for a period of up to ninety (90) days, during which time Seller shall cure such title objections; or (v) exercise such rights and remedies as may be provided for or

allowed by law or in equity. In the event of an extension of the Closing Date by Buyer under clause (iv), above, and a subsequent failure of Seller to cure any such title objection, Buyer may then elect among the alternatives specified in clauses (i), (ii), (iii), and (v) above.

(c) Notwithstanding anything to the contrary set forth herein, Seller agrees to cause any and all monetary liens and encumbrances recorded with respect to the Property, including, without limitation, any mortgage, deed of trust or similar instrument, to be released of record on or before the Closing Date.

7. Survey. Buyer shall have the right to cause an as-built survey of the Property to be prepared by a surveyor registered and licensed in the State of New York and designated by Buyer, which survey shall depict such information as Buyer shall require. Upon completion of a plat of the survey, Buyer shall furnish Seller with a copy thereof. The survey shall be used as the basis for the preparation of the legal description to be included in the warranty deed to be delivered by Seller to Buyer at Closing.

8. Proceedings at Closing. On the Closing Date, the Closing shall take place as follows:

(a) Seller shall deliver to Buyer the following documents and instruments, duly executed by or on behalf of Seller in form and on terms and conditions satisfactory to Buyer: (i) a warranty deed, in recordable form, in the form of, and on the terms and conditions set forth in, that attached hereto as **Exhibit D**, conveying the Land and the Improvements; (ii) a bill of sale with general warranty of title conveying the Personalty; (iii) a termination of any and all Existing Leases, executed by Seller and the tenant or lessee, in recordable form; (iv) an assignment transferring and assigning the Service Agreements and the Permits; (v) a seller's affidavit with respect to the Property sufficient to cause Buyer's title insurance policy to be issued without exception for mechanics' or materialmen's liens or parties in possession, or liens other than the Permitted Exceptions; (vi) if Seller is not a Foreign Person, a certificate and affidavit of non-foreign status; (vii) **[Add: State Withholding Documents, if applicable]**; (viii) a completed 1099-S request for taxpayer identification number and certification, and acknowledgment; (ix) a certificate, in form and substance satisfactory to counsel for Buyer, to the effect that the representations and warranties of Seller in this Agreement are true and correct on and as of the Closing Date; and (x) a quitclaim deed conveying all of Seller's right, title and interest in and to the Property either, at Buyer's option, in accordance with the legal description of the Land set forth on **Exhibit A** attached hereto, or in accordance with the legal description prepared from the survey of the Land to be obtained pursuant to this Agreement.

(b) Seller shall deliver to Buyer the following items, if the same have not been theretofore delivered by Seller to Buyer:

(i) The originals of the Permits, if in Seller's possession or control;

(ii) The originals of all books, records, correspondence, memoranda, reports and other information and data pertinent to the continued use, occupancy and operation of the Property, including, without limitation, all records, information and data relevant to income and operating expenses for the Property; and

(iii) To the extent the same are in the possession of Seller on the date of Seller's execution of this Agreement, or reasonably can be obtained by Seller prior to Closing, all prior surveys of the Land or any portion thereof and all plans and specifications for any of the Improvements.

(c) Buyer shall pay the Purchase Price, after making the adjustments and prorations provided for in this Agreement, to Seller in accordance with the provisions of this Agreement.

9. Costs of Closing. [need Florida division of transfer taxes, recording taxes, title and survey costs, and any other costs.] Seller shall pay _____, all recording costs relating to any title clearance matters and Seller's attorneys' fees. Buyer shall pay _____, the cost of any survey obtained pursuant to paragraph 8 hereof, and Buyer's attorneys' fees. All other costs and expenses of the transaction contemplated hereby shall be borne by the party incurring the same.

10. Warranties, Representations, and Additional Covenants of Seller. Seller represents, warrants, and covenants to and with Buyer, knowing that Buyer is relying on each such representation, warranty, and covenant, that:

(a) Seller has the lawful right, power, authority and capacity to sell the Property in accordance with the terms, provisions, and conditions of this Agreement.

(b) There are no actions, suits, or proceedings pending or threatened against, by or affecting Seller which affect title to the Property or which question the validity or enforceability of this Agreement or of any action taken by Seller under this Agreement, in any court or before any governmental authority, domestic or foreign.

(c) The execution of and entry into this Agreement, the execution and delivery of the documents and instruments to be executed and delivered by Seller on the Closing Date, and the performance by Seller of Seller's duties and obligations under this Agreement and of all other acts necessary and appropriate for the full consummation of the purchase and sale of the Property as contemplated by and provided for in this Agreement, are consistent with and not in violation of, and will not create any adverse condition under, any contract, agreement or other instrument to which Seller is a party, any judicial order or judgment of any nature by which Seller is bound; and this Agreement, and the covenants and agreements of Seller under this Agreement, are the valid and binding obligations of Seller, enforceable in accordance with their terms.

(d) Seller has good and marketable fee simple title to the Property.

(e) On the Closing Date, neither Seller nor any tenant of the Property will be indebted to any contractor, laborer, mechanic, materialman, architect, engineer, or any other person for work, labor or services performed or rendered, or for materials supplied or furnished, in connection with the Property for which any such person could claim a lien against the Property.

(f) There are no encroachments on the Land, and the Improvements are situated entirely within the boundaries of the Land and within applicable building lines.

(g) Seller will pay or cause to be paid promptly when due all city, state and county ad valorem taxes and similar taxes and assessments, all sewer and water charges and all other governmental charges levied or imposed upon or assessed against the Property between the date hereof and the Closing Date, and will pay or cause to be paid all expenses incurred in the use, occupancy and operation of the Property between the date hereof and the Closing Date.

(h) The Property is zoned in the zoning classification _____ under the applicable zoning ordinance of _____.

(i) No portion of the Land is located within any Special Flood Hazard Area designated by the Federal Emergency Management Agency, or in any area similarly designated by any agency of any other governmental authority; no portion of the Land meets the definition of "wetlands" codified at 40 C.F.R. part 230.3(t), or has been similarly designated by any agency of any governmental authority; and no portion of the Land constitutes "wetlands" that have been filled, whether or not pursuant to appropriate permits.

(j) No portion of the Property is subject to any other classification, designation or preliminary determination of any agency of any federal, state or local government, or pursuant to any federal, state or local law, which would restrict the use, development, occupancy or operation of the Property, including, without limitation, any designation or classification as an archeological site, any classification or determination under the Endangered Species Act, or any designation as an historical site.

(k) The Property is not subject to any use, development or occupancy restrictions (except those imposed by applicable zoning and subdivision laws and regulations), special taxes and assessments or utility "tap-in" fees (except those generally applicable throughout the tax district in which the Property is located), or charges or restrictions, whether existing of record or arising by operation of law, unrecorded agreement, the passage of time or otherwise (other than the Permitted Exceptions).

(l) No portion of the Property is used or, to the best of Seller's knowledge, has ever been used for the storage, processing, treatment or disposal of Pollutants, as hereinafter defined in **Exhibit E**; the Improvements do not contain, nor, to the best of

Seller's knowledge, have they ever contained, Pollutants; to the best of Seller's knowledge, no Pollutants have been released, introduced, spilled, discharged or disposed of, nor, to the best of Seller's knowledge, has there been a threat of release, introduction, spill, discharge or disposal of a Pollutant, on, in, or under the Property; there are no pending claims, administrative proceedings, judgments, declarations, or orders, relating to the presence of Pollutants on, in or under the Property, and, to the best of Seller's knowledge, no such claims, proceedings, judgments, declarations or orders are threatened; to the best of Seller's knowledge, the Property is in compliance with all federal, state and local laws, regulations, orders and requirements regarding the regulation of Pollutants; and, to the best of Seller's knowledge, no Pollutants have been released, introduced, spilled, discharged or disposed of on, in or under any adjacent property.

(m) The Property is a legal lot of record and will not be created by a subdivision at Closing.

(n) The Property is not and has not been subject to any exemption from ad valorem taxes that will result in imposition of any tax or penalty upon the transfer of title at Closing or any change in use of the Property.

(o) The Property is not constructed, occupied, used or operated in violation of, is not otherwise in violation of, and Seller has received no notice or any violations or potential violation of any zoning, building, health, environmental or other laws, codes, ordinances, regulations, orders or requirements of any city, county, state or other governmental authority having jurisdiction thereof, or any private restrictive covenants affecting the Property; and all certificates, licenses, permits, authorizations, consents and approvals required by any such governmental authority for the continued use, occupancy and operation of the Property have been obtained, are paid for, and are free of restrictions.

(p) There are no pending, or, to the best of Seller's knowledge, threatened or contemplated, condemnation actions involving all or any portion of the Property; and, to the best of Seller's knowledge and belief, there are no existing, proposed or contemplated plans to widen, modify or realign any public rights-of-way located adjacent to any portion of the Land.

(q) All utilities (including, without limitation, water, storm and sanitary sewer, electricity, gas, telephone and cable television) are available on the Land through private easements or properly dedicated public easements in capacities sufficient to serve and operate the Property.

(r) Access to the Land from streets and roads adjoining the Land is not limited or restricted.

(s) There are no management, maintenance, service or other contracts with respect to the Property other than the Service Agreements; and all of the Service Agreements can be canceled on thirty (30) days notice or less.

(t) The Improvements are in good order and repair, and in a good, safe, substantial condition, free from defects; all plumbing, heating, electrical and air conditioning systems and equipment and systems therein are in good order and repair and operating condition; the Improvements are constructed and completed strictly in compliance with accepted standards of good materials and workmanship, all electrical, plumbing, heating and air-conditioning and exterior drainage systems, in or on the Property are in good condition and working order; to the best of Seller's knowledge and belief, there is no termite or other pest infestation, dry-rot or similar damage affecting the Property; the Improvements are water-tight; and there is no subsidence or other soil condition that does or may in the future adversely affect the Property.

(u) The Personalty is in good condition, ordinary wear and tear excepted.

(v) Between the date hereof and the Closing Date, Seller shall operate the Property in the ordinary course of business and shall maintain and repair the Property so that, on the Closing Date, the Property will be in the same condition as it now exists, natural wear and tear and loss by insured casualty alone excepted.

(w) On or before the Closing Date, Seller shall terminate all of the Existing Leases, with the written acknowledgment of the tenants or lessees; between the date hereof and such termination, Seller: shall comply with all obligations of the "lessor" or "landlord" under the Existing Leases and the Supplemental Lease Agreements; shall continue to carry and maintain in force all existing policies of casualty and public liability insurance with respect to the Property; shall not make or enter into any lease or other agreement for the use, occupancy or possession of all or any part of the Land or Improvements without the prior written approval of Buyer; and shall not enter into any brokerage commission or fee agreement or arrangement with respect to the Property without the prior written approval of Buyer.

(x) The Existing Leases scheduled and identified on **Exhibit F** hereto are the only leases or other agreements for use, occupancy or possession presently in force with respect to all or any portion of the Property.

(y) Seller will not cause or permit any action to be taken which will cause any of the foregoing representations, warranties or covenants to be untrue or unperformed on the Closing Date; and Seller will not cause or permit any action to be taken which will cause any of the conditions of Buyer's obligations set forth in **paragraph 11**, below, to be unsatisfied or unperformed on or as of the Closing Date.

(z) Seller will deliver on the Closing Date all documents and instruments required by this Agreement and perform all acts necessary or appropriate for the

consummation of the purchase and sale of the Property as contemplated by and provided for in this Agreement.

Seller acknowledges and agrees that no examination or investigation of the Property or of the operation of the Property by or on behalf of Buyer prior to Closing shall in any way modify, affect or diminish Seller's obligations under the representations, warranties, covenants and agreements set forth in this Agreement.

11. Conditions of Buyer's Obligations. Buyer's obligation to consummate the purchase and sale of the Property on the Closing Date shall be subject to the satisfaction or performance of the following terms and conditions, any one or more of which may be waived in writing by Buyer, in whole or in part, on or as of the Closing Date:

(a) Seller shall have fully and completely kept, observed, performed, satisfied and complied with all terms, covenants, conditions, agreements, requirements, restrictions and provisions required by this Agreement to be kept, observed, performed, satisfied or complied with by Seller before, on or as of the Closing Date;

(b) The representations and warranties of Seller in this Agreement shall be true and correct, and certified by Seller to Buyer as such, on and as of the Closing Date, in the same manner and with the same effect as though such representations and warranties had been made on and as of the Closing Date (whether this condition shall be deemed performed or satisfied with respect to any representations and warranties limited to Seller's knowledge and belief of the truth of the facts, assertions and matters contained therein shall be determined without regard to the limitation of the representation or warranty to Seller's knowledge and belief; provided, however, any failure to perform or satisfy such condition shall not be deemed to be a default by Seller hereunder unless the failure to perform or satisfy such condition would otherwise constitute a default by Seller under this Agreement);

(c) Buyer shall not have terminated this Agreement pursuant to an express right so to terminate set forth in this Agreement; and

(d) Closing shall occur under that certain Agreement, by and among United Community Banks, Inc.; United Community Bank; Harold Brewer; and Ross Whipple (the "Purchase Agreement"), and Seller expressly acknowledges that Buyer's obligations hereunder are conditioned upon the Purchase Agreement, and this Agreement shall automatically terminate upon a termination of the Purchase Agreement.

If any of the foregoing conditions have not been satisfied or performed or waived in writing by Buyer on or as of the Closing Date, Buyer shall have the right, at Buyer's option, either: (i) to terminate this Agreement by giving written notice to Seller on or before the Closing Date, in which event all rights and obligations of Seller and Buyer under this Agreement shall expire, and this Agreement shall become null and void; or (ii) if such failure of condition constitutes a breach of representation or warranty by Seller, constitutes a failure by Seller to perform any of the terms, covenants, conditions, agreements, requirements, restrictions or provisions of this

Agreement, or otherwise constitutes a default by Seller under this Agreement, to exercise such rights and remedies as may be provided for in **paragraph 13** of this Agreement. In either of such events, the Earnest Money shall be refunded to Buyer immediately upon request.

12. Possession at Closing. Seller shall surrender possession of the Property to Buyer on the Closing Date, free and clear of all occupants and rights of occupancy.

13. Remedies. (a) If the purchase and sale of the Property is not consummated in accordance with the terms and conditions of this Agreement due to circumstances or conditions which constitute a default by Buyer under this Agreement, Seller may seek, prove and recover (to the extent proven) monetary damages from Buyer in an amount equal to all actual out-of-pocket costs and expenses paid or incurred by Sellers in connection with its execution of any entry into this Agreement, **provided, however**, that in the event that Seller elects to seek to recover damages from Buyer on account of any default by Buyer under this Agreement, Buyer's liability to Seller for all damages, of any nature whatsoever, shall not exceed \$_____.

(b) If (i) any representation or warranty of Seller set forth in this Agreement shall prove to be untrue or incorrect in any respect, or (ii) Seller shall fail to keep, observe, perform, satisfy or comply with, fully and completely, any of the terms, covenants, conditions, agreements, requirements, restrictions or provisions required by this Agreement to be kept, observed, performed, satisfied or complied with by Seller, or (iii) the purchase and sale of the Property is otherwise not consummated in accordance with the terms and provisions of this Agreement due to circumstances or conditions which constitute a default by Seller under this Agreement (the matters described in the foregoing clauses (i), (ii) and (iii) are hereinafter sometimes collectively called "Seller Defaults"), Buyer may exercise such rights and remedies as may be provided for in this Agreement, or as may be provided for or allowed by law or in equity. Seller hereby acknowledges that Buyer's remedies in the event of the occurrence of any of the Seller Defaults shall specifically include, without limitation, the right to seek, prove and recover (to the extent proven) monetary damages from Seller in an amount equal to all actual out-of-pocket costs and expenses paid or incurred by Buyer in connection with its execution of and entry into this Agreement and its proposed acquisition of the Property, including, without limitation, (i) attorney's fees and disbursements in connection with the negotiation and execution of this Agreement, the examination of title to the Property, and any other legal matter undertaken by Buyer pertaining to the Property, and (ii) any examinations, investigations, tests and inspections, undertaken by Buyer with respect to the Property.

14. Indemnification. Seller shall, and does hereby, indemnify, defend and hold Buyer harmless from, against and in respect of: (i) any matter arising out of, by reason of or with respect to the ownership of the Property prior to and including the Closing Date; (ii) any and all actions, causes of action, suits, claims, demands, judgments, liens, proceedings and investigations (or any appeal thereof or relative thereto or other review thereof), of any kind or nature whatsoever, arising out of, by reason of, as a result of

or in connection with any of the matters covered by the immediately preceding clause (i); and (iii) any and all liabilities, damages, losses, costs, expenses (including counsel fees and expenses and disbursements of counsel), amounts of judgment, assessments, fines or penalties, and amounts paid in compromise or settlement, suffered, incurred or sustained by Buyer on account of, by reason of, as a result of or in connection with any of the matters covered by the immediately preceding clauses (i) and (ii).

15. Risk of Loss and Insurance. Between the date of this Agreement and Closing, the risks and obligations of ownership and loss of the Property and the correlative rights against insurance carriers and third parties shall belong to Seller. In the event of the damage or destruction of any portion of the Property prior to Closing, Buyer shall have the right, at Buyer's option, to terminate this Agreement by giving written notice thereof to Seller prior to Closing, in which event the Earnest Money shall be refunded to Buyer immediately upon request, all rights and obligations of Seller and Buyer under this Agreement shall expire, and this Agreement shall become null and void. If Buyer does not so terminate this Agreement, the Purchase Price shall be reduced by the total of any insurance proceeds received by Seller prior to Closing by reason of such damage or destruction and by the amount of any deductible applicable to the policy of insurance, and, at Closing, Seller shall assign to Buyer all insurance proceeds to be paid or to become payable after Closing by reason of such damage or destruction.

16. Condemnation. In the event of the taking of all or any part of the Property by eminent domain proceedings, or the commencement or bona fide threat of the commencement of any such proceedings, prior to Closing, Buyer shall have the right, at Buyer's option, to terminate this Agreement by giving written notice thereof to Seller prior to Closing, in which event the Earnest Money shall be refunded to Buyer immediately upon request, all rights and obligations of Seller and Buyer under this Agreement shall expire, and this Agreement shall become null and void. If Buyer does not so terminate this Agreement, the Purchase Price shall be reduced by the total of any awards or other proceeds received by Seller prior to Closing with respect to any taking, and, at Closing, Seller shall assign to Buyer all rights of Seller in and to any awards or other proceeds to be paid or to become payable after Closing by reason of any taking. Seller shall notify Buyer of eminent domain proceedings within five (5) days after Seller learns thereof.

17. Assignment. This Agreement may be assigned by Buyer, in whole or in part, and any such assignment shall relieve Buyer of liability for the performance of Buyer's duties and obligations under this Agreement to the extent of such assignment.

18. Parties. This Agreement shall be binding upon and enforceable against, and shall inure to the benefit of, Buyer and Seller and their respective legal representatives, successors and assigns.

19. Broker and Commission. All negotiations relative to this Agreement and the purchase and sale of the Property as contemplated by and provided for in this Agreement have been conducted by and between Seller and Buyer without the intervention of any person or other party as agent or broker. Seller and Buyer warrant and represent to each other that, Seller and Buyer have not entered into any agreement or arrangement and have not received services from any broker or broker's employees or independent contractors which would give rise to any claim of lien or lien against the Property, and there are and will be no broker's commissions or fees payable in connection with this Agreement or the purchase and sale of the Property by reason of their respective dealings or negotiations. Seller and Buyer shall and do each hereby indemnify,

defend and hold harmless each of the others from and against the claims, demands, actions and judgments of any and all brokers, agents and other intermediaries alleging a commission, fee or other payment to be owing by reason of their respective dealings, negotiations or communications in connection with this Agreement or the purchase and sale of the Property.

20. Further Assurances; Survival. At Closing, and from time to time thereafter, Seller shall do all such additional and further acts, and shall execute and deliver all such additional and further deeds, affidavits, instruments, certificates and documents, as Buyer, Buyer's counsel or Buyer's title insurer may reasonably require fully to vest in and assure to Buyer full right, title and interest in and to the Property to the full extent contemplated by this Agreement and otherwise to effectuate the purchase and sale of the Property as contemplated by and provided for in this Agreement. All the provisions of this Agreement (including, without limitation, the representations, covenants and warranties of Seller as set forth in this Agreement), shall survive the consummation of the purchase and sale of the Property on the Closing Date, the delivery of the deed to Buyer and the payment of the Purchase Price. Notwithstanding any provision of this Agreement to the contrary, the indemnification provisions of paragraphs 14 and 19 of this Agreement shall survive any termination of this Agreement.

21. Modification. This Agreement supersedes all prior discussions and agreements among Seller, Buyer and Broker with respect to the purchase and sale of the Property and other matters contained herein, and this Agreement contains the sole and entire understanding among Seller, Buyer and Broker with respect thereto. This Agreement shall not be modified or amended except by an instrument in writing executed by or on behalf of Seller and Buyer; provided, however, that, if and only if any modification or amendment adversely alters Broker's commission rights hereunder, the instrument shall be executed by or on behalf of Broker.

22. Applicable Law. This Agreement shall be governed by, construed under and interpreted and enforced in accordance with the laws of the State of New York.

23. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

24. Time; Dates. Time is and shall be of the essence of this Agreement. All references to the "date of this Agreement" shall be deemed to refer to the later of the date of Buyer's or Seller's execution of this Agreement. If any time period or deadline set forth in this Agreement falls on a Saturday, Sunday or federal banking holiday, such time period or deadline shall be extended until the next succeeding business day.

25. Captions. The captions and headings used in this Agreement are for convenience only and do not in any way restrict, modify or amplify the terms of this Agreement.

26. Exhibits. Each and every Exhibit referred to or otherwise mentioned in this Agreement is attached to this Agreement and is and shall be construed to be made a part of this Agreement by such reference or other

mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each Exhibit were set forth in full and at length every time it is referred to or otherwise mentioned.

27. Notices. All notices, requests, demands, tenders, and other communications under this Agreement shall be in writing. Any such notice, request, demand, tender or other communication shall be deemed to have been duly given when actually delivered, or when delivered to a nationally recognized commercial courier for next day delivery, or when deposited in the United States Mail, Certified Mail, Return Receipt Requested, with all postage prepaid, to the address for each party set forth below its execution of this Agreement, or when transmitted by facsimile to the telecopy number for each party set forth below its execution of this Agreement. A copy of any notice transmitted by facsimile shall also be sent by United States Mail, with all postage prepaid, to the address for each party set forth below its execution of this Agreement. Rejection or other refusal to accept, or inability to deliver because of changed address of which no notice was given, shall be deemed to be receipt of such notice, request, demand, tender, or other communication. Any party, by written notice to the others in the manner herein provided, may designate an address different from that stated above.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day and year first written above.

SELLER:

Initial address for notices:

Telephone Number: _____

Telecopy Number: _____

With a copy to:

Telephone Number: _____

Telecopy Number: _____

Date of Seller's Execution:

BUYER:

Initial address for notices:

Telephone Number: _____

Telecopy Number: _____

With a copy to:

Kilpatrick Stockton LLP

1100 Peachtree Street

Suite 2800

Atlanta, Georgia 30309

Attn: Richard R. Cheatham, Esq.

Telephone Number: (404) 815-6500

Telecopy Number: (404) 815-6555

Date of Buyer's Execution:

EXHIBIT E

DEFINITIONS MADE A PART OF THIS AGREEMENT

POLLUTANTS:

“Pollutants” means any material or substance, or combination of materials or substances, which by reason of quantity, concentration, composition, or characteristic is or in the future becomes regulated under any federal, state or local environmental or common law, rule, regulation, ordinance or requirement, as may be amended, replaced or superseded, and shall include, without limitation:

- (a) any hazardous substance as defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. § 69601 et seq.;
- (b) any hazardous substance, constituent or waste as defined by the Georgia Hazardous Site Response Act, O.C.G.A. § 12-8-90 et seq.;
- (c) any material identified as a hazardous waste under the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C.A. § 6901 et seq.;
- (d) any solid or hazardous waste identified under the Georgia Comprehensive Solid Waste Management Act, O.C.G.A. § 12-8-20 et seq., and the Georgia Hazardous Waste Management Act, O.C.G.A. § 12-8-60 et seq.;
- (e) any material regulated as a Toxic pollutant as defined under the Federal Water Pollution Control Act, 33 U.S.C.A. § 1251 et seq.;
- (f) any hazardous substance or toxic pollutant as defined under the Federal Water Pollution Control Act, 33 U.S.C.A. § 1251 et seq.;
- (g) any hazardous substance as defined by the Oil Pollution Act, 33 U.S.C.A. § 2701 et seq., the Georgia Oil Hazardous Material Spills or Releases Act, O.C.G.A. § 12-14-1 et seq., the Georgia Water Quality Control Act, O.C.G.A. § 12-5-20 et seq. or the Georgia Underground Storage Tank Act, O.C.G.A. § 12-13-1 et seq.;
- (h) any hazardous air pollutant as defined under the Federal Clean Air Act, 42 U.S.C.A. § 7401 et seq. and the Georgia Air Quality Act, O.C.G.A. § 12-9-1 et seq.;
- (i) any substance regulated under the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C.A. § 135 et seq.;
- (j) a special nuclear or byproduct material within the meaning of the Atomic Energy Act, 42 U.S.C.A. § 2014 et seq.; and
- (k) any material or substance, or combination of materials or substances displaying any explosive, volatile, radioactive, toxic, corrosive, flammable, ignitable or reactive characteristic or which may cause a nuisance, injury, harm or degradation to human health, welfare or the environment.

**UNITED COMMUNITY BANKS, INC.
CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS AGREEMENT (the "Agreement"), made and entered into as of this 7th day of June, 2001, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia Corporation (the "Company"), and Rex S. Schuette ("Executive").

W I T N E S S E T H:

WHEREAS, Executive is a key employee of the Company and an integral part of the Company's management; and

WHEREAS, the Company desires to assure both itself and its key employees of continuity of management and objective judgment in the event of any Change in Control of the Company, and to induce its key employees to remain employed by the Company; and

WHEREAS, the Company desires to provide certain compensation and benefits to Executive in the event of the termination of his employment under certain circumstances; and

WHEREAS, the Company and Executive have determined it is in their mutual best interests to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

1. TERM OF AGREEMENT.

This Agreement shall commence on the date hereof and shall terminate on the earlier of Executive's termination of employment without entitlement to any benefits hereunder or the date Executive attains age 65; provided, however, the Agreement may be terminated prior to such time by mutual written agreement of Executive and the Company. This Agreement shall not be considered an employment agreement and in no way guarantees Executive the right to continue in the employment of the Company or its affiliates. Executive's employment is considered employment at will, subject to Executive's right to receive payments and benefits upon certain terminations of employment as provided below.

2. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings specified below:

2.1 "Base Salary." Executive's annual salary in effect on his Date of Termination or, if greater, Executive's highest rate of annual salary in effect during the six-month period prior to his Date of Termination.

2.2 "Board" or "Board of Directors." The Board of Directors of the Company, or its successor.

2.3 "Cause." The involuntary termination of Executive by the Company for the following reasons shall constitute a termination for Cause:

(a) If termination shall have been the result of an act or acts by Executive which have been found in an applicable court of law to constitute a felony (other than traffic-related offenses);

(b) If termination shall have been the result of an act or acts by Executive which are in the good faith judgment of the Board determined to be in violation of law or of policies of the Company and which result in demonstrably material injury to the Company;

(c) If termination shall have been the result of an act or acts of proven or undenied dishonesty by Executive resulting or intended to result directly or indirectly in significant gain or personal enrichment to Executive at the expense of the Company; or

(d) Upon the willful and continued failure by Executive substantially to perform his duties with the Company (other than any such failure resulting from incapacity due to mental or physical illness not constituting a Disability, as defined herein), after a demand in writing for substantial performance is delivered by the Board or President, which demand specifically identifies the manner in which the Board or President believes that Executive has not substantially performed his duties, and such failure results in demonstrably material injury to the Company.

With respect to clauses (b), (c) or (d) above of this Section, Executive shall not be deemed to have been involuntarily terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board (after reasonable notice to Executive and an opportunity for him, together with his counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive was guilty of conduct set forth above in clauses (b), (c) or (d) and specifying the particulars thereof in detail. For purposes of this Agreement, no act or failure to act by Executive shall be deemed to be "willful" unless done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interests of the Company.

2.4 "Change in Control." A Change in Control of the Company means any one of the following events:

(a) The acquisition (other than from the Company) by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; provided, however, that for purposes of this definition, Person shall not include any person who on June 1, 2001 owns ten percent (10%) or more of the Company's outstanding securities, and a Change in Control shall not be deemed to occur solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one (1) or more employee benefit plans maintained by the Company or any of its subsidiaries, or (ii) any corporation, which, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

(c) A change in the composition of the Board such that the individuals who, as of June 1, 2001, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition that any individual who becomes a member of the Board subsequent to June 1, 2001 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act, including any successor to such Rule), or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, shall not be so considered as a member of the Incumbent Board.

2.5 "CIC Severance Period." A period equal to the lesser of (i) 36 months from Executive's Date of Termination or (ii) the number of months (rounded to the nearest month) from Executive's Date of Termination until the date he attains age 65.

2.6 "Code." The Internal Revenue Code of 1986, as it may be amended from time to time.

2.7 "Company." United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets.

2.8 "Date of Termination." The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) as the date upon which the Executive's employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given.

2.9 "Disability." Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering the Executive, or in the absence of such plan, a meaning consistent with Section 22(e)(3) of the Code.

2.10 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without the Executive's express written consent) during the 6-month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof (the date 6 months prior to the date of the Change in Control is referred to in this Section 2.10 as the "Change in Control Date"):

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Change in Control Date; or

(b) the required relocation of Executive to a location outside of the market area of the Company on the Change in Control Date; or

(c) a material reduction from those in effect on the Change in Control Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments; or

(d) after the Change in Control Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Change in Control Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Change in Control Date.

Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness, except for a Disability as defined in Section 2.9 above. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.11 "Notice of Termination". A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.12 "Person". Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

3. SCOPE OF AGREEMENT.

This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if the Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such events, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company. Executive agrees that this Agreement supercedes and replaces any existing plan or arrangement of the Company, including any employment agreement, which provides Executive severance benefits in the event of his termination under the circumstances covered by this Agreement.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL.

If a Change in Control occurs during the term of this Agreement and Executive's employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of death or Disability) or a termination by Executive for Good Reason (as defined in Section 2.10 above), Executive shall be entitled to the compensation and benefits described in Section 4.1 through 4.7 below. If Executive does not participate in a particular plan or program at the Change in Control Date (or if the Company no longer maintains or offers such plan or program at the Change in Control Date), the provisions of the section related to such plan, program or award shall not apply to Executive.

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the entire CIC Severance Period (as defined in Section 2.5 above), provided that all such salary payments shall be made in a lump sum payment (determined by taking the Present Value, as defined in Section 5.5, of such payments) no later than 30 days after his Date of Termination.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of the plan to the contrary, for the fiscal year that ended prior to Executive's Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria, provided that in no case shall the bonus under this subsection (a) be less than the bonus Executive received for the fiscal year immediately preceding such fiscal year. Such amount shall be payable at the time such bonus amounts are paid to other participants, or if previously paid to other participants, no later than 30 days after the Executive's Date of Termination.

(b) For the fiscal year during which Executive's Date of Termination occurs, Executive shall receive, within 30 days following his Date of Termination, a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive's target award level (including any personal performance component) under the Company's annual incentive had been achieved for such year.

(c) In addition to the bonus payments payable under (a) and (b) above, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two fiscal years in which bonuses were paid to him immediately preceding the year in which his Date of Termination occurs, multiplied by two or, if less, multiplied by a number (which need not be a whole number) equal to the number of months in the CIC Severance Period divided by 12. Such bonus amount shall be payable in a lump sum within 30 days following the Executive's Date of Termination.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on the Date of Termination and ending on the last day of the CIC Severance Period. Any additional coverages Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section, or the laws applicable to such plan do not permit continued participation by Executive, then the Company will arrange for other coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or, at Executive's election, will pay Executive a lump sum amount equal to the costs of such coverage(s) for the CIC Severance Period.

(b) For purposes of any individual executive life insurance policy (or policies) maintained by the Company for Executive, the Company shall continue to pay the premiums for such policy or policies during the CIC Severance Period.

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or will satisfy such requirements prior to the last day of the CIC Severance Period, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under section 4.3 above, and shall continue for the life of the Executive (i.e., the coverage shall be vested and may not be terminated), subject only to such changes in the level of coverage that apply to executives at his level generally.

4.5 Profit Sharing Plan. Executive will be entitled to continue to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. Executive's participation in such Profit Sharing Plan shall continue for the CIC Severance Period and the compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the plan as if it were paid on a monthly basis. Executive will receive an amount equal to the Company's contributions to the Profit Sharing Plan, assuming Executive had participated in such plan at the maximum permissible contributions level. If continued participation in any plan is not permitted by the plan or by applicable law, the Company shall pay to Executive or, if applicable, his beneficiary, a supplemental benefit equal to the Present Value on the Date of Termination (calculated as provided in the plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional benefits in a lump sum within 30 days of his Date of Termination.

4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile (and related automobile expenses) commensurate with the practice in effect for executives at the date of the Change in Control, and payment of club dues and assessments in accordance with the current practice.

4.7 Other Benefits. Except as expressly provided herein, all other fringe benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease at the end of the CIC Severance Period.

5. LIMITATION ON BENEFITS.

5.1 Notwithstanding anything in this Agreement to the contrary, any benefits payable or to be provided to Executive by the Company or its affiliates, whether pursuant to this Agreement or otherwise, which are treated as Severance Payments shall, but only to the extent necessary, be modified or reduced in the manner provided in 5.2 below so that the benefits payable or to be provided to Executive under this Agreement that are treated as Severance Payments, as well as any payments or benefits provided outside of this Agreement that are so treated, shall not cause the Company to have paid an Excess Severance Payment. In computing such amount, the parties shall take into account all provisions of Code Section 280G, and the regulations thereunder, including making appropriate adjustments to such calculation for amounts established to be Reasonable Compensation.

5.2 In the event that the amount of any Severance Payments which would be payable to or for the benefit of Executive under this Agreement must be modified or reduced to comply with this Section 5, Executive shall direct which Severance Payments are to be modified or reduced; *provided, however*, that no increase in the amount of any payment or change in the timing of the payment shall be made without the consent of the Company.

5.3 This Section 5 shall be interpreted so as to avoid the imposition of excise taxes on Executive under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G(a) of the Code with respect to amounts payable under this Agreement or otherwise. Notwithstanding the foregoing, in no event will any of the provisions of this Section 5 create, without the consent of Executive, an obligation on the part of Executive to refund any amount to the Company following payment of such amount.

5.4 In addition to the limits otherwise provided in this Section 5, to the extent permitted by law, Executive may in his sole discretion elect to reduce any payments he may be eligible to receive under this Agreement to prevent the imposition of excise taxes on Executive under Section 4999 of the Code.

5.5 For purposes of this Section 5, the following definitions shall apply:

(a) "Excess Severance Payment". The term "Excess Severance Payment" shall have the same meaning as the term "excess parachute payment" defined in Section 280G(b)(1) of the Code.

(b) "Severance Payment". The term "Severance Payment" shall have the same meaning as the term "parachute payment" defined in Section 280G(b)(2) of the Code.

(c) "Reasonable Compensation". The term "Reasonable Compensation" shall have the same meaning as provided in Section 280G(b)(4) of the Code. The parties acknowledge and agree that, in the absence of a change in existing legal authorities or the issuance of contrary authorities, amounts received by Executive as damages under or as a result of a breach of this Agreement shall be considered Reasonable Compensation.

(d) "Present Value". The term "Present Value" shall have the same meaning as provided in Section 280G(d)(4) of the Code.

6. MISCELLANEOUS.

6.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise

6.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

6.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and

agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to compensation and benefits from the Company under Section 4 in the amount and on the same terms as Executive would be entitled to hereunder if Executive were to terminate Executive's employment for Good Reason.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

6.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company:	United Community Banks, Inc. Attention: _____ P.O. Box 398 Blairsville, GA 30514
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If to Executive:	Rex S. Schuette _____ _____
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Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

6.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

6.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

6.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

6.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

6.9 Disputes; Legal Fees; Indemnification.

(a) Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within 30 days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall promptly pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. Except to the extent provided in the preceding sentence, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

(c) Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

EXECUTIVE

/s/ Rex S. Schuette

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy Tallent

Attest:

/s/ Thomas C. Gilliland

Secretary

(CORPORATE SEAL)

Subsidiaries of United Community Banks, Inc.

<u>Subsidiary</u>	<u>State of Organization</u>
United Community Bank doing business as: United Community Bank - Union County United Community Bank - Habersham United Community Bank - Lumpkin/Hall County United Community Bank - Adairsville United Community Bank - Rome United Community Bank - Summerville	Georgia
Brintech, Inc.	Florida
Union Holdings, Inc.	Nevada
United Community Bank Carolina Holdings, Inc.	North Carolina Nevada
United Community Bank North Georgia doing business as: United Community Bank North Georgia - Blue Ridge United Community Bank North Georgia - McCaysville United Community Bank North Georgia - Gilmer County	Georgia
Fannin Holdings, Inc.	Nevada
United Community Bank White County White Holdings, Inc.	Georgia Nevada
United Community Bank Towns County	Georgia
United Community Bank Rabun County	Georgia
United Community Bank Metro	Georgia
United Community Bank Dawson County	Georgia
United Community Bank West Georgia	Georgia
United Community Agencies, Inc.	North Carolina
United Intellectual Property Holdings, Inc.	Nevada
United Community Capital Trust	Delaware
United Community Capital Trust II	Delaware
United Community Capital Trust I	Connecticut

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated January 21, 2002 accompanying the consolidated financial statements incorporated by reference in the Annual Report of United Community Banks, Inc. on Form 10-K for the year ended December 31, 2001. We hereby consent to the incorporation by reference of said report in the Registration Statement of United Community Banks, Inc. on Form S-8 (File No. 33-80885, effective December 27, 1995 and File No. 333-70471, effective January 12, 1999).

/s/ Porter Keadle Moore, LLP

PORTER KEADLE MOORE, LLP

Atlanta, Georgia
March 15, 2002