

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

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

UNITED COMMUNITY BANKS, INC.  
 (Exact Name of Registrant as Specified in its Charter)

GEORGIA 6712 58-1827304  
 (State or Other Jurisdiction of (Primary Standard Industrial (I.R.S. Employer  
 Incorporation or Organization) Classification Code Number) Identification Number)

UNITED COMMUNITY CAPITAL TRUST  
 (Exact Name of Registrant as Specified in its Charter)

DELAWARE 6733 APPLIED FOR  
 (State or Other Jurisdiction of (Primary Standard Industrial (I.R.S. Employer  
 Incorporation or Organization) Classification Code Number) Identification Number)

59 HIGHWAY 515, P.O. BOX 398  
 BLAIRSVILLE, GEORGIA 30512  
 (706) 745-2151

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
 REGISTRANTS' PRINCIPAL EXECUTIVE OFFICES)

JIMMY C. TALLENT  
 PRESIDENT, UNITED COMMUNITY BANKS, INC.  
 59 HIGHWAY 515, P.O. BOX 398, BLAIRSVILLE, GEORGIA 30512  
 (706) 745-2151

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
 OF AGENT FOR SERVICE)

COPIES TO:  
 RICHARD R. CHEATHAM, ESQ.  
 KILPATRICK STOCKTON LLP  
 SUITE 2800, 1100 PEACHTREE STREET, ATLANTA, GEORGIA 30309-4530  
 (404) 815-6570

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE  
 PUBLIC: As soon as practicable after this Registration Statement becomes  
 effective.

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

If this Form is filed to register additional securities for an offering  
 pursuant to Rule 462(b) under the Securities Act, check the following box and  
 list the Securities Act registration number of the earlier effective  
 registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d)  
 under the Securities Act, check the following box and list the Securities Act  
 registration statement number of the earlier effective registration statement  
 for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED
Capital Securities of United Community Capital Trust..	\$ 21,000,000(1)
Junior Subordinated Deferrable Interest Debentures of United Community Banks, Inc.(3) .....	(5)
United Community Banks, Inc. Guarantee with respect to the Capital Securities(4) .....	(5)

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE (2)
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Capital Securities of United Community Capital Trust..	\$1,000	\$21,000,000	\$6,195
Junior Subordinated Deferrable Interest Debentures of United Community Banks, Inc.(3) .....	--	--	N/A
United Community Banks, Inc. Guarantee with respect to the Capital Securities(4) .....	--	--	N/A

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- (1) Represents the Liquidation Amount of the 8.125% Capital Securities originally issued by United Community Capital Trust (the "Trust") on July 20, 1998, which are to be exchanged hereunder for newly issued 8.125% Capital Securities of the Trust (the "New Capital Securities") and the principal amount of Junior Subordinated Deferrable Interest Debentures due July 15, 2028 originally issued by United Community Banks, Inc. (the "Company") on July 20, 1998, which are to be exchanged hereunder for newly issued Junior Subordinated Deferrable Interest Debentures of the Company due July 15, 2028 (the "New Junior Subordinated Debentures").
  - (2) The registration fee is calculated in accordance with Section 6 of the Securities Act of 1933, as amended.
  - (3) The New Junior Subordinated Debentures may later be distributed for no additional consideration to the holders of the New Capital Securities upon dissolution of the Trust and the distribution of its assets.
  - (4) No separate consideration will be received by the Company for the Guarantee.
  - (5) This Registration Statement is deemed to cover the New Junior Subordinated Debentures of the Company, the rights of holders of the New Junior Subordinated Debentures under the Junior Subordinated Indenture (as defined herein), the rights of holders of the New Capital Securities under the Trust Agreement (as defined here), and the rights of holders of the New Capital Securities under the Guarantee.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTIVE SUPPLEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

SUBJECT TO COMPLETION, DATED SEPTEMBER 30, 1998

PROSPECTUS

United Community Capital Trust

Offer to Exchange its  
 8.125% Capital Securities  
 (Liquidation Amount \$1,000 Per 8.125% Capital Security)  
 which have been registered under the Securities Act of 1933, as amended  
 for any and all of its outstanding  
 8.125% Capital Securities  
 (Liquidation Amount \$1,000 Per Capital Security)

Unconditionally Guaranteed, as Described herein, by

(UNITED  
 COMMUNITY BANKS logo)

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON \_\_\_\_\_, 1998, UNLESS EXTENDED.

United Community Capital Trust, a business trust formed under the laws of the state of Delaware (the "Trust"), hereby offers, upon the terms and subject to the conditions set forth in this prospectus (as the same may be amended or supplemented from time to time, the "Prospectus") and in the accompanying Letter of Transmittal (which together constitute the "Exchange Offer"), to exchange up to and including \$21,000,000 aggregate Liquidation Amount (as defined herein) of its 8.125% Capital Securities (the "New Capital Securities"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement (as defined herein) of which this Prospectus is a part, for a like Liquidation Amount of its outstanding 8.125% Capital Securities (the "Old Capital Securities"), of which \$21,000,000 aggregate Liquidation Amount is outstanding. Pursuant to the Exchange Offer, United Community Banks, Inc., a Georgia corporation (the "Company"), is also offering to exchange (i) its guarantee of

payments of cash distributions and payments on liquidation of the Trust or redemption of the Old Capital Securities (the "Old Guarantee") for a like guarantee in respect of the New Capital Securities (the "New Guarantee") and (ii) all of its outstanding 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "Old Junior Subordinated Debentures") for a like principal amount of its 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "New Junior Subordinated Debentures"), which New Guarantee and New Junior Subordinated Debentures also have been registered under the Securities Act. The Old Capital Securities, the Old Guarantee and the Old Junior Subordinated Debentures are collectively referred to herein as the "Old Securities" and the New Capital Securities, the New Guarantee and the New Junior Subordinated Debentures are collectively referred to herein as the "New Securities." In addition, as the context may require, unless expressly stated otherwise, (i) "Capital Securities" includes the Old Capital Securities and the New Capital Securities, (ii) "Junior Subordinated Debentures" includes the Old Junior Subordinated Debentures and New Junior Subordinated Debentures and (iii) "Guarantee" includes the Old Guarantee and the New Guarantee.

(CONTINUED ON NEXT PAGE)

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This Prospectus and the Letter of Transmittal are first mailed to all holders of Old Capital Securities on or about \_\_\_\_\_, 1998.

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SEE "RISK FACTORS" BEGINNING ON PAGE 15 FOR CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY HOLDERS IN DECIDING WHETHER TO TENDER OLD CAPITAL SECURITIES IN THE EXCHANGE OFFER.

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THE SECURITIES OFFERED HEREBY ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The date of this Prospectus is \_\_\_\_\_, 1998.

(Cover Page Continued)

The terms of the New Securities are identical in all material respects to the respective terms of the Old Securities, except that (i) the New Securities have been registered under the Securities Act and therefore will not be subject to certain restrictions on transfer applicable to the Old Securities, (ii) the New Capital Securities will not provide for any increase in the Distribution rate thereon and (iii) the New Junior Subordinated Debentures will not provide for any liquidated damages thereon, since the Old Securities provided for such increase and Liquidated Damages only in the event that the New Securities were not registered under the Securities Act within certain specified periods. The New Capital Securities are being offered for exchange in order to satisfy certain obligations of the Company and the Trust under the Registration Rights Agreement, dated as of July 20, 1998 (the "Registration Rights Agreement"), among the Company, the Trust and Wheat First Securities, Inc. (the "Initial Purchaser"). In the event that the Exchange Offer is consummated, any Old Capital Securities that remain outstanding after consummation of the Exchange Offer and the New Capital Securities issued in the Exchange Offer will vote together as a single class for purposes of determining whether holders of the requisite percentage in outstanding Liquidation Amount thereof have taken certain actions or exercised certain rights under the Trust Agreement (as defined herein).

The Capital Securities represent preferred undivided beneficial interests in the assets of the Trust. The Company is the owner of all of the beneficial interests represented by common securities of the Trust (the "Common Securities," and together with the Capital Securities, the "Trust Securities"). The Trust exists for the sole purpose of issuing the Trust Securities and investing the proceeds thereof in the Junior Subordinated Debentures. The Junior Subordinated Debentures will mature on July 15, 2028 (the "Stated Maturity"). The Capital Securities will have a preference over the Common Securities under certain circumstances with respect to cash distributions and amounts payable on liquidation, redemption or otherwise. See "Description of New Capital Securities -- Subordination of Common Securities."

As used herein, (i) the "Indenture" means the Indenture, dated as of July 20, 1998, between the Company and The Chase Manhattan Bank, as Debenture Trustee (the "Debenture Trustee"), relating to the Junior Subordinated Debentures and (ii) the "Trust Agreement" means the Amended and Restated Trust Agreement relating to the Trust, dated as of July 20, 2028, among the Company, as Depositor, The Chase Manhattan Bank, as Property Trustee, Chase Manhattan Bank Delaware., as Delaware Trustee (the "Delaware Trustee"), and the Administrators named therein (collectively, with the Property Trustee and the Delaware Trustee, the "Issuer Trustees").

Holders of the New Capital Securities will be entitled to receive preferential cumulative cash distributions accumulating from the date of original issuance and payable semi-annually in arrears on the 15th day of January and of July each year, commencing January 15, 1999, at an annual rate equal to 8.125% on the Liquidation Amount of \$1,000 per Capital Security ("Distributions"). The distribution rate and the distribution payment dates and other payment dates for the Capital Securities will correspond to the interest rate and interest payment dates and other payment dates on the Junior Subordinated Debentures, which will be the sole assets of the Trust. The Company has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each deferral period (each, an "Extension Period"), provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. No interest shall be due and payable during any Extension Period, except at the end thereof. Upon the termination of any such Extension Period and the payment of all amounts then due, the Company may elect to begin a new Extension Period subject to the requirements set forth herein. If interest payments on the Junior Subordinated Debentures are so deferred, Distributions on the Capital Securities will also be deferred and the Company will not be permitted, subject to certain exceptions described herein, to declare or pay any cash distributions with respect to the Company's capital stock or with respect to debt securities of the Company that rank PARI PASSU in all respects with or junior to the Junior Subordinated Debentures. During an Extension Period, interest on the Junior Subordinated Debentures will continue to accrue (and the amount of Distributions to which holders of the Capital Securities are entitled will accumulate) at a rate equal to 8.125%, compounded semi-annually, and holders of Capital Securities will be required to accrue original issue discount income for United States federal income tax purposes. See "Description of New Junior Subordinated Debentures -- Option to Extend Interest Payment Period" and "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount."

The Company has, through the Guarantee Agreement, the Trust Agreement, the Junior Subordinated Debentures and the Indenture (each as defined herein), taken together, irrevocably and unconditionally guaranteed all the Trust's obligations under the Capital Securities as described below. See "Relationship Among the Capital Securities, the Junior Subordinated Debentures and the Guarantee -- Full and Unconditional Guarantee." The Guarantee of the Company guarantees the payment of Distributions and payments on liquidation or redemption of the Capital Securities, but only in each case to the extent of funds held by the Trust, as described herein (the "Guarantee"). See "Description of New Guarantee." If the Company



does not make payments on the Junior Subordinated Debentures held by the Trust, the Trust may have insufficient funds to pay Distributions on the Capital Securities. The Guarantee does not cover payment of Distributions when the Trust does not have sufficient funds to pay such Distributions. In such event, a holder of Capital Securities may institute a legal proceeding directly against the Company pursuant to the Junior Subordinated Indenture to enforce payment of such Distributions to such holder. See "Description of New Junior Subordinated Debentures -- Enforcement of Certain Rights by Holders of Capital Securities." The obligations of the Company under the Guarantee and the Capital Securities are subordinate and junior in right of payment to all Senior Indebtedness (as defined in "Description of New Junior Subordinated Debentures -- Subordination") of the Company. As of June 30, 1998, the Company had Senior Indebtedness of \$15.6 million. Because the Company is a bank holding company, the right of the Company to participate in any distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization or otherwise (and thus the ability of holders of the Capital Securities to benefit indirectly from such distribution) is subject to the prior claims of creditors of that subsidiary, except to the extent that the Company may itself be recognized as a creditor of that subsidiary.

The Capital Securities are subject to mandatory redemption (i) in whole, but not in part, upon repayment of the Junior Subordinated Debentures at the Stated Maturity or their earlier redemption in whole upon the occurrence of a Tax Event, an Investment Company Event or a Capital Treatment Event (each as defined herein) and (ii) in whole or in part at any time on or after July 15, 2008 contemporaneously with the optional redemption by the Company of the Junior Subordinated Debentures in whole or in part. The Junior Subordinated Debentures are redeemable prior to maturity at the option of the Company (i) on or after July 15, 2008, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, in each case at a redemption price set forth herein, which includes the accrued and unpaid interest on the Junior Subordinated Debentures so redeemed to the date fixed for redemption. The ability of the Company to exercise its rights to redeem the Junior Subordinated Debentures or to cause the redemption of the Capital Securities prior to the Stated Maturity may be subject to prior regulatory approval by the Board of Governors of the Federal Reserve System (the "Federal Reserve") if then required under applicable Federal Reserve capital guidelines or policies. See "Description of New Junior Subordinated Debentures -- Redemption" and "Description of New Capital Securities -- Liquidation Distribution Upon Dissolution."

The holders of the outstanding Common Securities have the right at any time to dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities and Common Securities in liquidation of the Trust. The Company initially will be the holder of all of the Common Securities. The ability of the Company to dissolve the Trust may be subject to prior regulatory approval of the Federal Reserve if then required under applicable Federal Reserve capital guidelines or policies. See "Description of New Capital Securities -- Liquidation Distribution Upon Dissolution."

In the event of the dissolution of the Trust, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, the holders of the Capital Securities will be entitled to receive a Liquidation Amount of \$1,000 per Capital Security plus accumulated and unpaid Distributions thereon to the date of payment, subject to certain exceptions, which may be in the form of a distribution of such amount in Junior Subordinated Debentures. See "Description of New Capital Securities -- Liquidation Distribution Upon Dissolution."

The Old Junior Subordinated Debentures are, and the New Junior Subordinated Debentures will be, unsecured and subordinated to all Senior Indebtedness of the Company. See "Description of New Junior Subordinated Debentures -- Subordination."

Prospective investors must carefully consider the restrictions on purchase set forth in "Certain ERISA Considerations."

THE JUNIOR SUBORDINATED DEBENTURES ARE DIRECT AND UNSECURED OBLIGATIONS OF THE COMPANY, DO NOT EVIDENCE DEPOSITS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER INSURER OR GOVERNMENTAL AGENCY.

THE CAPITAL SECURITIES, INCLUDING THE NEW CAPITAL SECURITIES, MAY BE TRANSFERRED ONLY IN A BLOCK HAVING A LIQUIDATION AMOUNT OF NOT LESS THAN \$100,000 (100 CAPITAL SECURITIES). ANY TRANSFER OF NEW CAPITAL SECURITIES IN A BLOCK HAVING A LIQUIDATION AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF SUCH NEW CAPITAL SECURITIES FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO THE RECEIPT OF DISTRIBUTIONS ON SUCH NEW CAPITAL SECURITIES, AND SUCH TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN SUCH NEW CAPITAL SECURITIES.

NO EMPLOYEE BENEFIT OR OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") (EACH, A "PLAN"), NO ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLANS INVESTMENT IN THE ENTITY (A "PLAN ASSET ENTITY"), AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN, MAY ACQUIRE OR HOLD THE CAPITAL SECURITIES OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASE OR HOLDING IS COVERED BY THE EXEMPTIVE RELIEF PROVIDED BY U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCS") 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THE CAPITAL SECURITIES OR ANY INTEREST THEREIN THAT IS A PLAN OR A PLAN ASSET ENTITY OR IS PURCHASING SUCH SECURITIES ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY PLAN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT (A) THE PURCHASE AND HOLDING OF THE CAPITAL SECURITIES IS COVERED BY THE EXEMPTIVE RELIEF PROVIDED BY PTCE 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION, (B) THE COMPANY AND THE ADMINISTRATORS (AS DEFINED HEREIN) ARE NOT "FIDUCIARIES" WITHIN THE MEANING OF SECTION 3(21) OF ERISA AND THE REGULATIONS THEREUNDER, WITH RESPECT TO SUCH PERSON'S INTEREST IN THE CAPITAL SECURITIES OR THE JUNIOR SUBORDINATED DEBENTURES, AND (C) IN PURCHASING THE CAPITAL SECURITIES SUCH PERSON APPROVES THE PURCHASE OF THE JUNIOR SUBORDINATED DEBENTURES AND THE APPOINTMENT OF THE ISSUER TRUSTEES (AS DEFINED HEREIN). SEE "CERTAIN ERISA CONSIDERATIONS."

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The Trust is making the Exchange Offer of the New Capital Securities in reliance on the position of the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") as set forth in certain interpretive letters addressed to third parties in other transactions. However, neither the Company nor the Trust has sought its own interpretive letter and there can be no assurance that the Staff of the Commission would make a similar determination with respect to the Exchange Offer as it has in such interpretive letters to third parties. Based on these interpretations by the Staff of the Commission, and subject to the two immediately following sentences, the Company and the Trust believe that New Capital Securities issued pursuant to this Exchange Offer in exchange for Old Capital Securities may be offered for resale, resold and otherwise transferred by a holder thereof (other than a holder who is a broker-dealer) without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such New Capital Securities are acquired in the ordinary course of such holder's business and that such holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution (within the meaning of the Securities Act) of such New Capital Securities. However, any holder of Old Capital Securities who is an "affiliate" of the Company or the Trust or who intends to participate in the Exchange Offer for the purpose of distributing New Capital Securities, or any broker-dealer who purchased Old Capital Securities from the Trust for resale pursuant to Rule 144A under the Securities Act ("Rule 144A") or any other available exemption under the Securities Act, (i) will not be able to rely on the interpretations of the Staff of the Commission set forth in the above-mentioned interpretive letters, (ii) will not be permitted or entitled to tender such Old Capital Securities in the Exchange Offer and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or other transfer of such Old Capital Securities unless such sale is made pursuant to an exemption from such requirements. In addition, as described herein, if any broker-dealer holds Old Capital Securities acquired for its own account as a result of market-making or other trading activities and exchanges such Old Capital Securities for New Capital Securities, then such broker-dealer must deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Capital Securities.

Each holder of Old Capital Securities who wishes to exchange Old Capital Securities for New Capital Securities in the Exchange Offer will be required to represent that (i) it is not an "affiliate" of the Company or the Trust, (ii) any New Capital Securities to be received by it are being acquired in the ordinary course of its business, (iii) it has no arrangement or understanding with any person to participate in a distribution (within the meaning of the Securities Act) of such New Capital Securities, and (iv) if such holder is not a broker-dealer, such holder is not engaged in, and does not intend to engage in, a distribution (within the meaning of the Securities Act) of such New Capital Securities. In addition, the Company and the Trust may require such holder, as a condition to such holder's eligibility to participate in the Exchange Offer, to furnish to the Company and the Trust (or an agent thereof) in writing information as to the number of "beneficial owners" (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), on behalf of whom such holder holds the Old Capital Securities to be exchanged in the Exchange Offer. Each broker-dealer that receives

New Capital Securities for its own account pursuant to the Exchange Offer must acknowledge that it acquired the Old Capital Securities for its own account as the result of market making activities or other trading activities and must agree that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Capital Securities. The Letter of Transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. Based on the position taken by the Staff of the Commission in the interpretive letters referred to above, the Company and the Trust believe that broker-dealers who acquired Old Capital Securities for their own accounts, as a result of market-making activities or other trading activities ("Participating Broker-Dealers"), may fulfill their prospectus delivery requirements with respect to the New Capital Securities received upon exchange of such Old Capital Securities (other than Old Capital Securities which represent an unsold allotment from the initial sale of the Old Capital Securities) with a prospectus meeting the requirements of the Securities Act, which may be the prospectus prepared for an exchange offer so long as it contains a description of the plan of distribution with respect to the resale of such New Capital Securities. Each broker-dealer that receives New Capital Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Capital Securities. The Letter of Transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Capital Securities received in exchange for Old Capital Securities acquired by such broker-dealer as a result of market-making activities or other trading activities. The Trust and the Company have agreed that, ending on the close of business on the 90th day following the Expiration Date (as defined herein), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." However, a Participating Broker-Dealer who intends to use this Prospectus in connection with the resale of New Capital Securities received in exchange for Old Capital Securities pursuant to the Exchange Offer must notify the Company or the Trust, or cause the Company or the Trust to be notified, on or prior to the Expiration Date, that it is a Participating Broker-Dealer. Such notice may be given in the space provided for that purpose in the Letter of Transmittal or may be delivered to The Chase Manhattan Bank (the "Exchange Agent") at the address set forth herein under "The Exchange Offer -- Exchange Agent." Any Participating Broker-Dealer who is an "affiliate" of the Company or the Trust may not rely on such interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. See "The Exchange Offer -- Resales of New Capital Securities."

In that regard, each Participating Broker-Dealer who surrenders Old Capital Securities pursuant to the Exchange Offer will be deemed to have agreed, by execution of the Letter of Transmittal, or by transmission of an Agent's Message (as defined below) in lieu thereof, that upon receipt of notice from the Company or the Trust of the occurrence of any event or the discovery of any fact that (i) makes any statement contained or incorporated by reference in this Prospectus untrue in any material respect or (ii) causes this Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference herein, in the light of the circumstances under which they were made, not misleading, or upon the occurrence of certain other events specified in the Registration Rights Agreement, such Participating Broker-Dealer will suspend the sale of New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable) pursuant to this Prospectus until the Company or the Trust has amended or supplemented this Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to such Participating Broker-Dealer, or the Company or the Trust has given notice that the sale of the New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable) may be resumed, as the case may be. If the Company or the Trust gives such notice to suspend the sale of the New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable), it shall extend the 90-day period referred to above during which Participating Broker-Dealers are entitled to use this Prospectus in connection with the resale of New Capital Securities by the number of days during the period from and including the date of the giving of such notice to and including the date when Participating Broker-Dealers shall have received copies of the amended or supplemented Prospectus necessary to permit resales of the New Capital Securities or to and including the date on which the Company or the Trust has given notice that the sale of New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable) may be resumed, as the case may be.

The Old Capital Securities are eligible for trading in the Private Offering, Resales and Trading through Automatic Linkages Market ("PORTAL"). The New Capital Securities will be a new issue of securities for which there currently is no market. Accordingly, there can be no assurance as to the development or liquidity of any market for the New Capital Securities. The Company and the Trust do not intend to apply for listing of the New Capital Securities on any securities exchange or for inclusion in the Nasdaq Stock Market, the electronic securities market operated by the National Association of Securities Dealers, Inc. ("Nasdaq").



Any Old Capital Securities not tendered and accepted in the Exchange Offer will remain outstanding and will be entitled to all the same rights and will be subject to the same limitations applicable thereto under the Trust Agreement (except for those rights which terminate upon consummation of the Exchange Offer). Following consummation of the Exchange Offer, the holders of Old Capital Securities will continue to be subject to all of the existing restrictions upon transfer thereof and neither the Company nor the Trust will have any further obligation to such holders (other than under certain limited circumstances) to provide for registration under the Securities Act of the Old Capital Securities held by them. To the extent that Old Capital Securities are tendered and accepted in the Exchange Offer, a holder's ability to sell untendered Old Capital Securities could be adversely affected. See "Risk Factors -- Consequences of a Failure to Exchange Old Capital Securities."

THIS PROSPECTUS AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION. HOLDERS OF ORIGINAL CAPITAL SECURITIES ARE URGED TO READ THIS PROSPECTUS AND THE RELATED LETTER OF TRANSMITTAL CAREFULLY BEFORE DECIDING WHETHER TO TENDER THEIR OLD CAPITAL SECURITIES PURSUANT TO THE EXCHANGE OFFER.

Old Capital Securities may be tendered for exchange on or prior to 5:00 p.m., New York City time, on \_\_\_\_\_, 1998 (such time on such date being hereinafter called the "Expiration Date"), unless the Exchange Offer is extended by the Company or the Trust (in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended). Tenders of Old Capital Securities may be withdrawn at any time on or prior to the Expiration Date. The Exchange Offer is not conditioned upon any minimum Liquidation Amount of Old Capital Securities being tendered for exchange. However, the Exchange Offer is subject to certain events and conditions which may be waived by the Company or the Trust and to the terms and provisions of the Registration Rights Agreement. Old Capital Securities may be tendered in whole or in part having an aggregate Liquidation Amount of not less than \$100,000 (100 Capital Securities) or any integral multiple of \$1,000 Liquidation Amount (one Capital Security) in excess thereof. The Company has agreed to pay all expenses of the Exchange Offer. See "The Exchange Offer -- Fees and Expenses." Each New Capital Security will pay cumulative Distributions from the most recent Distribution Date of the Old Capital Securities surrendered in exchange for such New Capital Securities or, if no Distributions have been paid on such Old Capital Securities, from July 20, 1998. Holders of the Old Capital Securities whose Old Capital Securities are accepted for exchange will not receive accumulated Distributions on such Old Capital Securities for any period from and after the last Distribution Date on such Old Capital Securities prior to the original issue date of the New Capital Securities or, if no such Distributions have been paid, will not receive any accumulated Distributions on such Old Capital Securities, and will be deemed to have waived the right to receive any Distributions on such Old Capital Securities accumulated from and after such Distribution Date or, if no such Distributions have been paid or duly provided for, from and after July 20, 1998. This Prospectus, together with the Letter of Transmittal, is being sent to all registered holders of Old Capital Securities as of September \_\_\_\_\_, 1998. See "The Exchange Offer -- Distributions on the New Capital Securities."

Neither the Company nor the Trust will receive any cash proceeds from the issuance of the New Capital Securities offered hereby. No dealer-manager is being used in connection with this Exchange Offer. See "Use of Proceeds" and "Plan of Distribution."

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, in accordance therewith, files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, 13th Floor, Suite 1300, New York, New York 10048 and Suite 1400, Citicorp Center, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material may also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such information may also be accessed electronically by means of the Commission's home page on the Internet (<http://www.sec.gov>).

No separate financial statements of the Trust have been included herein. The Company and the Trust do not consider that such financial statements would be material to holders of the New Capital Securities because the Trust is a newly-formed special purpose entity, has no operating history or independent operations and is not engaged in and does not propose to engage in any activity other than holding as trust assets the Junior Subordinated Debentures, issuing the Trust Securities, effecting the Exchange Offer and engaging in activities necessary or incidental thereto. See "United Community

Capital Trust," "Description of New Capital Securities -- Description of New Capital Securities," "Description of New Junior Subordinated Debentures" and "Description of New Guarantee." In addition, the Company does not expect that the Trust will file reports, proxy statements and other information under the Exchange Act with the Commission.

This Prospectus constitutes a part of a registration statement on Form S-4 (the "Registration Statement") filed by the Company and the Trust with the Commission under the Securities Act. This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission, and reference is hereby made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the New Securities. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

#### FORWARD-LOOKING STATEMENTS

This Prospectus may contain or incorporate by reference statements which may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Prospective investors are cautioned that any such forward-looking statements are not guarantees for future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include significant fluctuations in interest rates, inflation, economic recession, significant changes in the federal and state legal and regulatory environment and tax laws, significant underperformance in the Company's portfolio of outstanding loans and competition in the Company's markets. Neither the Company nor the Trust undertakes any obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurance that the events described or implied in the forward-looking statements contained in this Prospectus will in fact transpire.

## PROSPECTUS SUMMARY

THE FOLLOWING PROSPECTUS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS.

### UNITED COMMUNITY BANKS, INC.

The Company is a bank holding company incorporated under the laws of Georgia and headquartered in Blairsville, Georgia. The Company commenced operations in 1988 when it acquired all of the capital stock of Union County Bank, now United Community Bank. The Company conducts its operations in northern Georgia and western North Carolina through six banking subsidiaries (the "Banks") and one non-bank subsidiary. The Banks and the cities in which they are headquartered are: United Community Bank, Blairsville, Georgia ("UCB"); Carolina Community Bank, Murphy, North Carolina ("Carolina"); Peoples Bank of Fannin County, Blue Ridge, Georgia ("Peoples"); Towns County Bank, Hiwassee, Georgia, ("Towns"); White County Bank, Cleveland, Georgia ("White"); and First Clayton Bank & Trust Company, Clayton, Georgia ("First Clayton"). The non-bank subsidiary is United Family Finance Company ("UFFC"). The Company provides a variety of retail and commercial banking products and services to individuals and small to medium-sized businesses. As of June 30, 1998, the Company operated a total of 23 banking offices and 3 non-bank offices in 20 communities, had total consolidated assets of approximately \$1.3 billion, total consolidated deposits of approximately \$1.1 billion, and total consolidated shareholders' equity of approximately \$80.2 million.

The Company's strategy for generating balance sheet and earnings per share growth is to build personal banking relationships in each of its local markets. The Company differentiates itself from larger competitors by operating a number of banking subsidiaries and by operating under trade names in the various markets in order to provide a local community feel in each market. UCB, the largest banking subsidiary which is headquartered in Blairsville, Georgia, operates as Union County Bank in Blairsville, Georgia, United Community Bank of Lumpkin County in Dahlonega, Georgia, and First Bank of Habersham in Cornelia, Georgia. Peoples Bank of Fannin County, Blue Ridge, Georgia, operates as Peoples Bank of McCaysville in McCaysville, Georgia.

By having a local bank and board of directors or advisory board in each market, the Company believes it is better able to keep abreast of local market conditions and business opportunities and close loan transactions more quickly. This strategy enables the Company to offer personalized customer service and rapid decision making on loans. While the Company decentralizes marketing and operations, it maintains control through centralized standards and systems, including centralized data processing and loan review. Thus, the individual community banks benefit from the management expertise, policies, product array and economies of scale of a billion-dollar institution while maintaining a community presence in each market.

The Company's banking markets are characterized by significant growth opportunities. The mountain communities of northern Georgia and western North Carolina have become popular with affluent individuals building summer or retirement homes, as well as other tourists who bolster the local economy with their vacation spending. To date the Company's loan portfolio has emphasized residential and commercial real estate and construction lending. As of June 30, 1998, approximately \$707 million, or 79% of the Company's \$895 million net loan portfolio, was secured by residential and commercial real estate. The Company maintains strong credit standards. As of June 30, 1998, the ratios of non-performing assets to total gross loans and other real estate owned was 0.26% and reserves to non-performing assets was 438.68%. Furthermore, the Company's net charge-offs to average loans was less than 0.10% in each of the past five fiscal years. In addition to prudent underwriting and credit monitoring, the Company has maintained ample balance sheet liquidity and core funding. As of June 30, 1998, the Company's loan to deposit ratio was 83%, and it had more than \$163 million in securities available for sale. The Company's financial performance reflects management's concurrent emphases on asset and return on equity growth. During the five years ended December 31, 1997, the Company's total assets and earnings grew at a compound annual growth rate of 26%. The Company's return on average equity for the year ended December 31, 1997, and the six months ended June 30, 1998, were 16.18% and 14.40%, respectively.

The Company's principal executive offices are located at 59 Highway 515, Blairsville, Georgia 30512 and the telephone number at such address is (706) 745-2151.

For additional information regarding the Company and its financial condition and results of operations, see "Consolidated Ratios of Earnings to Fixed Charges," "Selected Consolidated Financial Data," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "United Community Banks, Inc. and Subsidiaries Index to Consolidated Financial Statements."

UNITED COMMUNITY CAPITAL TRUST

The Trust is a statutory business trust created under Delaware law on July 13, 1998. The Trust is governed by the Trust Agreement among the Company, as Depositor, Chase Manhattan Bank Delaware, as Delaware Trustee, and The Chase Manhattan Bank, as Property Trustee. The Trust exists for the exclusive purposes of (i) issuing and selling the Trust Securities, (ii) using the proceeds from the sale of the Trust Securities to acquire the Junior Subordinated Debentures and (iii) engaging in only those other activities necessary, convenient or incidental thereto (such as registering the transfer of the Trust Securities). Accordingly, the Junior Subordinated Debentures will be the sole assets of the Trust, and payments under the Junior Subordinated Debentures will be the sole source of revenue of the Trust.

RISK FACTORS

Prospective investors should carefully consider the matters set forth under "Risk Factors."

THE EXCHANGE OFFER

The Exchange Offer..... Up to and including \$21,000,000 aggregate Liquidation Amount of New Capital Securities are being offered in exchange for a like aggregate Liquidation Amount of Old Capital Securities. Old Capital Securities may be tendered for exchange in whole or in part in a Liquidation Amount of \$100,000 (100 Capital Securities) or any integral multiple of \$1,000 (one Capital Security) in excess thereof. The Company and the Trust are making the Exchange Offer in order to satisfy their obligations under the Registration Rights Agreement relating to the Old Capital Securities. For a description of the procedures for tendering Old Capital Securities, see "The Exchange Offer -- Procedures for Tendering Old Capital Securities."

Expiration Date..... 5:00 p.m., New York City time, on , 1998 unless the Exchange Offer is extended by the Company and the Trust (in which case the Expiration Date will be the latest date and time to which the Exchange Offer is extended). See "The Exchange Offer -- Terms of the Exchange Offer."

Conditions to the Exchange Offer..... The Exchange Offer is subject to certain conditions, which may be waived by the Company and the Trust in their sole discretion. The Exchange Offer is not conditioned upon any minimum Liquidation Amount of Old Capital Securities being tendered. See "The Exchange Offer -- Conditions to the Exchange Offer."

Terms of the Exchange Offer..... The Company and the Trust reserve the right in their sole and absolute discretion, subject to applicable law, at any time and from time to time, (i) to delay the acceptance of the Old Capital Securities, to terminate the Exchange Offer if certain specified conditions have (ii) not been satisfied, (iii) to extend the Expiration Date of the Exchange Offer and retain all Old Capital Securities tendered pursuant to the Exchange Offer, subject, however, to the right of holders of Old Capital Securities to withdraw their tendered Old Capital Securities, or (iv) to waive any condition or otherwise amend the terms of the Exchange Offer in any respect. See "The Exchange Offer -- Terms of the Exchange Offer."

Withdrawal Rights..... Tenders of Old Capital Securities may be withdrawn at any time on or prior to the Expiration Date by delivering a written notice of such withdrawal to the Exchange Agent in conformity with certain procedures as set forth herein under "The Exchange Offer -- Withdrawal Rights."

Procedures for Tendering Old Capital

Securities..... Tendering holders of Old Capital Securities must complete and sign a Letter of Transmittal in accordance with the instructions contained therein and forward the same by mail, facsimile or hand delivery, together with any other required documents and the Old Capital Securities to be tendered, to the Exchange Agent, or must comply with the specified procedures for guaranteed delivery of Letters of Transmittal and Old Capital Securities. Certain brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer including an Agent's Message in lieu of a Letter of Transmittal. Holders of Old Capital Securities registered in the name of a broker, dealer, commercial bank, trust company or other nominee are urged to contact such person promptly if they wish to tender Old Capital Securities. See "The Exchange Offer -- Procedures for Tendering Old Capital Securities." Letters of Transmittal and certificates representing Old Capital Securities should not be sent to the Company or the Trust. Such documents should only be sent to the Exchange Agent.

Resales of New

Capital Securities..... The Company and the Trust are making the Exchange Offer in reliance on the position of the Staff of the Commission as set forth in certain interpretive letters addressed to third parties in other transactions. However, neither the Company nor the Trust has sought its own interpretive letter and there can be no assurance that the Staff of the Commission would make a similar determination with respect to the Exchange Offer as it has in such interpretive letters to third parties. Based on these interpretations by the Staff of the Commission, and subject to the two immediately following sentences, the Company and the Trust believe that New Capital Securities issued pursuant to this Exchange Offer in exchange for Old Capital Securities may be offered for resale, resold and otherwise transferred by a holder thereof (other than a holder who is a broker-dealer) without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such New Capital Securities are acquired in the ordinary course of such holder's business and that such holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution (within the meaning of the Securities Act) of such New Capital Securities. However, any holder of Old Capital Securities who is an "affiliate" of the Company or the Trust or who intends to participate in the Exchange Offer for the purpose of distributing the New Capital Securities, or any broker-dealer who purchased the Old Capital Securities from the Trust for resale pursuant to Rule 144A or any other available exemption under the Securities Act, (i) will not be able to rely on the interpretations of the Staff of the Commission set forth in the above-mentioned interpretive letters, (ii) will not be permitted or entitled to tender such Old Capital Securities in the Exchange Offer and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or other transfer of such Old Capital Securities unless such sale is made pursuant to an exemption from such requirements. In addition, as described herein, if any broker-dealer holds Old Capital Securities acquired for its own account as a result of market-making or other trading activities and exchanges such Old Capital Securities for New Capital Securities, then such broker-dealer must deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Capital Securities.



Each holder of Old Capital Securities who wishes to exchange Old Capital Securities for New Capital Securities in the Exchange Offer will be required to represent in the Letter of Transmittal or by transmission of an Agent's Message in lieu thereof that (i) it is not an "affiliate" of the Company or the Trust, (ii) any New Capital Securities to be received by it are being acquired in the ordinary course of its business, (iii) it has no arrangement or understanding with any person to participate in a distribution (within the meaning of the Securities Act) of such New Capital Securities, and (iv) if such holder is not a broker-dealer, such holder is not engaged in, and does not intend to engage in, a distribution (within the meaning of the Securities Act) of such New Capital Securities. Each broker-dealer that receives New Capital Securities for its own account in exchange for Old Capital Securities, where such Old Capital Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Exchange Act in connection with any resale of such New Capital Securities. See "Plan of Distribution." The Letter of Transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. Based on the position taken by the Staff of the Commission in the interpretive letters referred to above, the Company and the Trust believe that Participating Broker-Dealers who acquired Old Capital Securities for their own accounts as a result of market-making activities or other trading activities may fulfill their prospectus delivery requirements with respect to the New Capital Securities received upon exchange of such Old Capital Securities (other than Old Capital Securities that represent an unsold allotment from the initial sale of the Old Capital Securities) with a prospectus meeting the requirements of the Securities Act, which may be the prospectus prepared for an exchange offer so long as it contains a description of the plan of distribution with respect to the resale of such New Capital Securities. Accordingly, this Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of New Capital Securities received in exchange for Old Capital Securities where such Old Capital Securities were acquired by such Participating Broker-Dealer for its own account as a result of market-making or other trading activities. Subject to certain provisions set forth in the Registration Rights Agreement and to the limitations described herein under "The Exchange Offer -- Resales of New Capital Securities," the Company and the Trust have agreed that this Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of such New Capital Securities for a period ending 90 days after the Expiration Date (subject to extension under certain limited circumstances) or, if earlier, when all such New Capital Securities have been disposed of by such Participating Broker-Dealer. See "Plan of Distribution." Any Participating Broker-Dealer who is an "affiliate" of the Company or the Trust may not rely on such interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. See "The Exchange Offer -- Resales of New Capital Securities."

Exchange Agent.....

The Exchange Agent with respect to the Exchange Offer is The Chase Manhattan Bank (the "Exchange Agent"). The address, and telephone



and facsimile number of the Exchange Agent are set forth in "The Exchange Offer -- Exchange Agent" and in the Letter of Transmittal.

Use of Proceeds..... Neither the Company nor the Trust will receive any cash proceeds from the issuance of the New Capital Securities offered hereby. See "Use of Proceeds."

Certain United States Federal Income Tax Considerations; ERISA

Considerations..... Holders of Old Capital Securities should review the information set forth under "Certain Federal Income Tax Consequences" and "ERISA Considerations" prior to tendering Old Capital Securities in the Exchange Offer.

#### THE NEW CAPITAL SECURITIES

Securities Offered..... Up to and including \$21,000,000 aggregate Liquidation Amount of New Capital Securities (Liquidation Amount \$1,000 per New Capital Security) will have been registered under the Securities Act. The New Capital Securities will be issued, and the Old Capital Securities were issued, under the Trust Agreement. The New Capital Securities and any Old Capital Securities that remain outstanding after consummation of the Exchange Offer will vote together as a single class for purposes of determining whether holders of the requisite percentage in outstanding Liquidation Amount thereof have taken certain actions or exercised certain rights under the Trust Agreement. See "Description of New Capital Securities -- Voting Rights; Amendment of the Trust Agreement." The terms of the New Capital Securities are identical in all material respects to the terms of the Old Capital Securities, except that the New Capital Securities have been registered under the Securities Act, will not be subject to certain restrictions on transfer applicable to the Old Capital Securities and, subject to certain limited exceptions specified in the Registration Rights Agreement, will not provide for any increase in the Distribution rate thereon. See "The Exchange Offer -- Purpose and Effect of the Exchange Offer" and "Description of New Capital Securities."

Distributions..... Holders of the New Capital Securities are entitled to receive cumulative cash Distributions at an annual rate of 8.125% on the Liquidation Amount of \$1,000 per New Capital Security, accruing from the last Distribution Date on the Old Capital Securities preceding the original issue date of the New Capital Securities or, if no Distributions have been made on the Old Capital Securities, from the original date of issuance of the Old Capital Securities (July 20 1998), and (subject to the possible extension of Distribution payment periods described below) will be payable semi-annually, in arrears, on the 15th day of January and July of each year, commencing January 15, 1999. See "Description of the New Capital Securities -- Distributions."

Extension Periods..... So long as no Debenture Event of Default has occurred and is continuing, Distributions on New Capital Securities will be deferred for the duration of any Extension Period elected by the Company with respect to the payment of interest on the New Junior Subordinated Debentures. No Extension Period will exceed 10 consecutive semi-annual periods, end on a date other than an Interest Payment Date or extend beyond the Stated Maturity Date. During an Extension Period, the holders of New Capital Securities will be required to include deferred interest income in their gross income for United States federal income tax purposes in advance of any corresponding



"Description of New Junior Subordinated Debentures -- Option to Extend Interest Payment Date" and "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount."

- Ranking..... The New Capital Securities will rank PARI PASSU, and payments thereon will be made pro rata, with the Old Capital Securities and the Common Securities except as described under "Description of New Capital Securities -- Subordination of Common Securities." The New Junior Subordinated Debentures will be unsecured and subordinate and junior in right of payment to the extent and in the manner set forth set forth in the Indenture to all Senior Indebtedness of the Company. See "Description of New Junior Subordinated Debentures -- Subordination." The New Guarantee will constitute an unsecured obligation of the Company and will rank subordinate and junior in right of payment to all Senior Indebtedness to the extent and in the manner set forth in the New Guarantee. See "Description of New Guarantee." In addition, because the Company is a holding company, the New Junior Subordinated Debentures and the New Guarantee will be effectively subordinated to all existing and future liabilities of the Company's subsidiaries, including the Bank's deposit liabilities. See "Description of New Capital Securities -- Description of New Junior Subordinated Debentures -- Subordination."
- Redemption..... The Trust Securities are subject to mandatory redemption (i) in whole, but not in part, at the Stated Maturity upon repayment of the Junior Subordinated Debentures, (ii) in whole, but not in part, contemporaneously with the optional redemption at any time by the Company of the Junior Subordinated Debentures at any time within 90 days following the occurrence and during the continuation of a Tax Event, Investment Company Event or Capital Treatment Event in each case, subject to possible regulatory approval and (iii) in whole or in part, at any time on or after July 15, 2008, contemporaneously with the optional redemption by the Company of the Junior Subordinated Debentures in whole or in part, in each case at the applicable Redemption Price (as defined herein). See "Description of New Capital Securities -- Redemption," and "Description of New Junior Subordinated Debentures -- Special Event Prepayment."
- No Rating..... The New Capital Securities are not expected to be rated by any rating agency.
- Transfer Restrictions..... The New Capital Securities will be issued, and may be transferred, only in blocks having a Liquidation Amount of not less than \$100,000 (100 Capital Securities). See "Description of New Capital Securities -- Restrictions on Transfer." Any such transfer of New Capital Securities in a block having a Liquidation Amount of less than \$100,000 shall be deemed to be void and of no legal effect whatsoever.
- ERISA Considerations..... Prospective purchasers must carefully consider the restrictions on purchase set forth under "ERISA Considerations."
- Absence of Market for the New Capital Securities..... The New Capital Securities will be a new issue of securities for which there currently is no market. Accordingly, there can be no assurance as to the development or liquidity of any market for the New Capital Securities. The Trust and the Company do not intend to apply for listing of the New Capital Securities on any securities exchange or for quotation through Nasdaq. See "Plan of Distribution."

Use of Proceeds..... The proceeds to the Trust from the sale of the Old Capital Securities were invested by the Trust in the Junior Subordinated Debentures. The Company is using the net proceeds from the sale of the Junior Subordinated Debentures for and prepayment of indebtedness, general corporate purposes, potential future acquisitions and investments in or extensions of credit to its subsidiaries. The Company expects that the Capital Securities will be eligible to qualify as Tier 1 capital under the capital guidelines of the Federal Reserve. See "Use of Proceeds."

For additional information regarding the Capital Securities, see "United Community Capital Trust," "Description of New Capital Securities," "Description of New Junior Subordinated Debentures," "Description of New Guarantee," and "Certain Federal Income Tax Consequences."

## RISK FACTORS

PROSPECTIVE INVESTORS IN THE NEW CAPITAL SECURITIES SHOULD CAREFULLY REVIEW THE INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS AND SHOULD PARTICULARLY CONSIDER THE FOLLOWING MATTERS. BECAUSE HOLDERS OF NEW CAPITAL SECURITIES MAY RECEIVE NEW JUNIOR SUBORDINATED DEBENTURES ON DISSOLUTION OF THE ISSUER TRUST, PROSPECTIVE INVESTORS IN THE NEW CAPITAL SECURITIES ARE ALSO MAKING AN INVESTMENT DECISION WITH REGARD TO THE NEW JUNIOR SUBORDINATED DEBENTURES AND SHOULD CAREFULLY REVIEW ALL THE INFORMATION REGARDING THE NEW JUNIOR SUBORDINATED DEBENTURES CONTAINED HEREIN.

### RANKING OF SUBORDINATED OBLIGATIONS UNDER THE GUARANTEE AND THE JUNIOR SUBORDINATED DEBENTURES

The obligations of the Company under the Guarantee issued by the Company for the benefit of the holders of Capital Securities and under the Junior Subordinated Debentures are subordinate and junior in right of payment to all Senior Indebtedness of the Company. At June 30, 1998, the Senior Indebtedness of the Company aggregated approximately \$15.6 million. None of the Junior Subordinated Indenture, the Guarantee or the Trust Agreement places any limitation on the amount of secured or unsecured debt, including Senior Indebtedness, that may be incurred by the Company. See "Description of New Guarantee -- Status of the Guarantee" and "Description of New Junior Subordinated Debentures -- Subordination."

The ability of the Trust to pay amounts due on the Capital Securities is solely dependent upon the Company making payments on the Junior Subordinated Debentures as and when required.

### OPTION TO EXTEND INTEREST PAYMENT PERIOD; TAX CONSEQUENCES; MARKET PRICE CONSEQUENCES

So long as no Event of Default (as defined in the Junior Subordinated Indenture) has occurred and is continuing with respect to the Junior Subordinated Debentures (a "Debenture Event of Default"), the Company has the right under the Junior Subordinated Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each Extension Period, provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. See "Description of New Junior Subordinated Debentures -- Debenture Events of Default." As a consequence of any such deferral, semi-annual Distributions on the Capital Securities by the Trust will be deferred during any such Extension Period. Distributions to which holders of the Capital Securities are entitled will accumulate additional Distributions thereon during any Extension Period at a rate equal to 8.125% per annum, compounded semi-annually from the relevant payment date for such Distributions, computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. Additional Distributions payable for each full Distribution period will be computed by dividing the rate per annum by two. The term "Distributions" as used herein shall include any such additional Distributions. During any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, stock or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Junior Subordinated Debentures. Upon the termination of any Extension Period and the payment of all interest then accrued and unpaid (together with interest thereon at a rate equal to 8.125% per annum, compounded semi-annually), the Company may elect to begin a new Extension Period subject to the above conditions. No interest shall be due and payable during an Extension Period, except at the end thereof. Subject to the foregoing, there is no limitation on the number of times that the Company may elect to



begin an Extension Period. See "Description of New Capital Securities -- Distributions" and "Description of New Junior Subordinated Debentures -- Option to Extend Interest Payment Period."

Should an Extension Period occur, a holder of Capital Securities will continue to accrue income (in the form of original issue discount) for United States federal income tax purposes in respect of its pro rata share of the Junior Subordinated Debentures held by the Trust. As a result, a holder of Capital Securities will be required to include such original issue discount income in gross income for United States federal income tax purposes in advance of the receipt of cash attributable to such original issue discount interest income, and will not receive the cash related to such income from the Trust if the holder disposes of the Capital Securities prior to the record date for the payment of Distributions with respect to such Extension Period. See "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount" and " -- Sale or Redemption of Capital Securities."

The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Junior Subordinated Debentures. However, should the Company elect to exercise such right in the future, the market price of the Capital Securities is likely to be affected. A holder that disposes of its Capital Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Capital Securities. In addition, as a result of the existence of the Company's right to defer interest payments, the market price of the Capital Securities (which represent preferred undivided beneficial interests in the assets of the Trust) may be more volatile than the market prices of other similar securities that are not subject to such optional interest deferrals.

#### TAX EVENT, INVESTMENT COMPANY EVENT OR CAPITAL TREATMENT EVENT REDEMPTION

Upon the occurrence and during the continuation of a Tax Event, Investment Company Event or Capital Treatment Event, the Company has the right to redeem the Junior Subordinated Debentures in whole, but not in part, at any time within 90 days following the occurrence of such Tax Event, Investment Company Event or Capital Treatment Event and thereby cause a mandatory redemption of the Capital Securities and Common Securities. Any such redemption shall be at a price equal to the aggregate liquidation amount of the Capital Securities and Common Securities, respectively, together with accumulated Distributions to but excluding the date fixed for redemption and the related amount of the premium, if any, paid by the Company upon the concurrent redemption of such Junior Subordinated Debentures. The ability of the Company to exercise its rights to redeem the Junior Subordinated Debentures prior to the stated maturity may be subject to prior regulatory approval by the Federal Reserve, if then required under applicable Federal Reserve capital guidelines or policies. See "Description of New Junior Subordinated Debentures -- Redemption" and "Description of New Capital Securities -- Liquidation Distribution Upon Dissolution."

A "Tax Event" means the receipt by the Trust of an opinion of counsel to the Company experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Capital Securities, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the delivery of such opinion, subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures or New Junior Subordinated Debentures, (ii) interest payable by the Company on the Junior Subordinated Debentures or New Junior Subordinated Debentures is not, or within 90 days of the delivery of such opinion will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes or (iii) the Trust is, or will be within 90 days of the delivery of the opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Investment Company Event" means the receipt by the Trust of an opinion of counsel to the Company experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change (including any announced prospective change) in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Capital Securities.

A "Capital Treatment Event" means the reasonable determination by the Company that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations

thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement, action or decision is announced on or after the date of issuance of the Capital Securities, there is more than an insubstantial risk that the Company will not be entitled to treat an amount equal to the Liquidation Amount of the Capital Securities as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the risk-based capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to the Company.

#### POSSIBLE TAX LAW CHANGES

In both 1996 and 1997, the Clinton Administration proposed to amend the Internal Revenue Code of 1986, as amended (the "Code"), to deny deductions of interest on instruments with features similar to those of the Junior Subordinated Debentures when issued under arrangements similar to the Trust. That proposal was not passed by, and is not currently pending before, Congress. There can be no assurance, however, that future legislative proposals, future regulations or official administrative pronouncements or future judicial decisions will not affect the ability of the Company to deduct interest on the Junior Subordinated Debentures. Such a change could give rise to a Tax Event, which may permit the Company, upon approval of the Federal Reserve if then required under applicable capital guidelines or policies of the Federal Reserve, to cause a redemption of the Capital Securities, as described more fully under "Description of New Capital Securities -- Redemption."

According to a petition recently filed in the United States Tax Court by a corporation unrelated to the Company and the Trust, the Internal Revenue Service has challenged the deductibility for United States federal income tax purposes of interest payments on certain purported debt instruments held by entities intended to be taxable as partnerships for United States federal income tax purposes, where those entities, in turn, issued preferred securities to investors. Although the overall structure of the financing arrangements involved in that case is somewhat similar to the financing structure for the Junior Subordinated Debentures and the Trust, the relevant facts in that case appear to differ significantly from those relating to the Junior Subordinated Debentures and the Trust. Whether the Internal Revenue Service would attempt to challenge the deductibility of interest on the Junior Subordinated Debentures cannot be predicted. The Company, based on the advice of counsel, intends to take the position that interest payments on the Junior Subordinated Debentures will be deductible by the Company for United States federal income tax purposes. See "Certain Federal Income Tax Consequences -- Classification of the Junior Subordinated Debentures." Adverse developments relating to the deductibility of interest, whether arising in connection with the case currently pending in the United States Tax Court or not, could give rise to a Tax Event.

#### EXCHANGE OF CAPITAL SECURITIES FOR JUNIOR SUBORDINATED DEBENTURES

The holders of all the outstanding Common Securities have the right at any time to dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities and Common Securities in liquidation of the Trust. The Company initially will be the holder of all Common Securities. The ability of the Company to dissolve the Trust may be subject to prior regulatory approval of the Federal Reserve, if then required under applicable Federal Reserve capital guidelines or policies. See "Description of New Capital Securities -- Liquidation Distribution Upon Dissolution."

Under current United States federal income tax law and interpretations and assuming, as expected, that the Trust will not be taxable as a corporation, a distribution of the Junior Subordinated Debentures upon a liquidation of the Trust will not be a taxable event to holders of the Capital Securities. However, if a Tax Event were to occur that would cause the Trust to be subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures, a distribution of the Junior Subordinated Debentures by the Trust would be a taxable event to the Trust and the holders of the Capital Securities. See "Certain Federal Income Tax Consequences -- Distribution of Junior Subordinated Debentures to Holders of Capital Securities."

#### RIGHTS UNDER THE GUARANTEE

The Chase Manhattan Bank will act as the trustee under the Guarantee (the "Guarantee Trustee") and will hold the Guarantee for the benefit of the holders of the Capital Securities. The Chase Manhattan Bank will also act as Debenture Trustee for the Junior Subordinated Debentures and as Property Trustee under the Trust Agreement. Chase Manhattan Bank Delaware will act as Delaware Trustee under the Trust Agreement. The Guarantee guarantees to the holders of the Capital Securities the following payments, to the extent not paid by or on behalf of the Trust: (i) any accumulated and unpaid Distributions required to be paid on the Capital Securities, to the extent that the Trust has funds on hand available therefor at such time; (ii) the Redemption Price (as defined in "Description of New Capital Securities -- Redemption") with respect to any Capital Securities called for redemption, to the extent that the Trust has



funds on hand available therefor at such time;

and (iii) upon a voluntary or involuntary dissolution of the Trust (unless the Junior Subordinated Debentures are distributed to holders of the Capital Securities), the lesser of (a) the aggregate of the Liquidation Amount and all accumulated and unpaid Distributions to the date of payment, to the extent that the Trust has funds on hand available therefor at such time, and (b) the amount of assets of the Trust remaining available for distribution to holders of the Capital Securities on liquidation of the Trust. The Guarantee is subordinated as described under " -- Ranking of Subordinated Obligations Under the Guarantee and the Junior Subordinated Debentures" and "Description of New Guarantee -- Status of the Guarantee." The holders of not less than a majority in aggregate Liquidation Amount of the outstanding Capital Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Guarantee or to direct the exercise of any trust power conferred upon the Guarantee Trustee under the Guarantee subject to certain exceptions. Any holder of the Capital Securities may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity.

If the Company were to default on its obligation to pay amounts payable under the Junior Subordinated Debentures, the Trust may lack funds for the payment of Distributions or amounts payable on redemption of the Capital Securities or otherwise, and, in such event, holders of the Capital Securities would not be able to rely upon the Guarantee for payment of such amounts. Instead, if a Debenture Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay any amounts payable in respect of the Junior Subordinated Debentures on the payment date on which such payment is due and payable, then a holder of Capital Securities may institute a legal proceeding directly against the Company for enforcement of payment to such holder of any amounts payable in respect of such Junior Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Capital Securities of such holder (a "Direct Action"). In connection with such Direct Action, the Company will have a right of set-off under the Junior Subordinated Indenture to the extent of any payment made by the Company to such holder of Capital Securities in the Direct Action. Except as described herein, holders of Capital Securities will not be able to exercise directly any other remedy available to the holders of the Junior Subordinated Debentures or assert directly any other rights in respect of the Junior Subordinated Debentures. See "Description of New Junior Subordinated Debentures -- Enforcement of Certain Rights by Holders of Capital Securities," " -- Debenture Events of Default" and "Description of New Guarantee." The Trust Agreement provides that each holder of Capital Securities by acceptance thereof agrees to the provisions of the Guarantee and the Junior Subordinated Indenture.

#### LIMITED VOTING RIGHTS

Holders of Capital Securities will have limited voting rights relating generally to the modification of the Capital Securities and the Guarantee and the exercise of the Trust's rights as holder of Junior Subordinated Debentures. Holders of Capital Securities will not be entitled to appoint, remove or replace the Property Trustee or the Delaware Trustee except upon the occurrence of certain events specified in the Trust Agreement and described herein. The Property Trustee and the holders of all the Common Securities may, subject to certain conditions, amend the Trust Agreement without the consent of holders of Capital Securities to cure any ambiguity or make other provisions not inconsistent with the Trust Agreement or to ensure that the Trust (i) will not be taxable other than as a grantor trust for United States federal income tax purposes, or (ii) will not be required to register as an "investment company" under the Investment Company Act. See "Description of New Capital Securities -- Voting Rights; Amendment of Trust Agreement" and " -- Removal of Issuer Trustees; Appointment of Successors."

#### MARKET PRICES

There can be no assurance as to the market prices for Capital Securities, or the market prices for Junior Subordinated Debentures that may be distributed in exchange for Capital Securities if a liquidation of the Trust occurs. Accordingly, the Capital Securities or the Junior Subordinated Debentures that a holder of Capital Securities may receive on liquidation of the Trust may trade at a discount to the price that the investor paid to purchase the Capital Securities offered hereby.

#### ABSENCE OF PUBLIC MARKET

The Old Capital Securities have not been registered under the Securities Act and will be subject to restrictions on transferability if they are not exchanged for the New Capital Securities. Although the New Capital Securities generally may be resold or otherwise transferred by the holders (who are not affiliates of the Company or the Trust) without compliance with the registration requirements under the Securities Act, they will constitute a new issue of securities with no established trading market. Both Old Capital Securities and New Capital Securities may be transferred by the holders thereof only in blocks having a Liquidation Amount of not less than \$100,000 (100 Old Capital Securities) and in integral multiples of \$1,000



(1 Old Capital Security) in excess thereof. The Company and the Trust have been advised by the Initial Purchaser that the Initial Purchaser presently intends to make a market in the Exchange Capital Securities. However, the Initial Purchaser is not obligated to do so and any market-making activity with respect to the New Capital Securities may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the Exchange Offer. Accordingly, no assurance can be given that an active public or other market will develop for the New Capital Securities or the Old Capital Securities or as to the liquidity of or the trading market for the New Capital Securities or as to the liquidity of or the trading market for the New Capital Securities or the Old Capital Securities. If an active public market does not develop, the market price and liquidity of the New Capital Securities may be adversely affected.

If a public trading market develops for the New Capital Securities, future trading prices will depend on many factors, including, among other things, prevailing interest rates, the Company's financial results and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the Company, the New Capital Securities may trade at a discount.

Notwithstanding the registration of the New Capital Securities in the Exchange Offer, holders who are "affiliates" (as defined under Rule 405 of the Securities Act) of the Company or the Trust may publicly offer for sale or resell the New Capital Securities only in compliance with the provisions of Rule 144 under the Securities Act.

Each broker-dealer that receives New Capital Securities for its own account in exchange for Old Capital Securities, where such Old Capital Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Capital Securities. See "Description of New Capital Securities" and "Plan of Distribution."

#### CAPITAL SECURITIES ARE NOT INSURED

The Capital Securities are not insured by the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation ("FDIC") or by any other governmental agency.

#### STATUS OF THE COMPANY AS A BANK HOLDING COMPANY

Because the Company is a bank holding company, its right to participate in any distribution of assets of the Banks upon their liquidation or reorganization or otherwise (and thus the ability of holders of the Capital Securities to benefit indirectly from such a distribution) is subject to the prior claims of creditors of the Banks (including their depositors), except to the extent that the Company may itself be recognized as a creditor of the Banks. At June 30, 1998, the Banks had total liabilities (excluding liabilities owed to the Company) of approximately \$1.2 billion, including deposits. Accordingly, the Capital Securities effectively will be subordinated to all existing and future liabilities of the Banks, and holders of Capital Securities should look only to the assets of the Company for payments on the Capital Securities or under the Guarantee, as the case may be. None of the Junior Subordinated Indenture, the Guarantee or the Trust Agreement places any limitation on the amount of secured or unsecured debt that may be incurred by the Banks in the future. See "Description of New Junior Subordinated Debentures" and "Description of New Guarantee."

In addition, almost all of the operating assets of the Company are owned by the Banks. The Company relies primarily on dividends from the Banks to meet its obligations for the payment of principal and interest on its separate debt obligations and corporate expenses and for payment of dividends on its outstanding common stock. The payment of dividends by the Banks to the Company is subject to certain legal and regulatory limitations, is subject to ongoing review by banking regulators and, under certain circumstances, may require prior approval by banking regulatory authorities. At June 30, 1998, approximately \$9.7 million was available for payment of dividends to the Company from the Banks without prior regulatory approval. However, no assurance can be given that the Banks will have funds available to pay dividends to the Company at any particular time in the future. The Banks also are subject to certain restrictions under federal law on extensions of credit to, and certain other transactions with, the Company and certain of its other affiliates, and on investments in the stock or other securities thereof. Such restrictions prevent the Company and such other affiliates from borrowing from the Banks unless the loans are secured by various types of collateral. Further, such secured loans or other transactions and investments by the Banks are generally limited in amount as to the Company and as to each such other affiliate to 10% of the Banks' capital and surplus and as to the Company and all such other affiliates to an aggregate of 20% of the Banks' capital and surplus.

## YEAR 2000 CONSIDERATIONS

The Company is aware of the issues associated with the programming code in existing computer systems as the millennium (year 2000) approaches. The "year 2000" ("Y2K") issue is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two-digit value to 00. The issue is whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company is utilizing both internal and external resources to identify, correct or reprogram, and test its systems for Y2K compliance. It is anticipated that all internal mainframe systems will be Y2K certified no later than the fourth quarter of 1998, allowing adequate time for testing during 1999. To date, confirmation has been received from the Company's primary processing vendors that plans are being developed to address processing of transactions in the year 2000. However, if any necessary modifications to the Company's systems are not completed, or if the Company's vendors are not Y2K compliant, in a timely manner, the Y2K issue could have a material adverse impact on the Company's operations.

Management has not yet fully determined the Y2K compliance expense and related potential effect on the Company's earnings; however, direct costs are not expected to be material to the consolidated results of operations and will be expensed as incurred. Expenses in 1997 related to the Y2K issue were not material to the financial results of operations.

## GROWTH

The Company has grown and may seek to grow by acquiring other financial institutions and branches or related financial services companies; however, competition for acquisitions in the Company's market area is highly competitive. Moreover, any acquisitions will be subject to regulatory approval and there can be no assurance that the Company will obtain such approvals. The Company may not be successful in identifying further acquisition candidates, integrating acquired institutions or preventing deposit erosion at acquired institutions or branches. Furthermore, the Company's ability to grow through acquisitions will depend on its maintaining sufficient regulatory capital levels and on economic conditions.

There is no assurance that the Company will not encounter unforeseen expenses, as well as difficulties and complications in integrating expanded operations and new employees without disruption to overall operations. In addition, such growth may adversely affect the Company's operating results because of many factors, including start-up costs, diversion of management time and resources, asset quality, and required operating adjustments. There can be no assurance that the Company will successfully integrate or achieve the anticipated benefits of its growth or expanded operations, and there is no assurance that rapid growth in its loan portfolio will not result in an increase in the Company's loan loss experience.

## COMPETITION

The banking business is highly competitive, and the Company expects this competition to increase. In their primary market areas, the Banks compete with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, mortgage banking companies, and brokerage and investment banking firms operating locally and elsewhere.

## DEVELOPMENTS IN TECHNOLOGY

The market for financial services, including banking services, is increasingly affected by advances in technology, including developments in telecommunications, data processing, computers, automation, Internet-based banking, telebanking, debit cards and so-called "smart" cards. The ability of the Company to compete successfully in its markets may depend on the extent to which it is able to exploit such technological changes. However, there can be no assurance that the development of these or any other new technologies, or the Company's success or failure in anticipating or responding to such developments, will not materially affect the Company's business, financial condition and operating results.

## CONSEQUENCES OF A FAILURE TO EXCHANGE OLD CAPITAL SECURITIES

The Old Capital Securities have not been registered under the Securities Act or any state securities laws and therefore may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with certain other conditions and restrictions. Old Capital Securities that remain outstanding after consummation of the Exchange Offer will continue to bear a legend reflecting such restrictions on transfer. In addition, upon consummation of the Exchange Offer, holders of Old Capital Securities that remain outstanding will not be entitled



to any rights to have such Old Capital Securities registered under the Securities Act or to any similar rights under the Registration Rights Agreement (subject to certain limited exceptions). The Company and the Trust do not intend to register under the Securities Act any Old Capital Securities that remain outstanding after consummation of the Exchange Offer (subject to such limited exceptions, if applicable). To the extent that Old Capital Securities are tendered and accepted in the Exchange Offer, a holder's ability to sell untendered Old Capital Securities could be adversely affected. In addition, although the Old Capital Securities have been designated for trading in the PORTAL market, to the extent that Old Capital Securities are tendered and accepted in connection with the Exchange Offer, any trading market for Old Capital Securities which remain outstanding after the Exchange Offer could be adversely affected.

The New Capital Securities and any Old Capital Securities that remain outstanding after consummation of the Exchange Offer will vote together as a single class for purposes of determining whether holders of the requisite percentage in outstanding Liquidation Amount thereof have taken certain actions or exercised certain rights under the Trust Agreement. See "Description of New Capital Securities -- Voting Rights; Amendment of the Trust Agreement."

The Old Capital Securities provide, among other things, that, if a registration statement relating to the Exchange Offer has not been filed with the Securities and Exchange Commission (the "Commission") by December 17, 1998 and declared effective by the Commission by January 16, 1999, the Distribution rate borne by the Old Capital Securities commencing on December 18, 1998 or January 17, 1999, as the case may be, will increase by 0.25% until the Exchange Offer is consummated. Upon consummation of the Exchange Offer, holders of Old Capital Securities will not be entitled to any increase in the Distribution rate thereon or any further registration rights under the Registration Rights Agreement, except under limited circumstances. See "Description of New Capital Securities."

#### ABSENCE OF PUBLIC MARKET AND RESTRICTIONS ON RESALE

The Old Capital Securities have not been registered under the Securities Act and will be subject to restrictions on transferability if they are not exchanged for the New Capital Securities. Although the New Capital Securities may be resold or otherwise transferred by the holders (who are not affiliates of the Company or the Trust) without compliance with the registration requirements under the Securities Act, they will constitute a new issue of securities with no established trading market. Capital Securities may be transferred by the holders thereof only in blocks having a Liquidation Amount of not less than \$100,000 (100 Capital Securities). In addition, any market-making activity, should it develop, will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the Exchange Offer. Accordingly, no assurance can be given that an active public or other market will develop for the Capital Securities, or as to the liquidity of, or the trading market for, the New Capital Securities. If an active public market does not develop, the market price and liquidity of the New Capital Securities may be adversely affected.

If a public trading market develops for the New Capital Securities, future trading prices will depend on many factors, including, among other things, prevailing interest rates, the financial condition and results of operations of the Company and the market for similar securities. Depending on these and other factors, the New Capital Securities may trade at a discount.

Notwithstanding the registration of the New Capital Securities in the Exchange Offer, holders who are "affiliates" (as defined under Rule 405 of the Securities Act) of the Company or the Trust may publicly offer for sale or resell the New Capital Securities only in compliance with the provisions of Rule 144 under the Securities Act.

Each broker-dealer that receives New Capital Securities for its own account in exchange for Old Capital Securities, where such Old Capital Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Capital Securities. See "Plan of Distribution."

#### EXCHANGE OFFER PROCEDURES

Subject to conditions set forth under "The Exchange Offer -- Conditions to the Exchange Offer," issuance of the New Capital Securities in exchange for Old Capital Securities pursuant to the Exchange Offer will be made only after a timely receipt by the Trust of such Old Capital Securities, a properly completed and duly executed Letter of Transmittal or Agent's Message in lieu thereof, with any required signature guarantees, and all other required documents. See "The Exchange Offer -- Acceptance for Exchange and Issuance of New Capital Securities" and " -- Procedures for Tendering Old Capital Securities." Therefore, holders of the Old Capital Securities desiring to tender such Old Capital Securities in exchange for New Capital Securities should allow sufficient time to ensure timely delivery. Neither the Company, the Trust nor the Exchange Agent is under any duty to give notification of defects or irregularities with respect to the tenders of Old Capital Securities for exchange.





CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES

The following table presents the unaudited consolidated ratios of earnings to fixed charges of the Company. The consolidated ratio of earnings to fixed charges has been computed by dividing income before income taxes and fixed charges by fixed charges. Fixed charges represent all interest expense (ratios are presented both excluding and including interest on deposits). Interest expense (other than on deposits) includes interest on borrowed funds, federal funds purchased and securities sold under agreements to repurchase, and other funds borrowed.

EARNINGS TO FIXED CHARGES	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEARS ENDED DECEMBER 31,				
	1998	1997	1997	1996	1995	1994	1993
Excluding interest on deposits ..	4.68x	5.11x	5.21x	7.76x	5.94x	7.24x	9.71x
Including interest on deposits ..	1.31	1.33	1.33	1.38	1.33	1.47	1.42

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data of the Company for the five years ended December 31, 1997, and the six months ended June 30, 1998 and 1997. The selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 1997 are derived from the Company's audited consolidated financial statements. The consolidated financial statements as of December 31, 1997 and 1996 and for each of the years in the three-year period ended December 31, 1997, and the report thereon of Porter Keadle Moore, LLP, independent certified public accountants, are included elsewhere in this Prospectus. The selected consolidated financial data as of and for the six months ended June 30, 1998 and 1997 are derived from the Company's unaudited consolidated financial statements included elsewhere in this Prospectus, which, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the financial condition and results of operations for such interim periods. This historical data is not necessarily indicative of the results that may be expected in the future. The selected consolidated financial data are qualified by reference to and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the financial statements and notes thereto and other financial data included elsewhere in this Prospectus.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,	
	1998	1997
(IN THOUSANDS, EXCEPT RATIOS AND PER SHARE DATA) (UNAUDITED)		
<b>SUMMARY OF OPERATIONS:</b>		
Interest income .....	\$ 51,496	41,856
Interest expense .....	26,645	21,601
Net interest income .....	24,851	20,255
Provision for loan losses .....	1,038	1,298
Net interest income after provision for loan losses .....	23,813	18,957
Noninterest income .....	3,921	3,267
Noninterest expense .....	19,364	15,053
Income before income taxes .....	8,370	7,171
Income taxes .....	2,828	2,289
Net income .....	\$ 5,542	4,882
<b>SELECTED PERIOD-END BALANCES:</b>		
Total assets .....	\$ 1,260,548	1,052,832
Investment securities and federal funds sold .....	255,281	232,621
Loans .....	894,462	729,404
Interest earning assets .....	1,160,811	971,123
Deposits .....	1,065,683	916,128
Interest bearing liabilities .....	1,044,428	814,719
Shareholders' equity .....	80,176	68,957
Common shares outstanding .....	7,393,605	7,385,105
<b>SELECTED AVERAGE BALANCES:</b>		
Total assets .....	\$ 1,190,474	956,398
Loans .....	857,059	689,721
Deposits .....	1,032,795	836,537
Shareholders' equity .....	77,487	63,430
Common shares outstanding .....	7,389,378	7,215,266
<b>PROFITABILITY RATIOS:</b>		
Return on average total assets .....	0.94%	1.03%
Return on average shareholders' equity .....	14.40	15.87
Dividend payout ratio .....	10.14	7.46
<b>LIQUIDITY AND CAPITAL RATIOS:</b>		
Average loans to average deposits .....	82.51%	81.99%
Average shareholders' equity to average total assets .....	6.51	6.63
Tier 1 capital ratio .....	8.40	8.11
Total capital ratio .....	10.06	9.84
Leverage capital ratio .....	5.73	5.65
<b>PER SHARE OF COMMON STOCK:</b>		
Basic EPS .....	\$ 0.75	0.68
Diluted EPS .....	0.74	0.67
Cash dividends .....	0.075	0.05
Book value .....	10.84	9.34
<b>ASSET QUALITY RATIOS:</b>		
Nonperforming assets to total gross loans and other real estate owned .....	0.28%	0.33%
Net charge-offs to average loans .....	0.04%	0.05%
Total allowance for loan losses to total nonperforming assets .....	438.68%	484.72%

	1997	1996	1995	1994	1993
(IN THOUSANDS, EXCEPT RATIOS AND PER SHARE DATA)					
<b>SUMMARY OF OPERATIONS:</b>					
Interest income .....	89,780	67,906	53,209	36,844	30,767
Interest expense .....	46,548	34,091	28,194	16,777	14,743
Net interest income .....	43,232	33,815	25,015	20,067	16,024
Provision for loan losses .....	2,634	1,597	1,116	998	931
Net interest income after provision for loan losses .....	40,598	32,218	23,899	19,069	15,093
Noninterest income .....	6,980	5,666	4,523	3,962	3,918
Noninterest expense .....	32,077	24,843	19,204	15,125	12,810
Income before income taxes .....	15,501	13,041	9,218	7,906	6,201
Income taxes .....	4,766	4,114	2,549	2,205	1,592
Net income .....	10,735	8,927	6,669	5,701	4,609
<b>SELECTED PERIOD-END BALANCES:</b>					
Total assets .....	1,153,367	886,103	712,298	496,527	427,483
Investment securities and federal funds sold .....	221,873	183,175	172,643	91,530	93,192
Loans .....	816,934	633,176	480,360	366,916	305,398
Interest earning assets .....	1,049,159	824,476	659,548	458,446	399,674
Deposits .....	977,079	773,300	637,832	427,998	378,920
Interest bearing liabilities .....	961,770	740,189	593,045	420,290	364,190
Shareholders' equity .....	75,113	57,675	49,207	34,871	29,876
Common shares outstanding .....	7,385,105	7,084,621	6,945,081	6,274,903	6,278,900
<b>SELECTED AVERAGE BALANCES:</b>					
Total assets .....	1,024,730	783,509	607,877	464,767	393,541
Loans .....	737,889	551,043	423,953	332,793	270,199
Deposits .....	894,200	695,391	538,518	408,645	351,526
Shareholders' equity .....	66,333	53,472	42,110	32,463	27,539
Common shares outstanding .....	7,300,874	6,919,437	6,499,264	6,275,014	6,235,452
<b>PROFITABILITY RATIOS:</b>					
Return on average total assets .....	1.05%	1.14%	1.10%	1.23%	1.17%
Return on average shareholders' equity .....	16.18	16.69	15.84	17.56	16.74
Dividend payout ratio .....	6.51	7.58	8.82	9.89	8.11
<b>LIQUIDITY AND CAPITAL RATIOS:</b>					
Average loans to average deposits .....	82.52%	79.24%	78.73%	81.44%	76.86%
Average shareholders' equity to average total assets .....	6.47	6.82	6.93	6.98	7.00
Tier 1 capital ratio .....	8.59	8.36	9.24	9.26	9.05
Total capital ratio .....	10.28	10.18	10.70	10.80	10.63
Leverage capital ratio .....	5.76	5.98	6.99	6.74	6.49
<b>PER SHARE OF COMMON STOCK:</b>					
Basic EPS .....	1.47	1.29	1.03	0.91	0.74
Diluted EPS .....	1.46	1.26	1.01	0.89	0.72
Cash dividends .....	0.10	0.10	0.08	0.09	0.06
Book value .....	10.17	8.14	7.09	5.56	4.76
<b>ASSET QUALITY RATIOS:</b>					
Nonperforming assets to total gross loans and other real estate owned .....	0.17%	0.26%	0.50%	0.19%	0.28%
Net charge-offs to average loans .....	0.06%	0.06%	0.07%	0.07%	0.09%
Total allowance for loan losses to total nonperforming assets .....	720.39%	483.34%	290.10%	630.55%	430.97%

## UNITED COMMUNITY CAPITAL TRUST

The Trust is a statutory business trust created under Delaware law pursuant to a trust agreement and the filing of a certificate of trust with the Delaware Secretary of State. The Trust is governed by the Trust Agreement among the Company, as Depositor, Chase Manhattan Bank Delaware, as Delaware Trustee, The Chase Manhattan Bank, as Property Trustee, the Administrators named therein, and the holders, from time to time, of undivided beneficial interests in the assets of the Trust. Two individuals have been selected by the holders of the Common Securities to act as administrators with respect to the Trust (the "Administrators"). The Company, while holder of the Common Securities, intends to select two individuals who are employees or officers of or affiliated with the Company to serve as the Administrators. See "Description of New Capital Securities -- Miscellaneous." The Trust exists for the exclusive purposes of (i) issuing and selling the Trust Securities, (ii) using the proceeds from the sale of the Trust Securities to acquire the Junior Subordinated Debentures and (iii) engaging in only those other activities necessary, convenient or incidental thereto (such as registering the transfer of the Trust Securities). Accordingly, the Junior Subordinated Debentures will be the sole assets of the Trust, and payments under the Junior Subordinated Debentures will be the sole source of revenue of the Trust.

All the Common Securities are presently owned by the Company. The Common Securities will rank PARI PASSU, and payments will be made thereon pro rata, with the Capital Securities, except that upon the occurrence and during the continuation of a Debenture Event of Default arising as a result of any failure by the Company to pay any amounts in respect of the Junior Subordinated Debentures when due, the rights of the holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption or otherwise will be subordinated to the rights of the holders of the Capital Securities. See "Description of New Capital Securities -- Subordination of Common Securities." The Company has acquired Common Securities in an aggregate liquidation amount equal to 3% of the total capital of the Trust. The Trust has a term of 31 years, but may dissolve earlier as provided in the Trust Agreement. The address of the Delaware Trustee is Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware 19801, telephone number (302) 428-3375. The address of the Property Trustee, the Guarantee Trustee and the Debenture Trustee is The Chase Manhattan Bank, 450 West 33rd Street, 15th Floor, New York, New York 10001, telephone number (212) 946-3340.

### USE OF PROCEEDS

Neither the Company nor the Trust will receive any cash proceeds from the issuance of the New Capital Securities. In consideration for issuing the New Capital Securities in exchange for Old Capital Securities as described in this Prospectus, the Trust will receive New Junior Subordinated Debentures in like Liquidation Amount. The Old Capital Securities surrendered in exchange for the New Capital Securities will be retired and canceled.

The proceeds to the Trust (without giving effect to expenses of the offering payable by the Company) from the offering of the Old Capital Securities was \$21,000,000. All of the net proceeds to the Trust from the sale of the Old Capital Securities were invested by the Trust in the Old Junior Subordinated Debentures. Of the net proceeds received by the Company from the sale of the Old Junior Subordinated Debentures, the Company has used approximately \$12.1 million to prepay indebtedness under a note payable to a commercial bank. The remainder of the net proceeds have been or will be used for general corporate purposes, potential future acquisitions and investments in or extensions of credit to its subsidiaries. The proceeds from the sale of the Capital Securities qualify as Tier 1 or core capital with respect to the Company under the risk-based capital guidelines established by the Federal Reserve applicable to the Company; however, capital received from the proceeds of the sale of the Capital Securities cannot constitute more than 25% of the total Tier 1 capital of the Company (the "25% Capital Limitation"). Amounts in excess of the 25% Capital Limitation will constitute Tier 2 or supplementary capital of the Company.

CAPITALIZATION

The following table sets forth the unaudited consolidated capitalization of the Company as of June 30, 1998, and as adjusted to give effect to the consummation of the offering of the Old Capital Securities, the issuance of the Old Junior Subordinated Debentures and the application of the net proceeds therefrom as provided under "Use of Proceeds." The following data is qualified in its entirety by, and should be read in conjunction with, the Company's reports filed with the Commission under the Exchange Act and incorporated by reference herein. See "Available Information," "Selected Consolidated Financial Data," and "United Community Banks, Inc. and Subsidiaries Index to Consolidated Financial Statements."

	JUNE 30, 1998	
	ACTUAL	AS ADJUSTED(1)
	(IN THOUSANDS, EXCEPT RATIOS)	
Short-term borrowings:		
Commercial paper .....	\$ 1,423	1,423
	-----	-----
Total short-term borrowings .....	1,423	1,423
Long-term obligations:		
FHLB advances .....	90,163	90,163
Notes Payable .....	12,079	--
Convertible subordinated debentures .....	3,500	3,500
Company obligated mandatorily redeemable capital securities of subsidiary trust holding solely junior subordinated debentures of the Company(1) .....	--	21,000
	-----	-----
Total long-term obligations .....	105,742	114,663
	-----	-----
Total borrowings .....	107,165	116,086
	-----	-----
Shareholders' equity:		
Preferred stock .....	--	--
Common stock, \$1 par value, 10,000,000 shares authorized and 7,385,105 and 7,393,605 shares outstanding at June 30, 1998 .....	7,394	7,394
Capital surplus .....	24,808	24,808
Retained earnings .....	47,186	47,186
Accumulated other comprehensive income .....	788	788
	-----	-----
Total shareholders' equity .....	80,176	80,176
	-----	-----
Total capitalization .....	\$ 187,341	196,262
	=====	=====
Capital ratios:		
Tier 1 risk-based capital ratio .....	8.40%	10.86%
Total risk-based capital ratio .....	10.06%	12.52%
Leverage ratio .....	5.73%	7.40%

(1) Reflects the Capital Securities. The Trust is a subsidiary of the Company and holds the Junior Subordinated Debentures as its sole asset.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of the Company and, accordingly, the accounts of the Trust will be included in the consolidated financial statements of the Company. The Capital Securities will be presented as long-term obligations and described as "Company-obligated mandatorily redeemable capital securities of subsidiary trust holding solely junior subordinated debentures of the Company" in the consolidated balance sheets of the Company. Appropriate disclosures about the Capital Securities, the Guarantee and the Junior Subordinated Debentures will be included in the notes to the consolidated financial statements of the Company. For financial reporting purposes, Distributions on the Capital Securities will be recorded in the consolidated statements of income of the Company as interest expense. See "Capitalization" and "Available Information."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion focuses on significant changes in the financial condition and results of operations of the Company and the Banks during the six-month period ended June 30, 1998 and the three years ended December 31, 1997. The discussion and analysis is intended to supplement and highlight and should be read in conjunction with information contained in the accompanying consolidated financial statements.

SIX-MONTH PERIOD ENDED JUNE 30, 1998

The Company recognized net income of \$5.5 million, or \$.74, per diluted share, for the first six months of 1998, as compared with net income of \$4.9 million, or \$.67, per diluted share earned in 1997. Return on average total assets and return on average stockholders' equity was 0.94% and 14.40%, respectively, for the six months ended June 30, 1998 as compared to 1.03% and 15.87%, respectively, for the comparable prior year period.

Net income for the three months ended June 30, 1998 was \$2.9 million, or \$.38 per diluted share, as compared with net income of \$2.6 million, or \$.35 per diluted share in 1997. Return on average total assets and return on average stockholders' equity was 0.95% and 14.79%, respectively, for the three months ended June 30, 1998 as compared to 1.05% and 16.39%, respectively, for the comparable prior year period.

The results for the six months ending June 30, 1998, when compared with the comparable prior year period, reflect a \$4.9 million increase in net interest income, a \$791 thousand increase in noninterest income, exclusive of net securities gains, a \$137 thousand decrease in net securities gains and a \$260 thousand decrease in the provision for loan losses. This activity was partially offset by a \$4.3 million increase in noninterest expense and a \$539 thousand increase in the provision for income taxes.

Interest expense increased to \$26.6 million in the second quarter of 1998, reflecting a 4.87% cost of funds, as compared with \$21.6 million, and a 4.86% cost of funds in 1997. The increase in interest expense resulted from the \$207 million increase in the level of average interest bearing liabilities, primarily, and an increase in the level of average interest bearing customer deposit liabilities.

NET INTEREST INCOME

Net interest income, which represents the difference between interest earned on interest earning assets and interest incurred on interest bearing liabilities, is the Company's primary source of earnings. Net interest income is affected by the level and composition of assets, liabilities and equity, as well as changes in market interest rates. The Company actively manages this income source to provide the largest possible amount of income while balancing interest rate, credit, and liquidity risks.

Net interest income increased \$4.9 million, or 23%, to \$23.8 million for the six months ending June 30, 1998, as compared to \$19 million for the comparable prior year period. This growth was achieved through a significant increase in the level of average interest earning assets. The net interest margin on a taxable equivalent basis declined to 4.64% during the most recent quarter when compared to 4.69% during the 1997 comparable period. Factors contributing to the decline in the net interest margin included: (i) a change in the composition of average interest earning assets; (ii) higher levels of interest bearing customer deposit liabilities.

Interest income increased 23% to \$51.5 million for the six months ending June 30, 1998 when compared to \$41.9 million for the comparable prior year period. This increase is attributable to a \$207 million or 19% increase in average interest earning assets to \$1.1 billion for the six months ending June 30, 1998, as compared to \$897 million during the comparable 1997 period, offset somewhat by a decrease in the yield on average earning assets to 8.93% as compared to 9.03%.

NONINTEREST INCOME

Noninterest income consists primarily of revenues generated from service charges and fees on deposit accounts, mortgage loan and related fees and profits earned through sales of credit life insurance. In addition, gains or losses realized from the sale of investment portfolio securities are included in noninterest income. Total noninterest income was \$3.9 million for the six months ended June 30, 1998, compared to \$3.3 million for the same period in 1997. This increase of \$600 thousand, or 18%, was primarily due to increases in service charges and fees of \$445 thousand resulting from an increase in the number of deposit accounts, increased mortgage banking fees of \$329 thousand directly attributed to the significantly lower

mortgage interest rate environment and corresponding surge in mortgage loan applications and a decrease in net gains on the sale of securities of \$137 thousand.

#### NONINTEREST EXPENSE

Noninterest expense increased \$4.3 million, during the six months ending June 30, 1998 to \$19.3 million as compared with \$15.1 million during the comparable prior year period. The increase in noninterest expense during the six months ending June 30, 1998 principally reflects the construction of new facilities as well as the staffing costs associated with these expansions.

#### INCOME TAX EXPENSE

The Company's effective tax rate was 33.78% for the six months ending June 30, 1998, as compared to 31.11% for the comparable prior year period. These increases are primarily a result of the Company moving into higher tax brackets associated with taxable income amounts greater than \$10 million.

#### LOAN PORTFOLIO

The loan portfolio is concentrated primarily in loans secured by real estate in the North Georgia mountains and Western North Carolina. The risk inherent in this portfolio is dependent not only upon regional and general economic stability which affects property values, but also the financial well-being and creditworthiness of the borrowers.

Average loans increased \$166 million or 24% to \$852 million for the six months ending June 30, 1998, representing 77% of average interest earning assets, when compared to \$686 million, or 76% of average interest earning assets, for the comparable prior year period. This level of growth was achieved through continued strong demand in virtually all loan categories. The corresponding yield on average loans declined to 9.71% during the most recent quarter when compared to 9.77% for the 1997 comparable period.

Total loans increased \$77 million to \$900 million at June 30, 1998, from \$823 million at December 31, 1997, representing an annualized increase of 19%, due to continued strong demand in virtually all loan categories.

#### PROVISION AND ALLOWANCE FOR LOAN LOSSES

The Company manages asset quality and controls risk through diversification of the loan portfolio and the application of policies designed to foster sound underwriting and loan monitoring practices. The Company'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 across the Company. The provision for loan losses is the annual cost of providing an adequate allowance for anticipated potential future losses on loans. 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.

Reviews of nonperforming, 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 made on a regular basis during the year. These reviews are made by the responsible lending officers, as well as a separate credit administration 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, and other factors, including prevailing and anticipated economic conditions.

Whenever a loan, or portion thereof, is considered by management to be uncollectible, it is charged against the allowance for loan losses. Management believes that the allowance for loan losses is adequate. 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 the Banks' allowance for loan losses. Such agencies may require the Banks to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

The provision for loan losses was \$1.0 million, or .24%, of average loans on an annualized basis, for the first six months of 1998, compared to \$1.3 million, or .37%, of average loans on an annualized basis, for the same period in 1997. Net charge-offs for the six months ended June 30, 1998, were \$322 thousand, or .075%, of average loans on an annualized basis, compared to \$320 thousand, or .093%, of average loans on an annualized basis, for the same period in 1997.

## ASSET QUALITY

It is the general policy of the Banks to stop accruing interest income and place the recognition of interest on a cash basis when a loan is placed on nonaccrual status and any interest previously accrued but not collected is reversed against current income unless the collateral for the loan is sufficient to cover the accrued interest or a guarantor assures payment of interest. Loans made by the Banks to facilitate the sale of other real estate are made on terms comparable to loans of similar risk. An adequate investment by the buyer is required prior to the removal of other real estate from nonperforming assets.

The components of nonperforming assets are delineated below (in thousands):

	JUNE 30, 1998	DECEMBER 31, 1997	JUNE 30, 1997
	-----	-----	-----
Loans ninety days past due and still accruing	\$ 568	\$ 536	\$ 477
Nonaccrual loans .....	1,388	515	1,401
	-----	-----	-----
Nonperforming loans .....	1,956	1,051	1,878
Other real estate .....	567	386	--
	-----	-----	-----
Nonperforming assets .....	\$2,523	\$1,437	\$1,878
	=====	=====	=====

At June 30, 1998, nonperforming assets, which include loans past due ninety days or more and still accruing interest, nonaccrual loans, restructured loans and other real estate, totaled \$2.5 million, an increase of \$1.1 million from December 31, 1997, and an increase of \$653 thousand from the end of the second quarter of 1997. Nonperforming loans at June 30, 1998 consisted primarily of loans secured by real estate, which comprised \$1.6 million, or 84%, of total nonperforming loans.

## SECURITIES PORTFOLIO

Management's strategy for the securities portfolio is to maintain a short-weighted average life to minimize the exposure to future increases in interest rates and to provide cash flows that may be reinvested at current market interest rates. The composition of the investment securities portfolio thus reflects the Company's investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of income. The investment 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.

The combined weighted average lives of the held-to-maturity and available-for-sale securities portfolios at June 30, 1998 was 4.63 years. The market value of the portfolio of securities held to maturity will change as interest rates change and such unrealized gains or losses will not flow through the financial statements unless the related securities are called at prices which differ from the carrying value at the time of call.

Average securities increased \$44 million, or 25%, to \$223 million for the six months ending June 30, 1998 when compared to \$179 million for the comparable prior year period. The overall yield on the securities portfolio decreased to 5.80% during the first six months of 1998, as compared to 6.11% during the same period in 1997, reflecting a decrease in market interest rates.

During the first six months of 1998, securities available-for-sale increased \$19 million, or 13%, to \$163 million compared to \$144 million at December 31, 1997. This increase resulted from management's decision to leverage its capital principally through the purchase of investment securities funded primarily with Federal Home Loan Bank advances of varied maturities.

At June 30, 1998, held-to-maturity and available-for-sale securities carried at \$141 million were pledged for various purposes as required by law.

The Company utilizes its investment portfolio to offset some of the natural mismatch of interest rate risk inherent in the loan and deposit portfolios. The Company experienced strong loan demand at all the Banks so there was little need for investments solely to augment income or utilize uninvested deposits.

The Company's investment portfolio consists of U.S. Government and agency securities, municipal securities, various equity securities and Government agency sponsored 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 these borrowers may have the right to prepay obligations with or





without prepayment penalties. Decreases in interest rates will generally cause prepayments to accelerate. In a declining interest rate environment, the Company may not be able to reinvest the proceeds from these prepayments in assets which have comparable yields. However, because the majority of the mortgage-backed securities have adjustable rates, the negative effects of changes in interest rates on earnings and the carrying values of these securities are mitigated.

#### DEPOSITS

Average total savings and time deposits increased \$118 million, or 20%, to \$699 million during the first six months of 1998, compared to \$581 million during 1997. The overall cost of funds on average savings and time deposits declined to 5.77% during the first six months of 1998 from 5.79% during the comparable 1997 period.

Average demand deposits increased \$32 million, or 38% to \$117 million during the second quarter of 1998 as compared to \$86 million for 1997. The growth in the level of demand deposits has resulted from branching in new areas as well as acquisitions. At June 30, 1998, demand deposits represented 12% of total deposits as compared to 11% at June 30, 1997.

#### BORROWINGS

Federal funds purchased decreased from \$33 million at December 31, 1997 to zero at June 30, 1998. In addition, net new advances on Federal Home Loan Bank ("FHLB") borrowings totaled \$47 million during the first six months of 1998. This increase brought total outstanding borrowings from the FHLB to \$90 million. These increased borrowing arrangements were entered into to fund the purchases of investment securities placed in the available-for-sale securities portfolio.

#### INTEREST RATE SENSITIVITY MANAGEMENT

The Company's primary earnings source is the net interest income, which is affected by changes in the level of interest rates, the relationship between rates, the impact of interest rate fluctuations on asset prepayments, the level and composition of deposits, and the credit quality of the portfolio. The absolute level and volatility of interest rates can have a significant impact on the Company's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest income to changing interest rates, in order to achieve the Company'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. Management's objectives are to maintain a strong, stable net interest margin, to utilize its capital effectively without taking undue risks and to maintain adequate liquidity.

The Company's risk assessment program includes a coordinated approach to the management of liquidity, capital and interest rate risk. This risk assessment process is governed by policies and limits established by senior management which are reviewed and approved by the Asset/Liability Committee ("ALCO"). ALCO, comprised of members of senior management, meets periodically to evaluate the impact of changes in market interest rates on assets and liabilities, net interest margin, capital and liquidity, and to evaluate the Company's strategic plans and presents its findings to the Board of the Company and the Banks. See "Quantitative and Qualitative Disclosures about Market Risk."

The balance sheet structure is primarily short-term with most assets and liabilities repricing or maturing in less than five years. Management monitors the sensitivity of net interest income by utilizing a dynamic simulation model. This model measures net interest income sensitivity and volatility to interest rate changes; it involves a degree of estimation based on certain assumptions that management believes to be reasonable. Factors considered include actual maturities, estimated cash flows, repricing characteristics, deposit growth/retention and, primarily, the relative sensitivity of assets and liabilities to changes in market interest rates. Simulation modeling considers not only the impact of changing market rates of interest on future net interest income, but also such other potential causes of variability as earning asset volume, mix, yield curve relationships, customer preferences and general market conditions. Utilizing this process, management can project the impact of changes in interest rates on net interest income. This relative sensitivity is important to consider since the Bank's core deposit base is not subject to the same degree of interest rate sensitivity as its assets. Core deposit costs are internally controlled and generally exhibit less sensitivity to changes in interest rates than the adjustable rate assets whose yields are based on external indices and change in concert with market interest rates.

#### 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 the Company and to take advantage of income 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 the Company to maintain a high level of

liquidity in all economic environments. Liquidity is defined as the ability of a company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity

management involves maintaining the Company's ability to meet the day to day cash flow requirements of the Banks' customers, whether they are depositors wishing to withdraw funds or borrowers requiring funds to meet their credit needs. Without proper liquidity management, the Company would not be able to perform the primary functions of a financial intermediary and would, therefore, not be able to meet the needs of the communities it serves.

The primary function of asset and liability management is not only to assure adequate liquidity in order for the Company to meet the needs of its customer base, but to maintain an appropriate balance between interest-sensitive assets and interest-sensitive liabilities so that the Company can also meet the investment requirements of its shareholders. Daily monitoring of the sources and use of funds is necessary to maintain an acceptable cash position that meets both requirements. The Company's and the Banks' liquidity positions are monitored daily to ensure the maintenance of an optimum level and efficient use of available funds. Management believes that the Company and Banks have sufficient liquidity to meet their operating requirements.

The Company's sources of liquidity include dividends from its subsidiaries, borrowings, and funds available through the capital markets. The Banks have numerous sources of liquidity including loan and security principal repayments and maturities, lines of credit with other financial institutions, the ability to borrow under repurchase agreements utilizing their unpledged securities portfolio, the sale of securities from their available-for-sale portfolio, the securitization of loans within the portfolio, whole loan sales and growth in their core deposit base.

In a banking environment, both assets and liabilities are considered sources of liquidity funding. The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities of investment securities and, to a lesser extent, sales of securities. Installment loan payments are becoming an increasingly important source of liquidity for the Company as this portfolio continues to grow. Other short-term investments such as federal funds sold and maturing interest bearing deposits with other banks are additional sources of liquidity funding. The liability portion of the balance sheet provides liquidity through various customers' interest bearing and noninterest bearing deposit accounts. Federal funds purchased and securities sold under agreements to repurchase are additional sources of liquidity and basically represent the Company's incremental borrowing capacity. These sources of liquidity are short-term in nature and are used as necessary to fund asset growth and meet short-term liquidity needs.

The Company, through its subsidiary banks, has the ability, as members of the FHLB system, to borrow \$153 million on a secured basis, utilizing mortgage related loans and securities as collateral, for a term ranging from one day to ten years at both fixed and variable rates. As of June 30, 1998, the Bank's had \$90 million in such borrowings outstanding.

#### CAPITAL RESOURCES AND DIVIDENDS

Dividends from the Banks are limited by Georgia and North Carolina State Banking Department regulations. Pursuant to these regulations, the Banks had \$9.7 million of retained earnings available for dividends to the Company without prior regulatory approval as of June 30, 1998. For the six months ended June 30, 1998, the Company paid cash dividends of \$.075 per common share, compared to \$.05 per common share for the same period in 1997.

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. Tier I capital consists of stockholders' equity less goodwill and deposit-based intangibles. 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.

A minimum leverage ratio is required in addition to the risk-based capital standards and is defined as period end stockholders' equity adjusted for goodwill and deposit-based intangibles divided by average assets adjusted for goodwill and deposit-based intangibles. Although a minimum leverage ratio of 4% 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 4% 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 ratio in tandem with the risk-based capital ratios to assess capital adequacy of banks and bank holding companies.

As of June 30, 1998, the most recent notification from the various banking regulators categorized the Company and the Banks as well capitalized under the regulatory framework for prompt corrective action. Under the capital adequacy guidelines, a well capitalized institution must maintain a minimum total risk based capital to total risk weighted assets ratio of at least 10%, a minimum Tier I capital to total risk weighted assets ratio of at least 6%, a minimum leverage ratio of at least 5% and not subject to any written order, agreement or directive. There are no conditions or events since such notification that management believes have changed this classification.

The following table sets forth the Company's regulatory capital at June 30, 1998, under the rules applicable at such date. At such date, management believes that the Company meets all capital adequacy requirements to which it is subject.

JUNE 30, 1998		
	AMOUNT	RATIO
(IN THOUSANDS, EXCEPT PERCENTAGES)		
Tier 1 Capital .....	\$ 71,779	8.40%
Regulatory Requirement .....	34,173	4.00
Excess .....	\$ 37,606	4.40
-----		
Total Risk Adjusted Capital .....	\$ 85,958	10.06
Regulatory Requirement .....	68,346	8.00
Excess .....	\$ 17,738	2.06
-----		
Risk Weighted Assets .....	\$ 854,335	
-----		

The Company's capital ratios were favorably impacted by the issuance of \$21 million of 8.125% company obligated mandatorily redeemable capital securities of subsidiary trust holding solely junior subordinated debentures of the Company ("Capital Securities") on July 15, 1998, which under current regulatory guidelines, qualify as Tier 1 capital.

#### THREE YEARS ENDED DECEMBER 31, 1997

Net earnings totaled over \$10.7 million for the year ended December 31, 1997, an increase of 20% from the \$8.9 million earned in 1996. Net earnings per common share were \$1.47 for 1997 compared to \$1.29 reported for 1996, an increase of 14%. Return on average assets and return on average equity for the year ended December 31, 1997, were 1.05% and 16.18%, respectively. The 1996 return on average assets and return on average equity were 1.14% and 16.69%, respectively.

The Company's balance sheet grew 30% during 1997 as assets ended the year at \$1.2 billion. Net loans increased 30% during the year and deposits grew over 26%. The increases in both loans and deposits reflect a strong economic environment as well as market share gains from competition. Stockholders' equity increased to \$75.1 million and represented 7% of year end assets.

#### CAPITAL ISSUES

In March 1997, the Company completed an offering to the public of 300,000 shares of the Company's common stock registered under the Securities Act, pursuant to which \$6.5 million in additional capital was raised after deducting certain issuance costs. The Company used the proceeds of the offering primarily to invest additional capital in UCB, Carolina and Towns to support the asset growth that the banks are experiencing.

On December 31, 1996, the Company completed a private placement of \$3.5 million of convertible subordinated payable-in-kind debentures due December 31, 2006 (the "2006 Debentures"). The 2006 Debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum as quoted in the Wall Street Journal, payable on April 1, July 1, October 1 and January 1 of each year commencing on April 1, 1997, to holders of record at the close of business on the 15th day of the month immediately preceding the interest payment date. Interest is computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as applicable.

The 2006 Debentures may be redeemed, in whole or in part from time to time on or after January 1, 1998, at the option of the Company 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 not

redeemed will have the right, exercisable at any time up to December 31, 2006,  
to convert such

debenture at the principal amount thereof into shares of common stock of the Company at the conversion price of \$25 per share, subject to adjustment for stock splits and stock dividends.

In August 1995, the Company completed an offering to the public of 215,515 shares of the Company's common stock registered under the Securities Act pursuant to which \$2,434,000 in additional capital was raised. The Company used the proceeds of the offering primarily to invest additional capital in Carolina and Towns. The additional capital for Towns was used to support the asset growth experienced by Towns. The additional capital for Carolina was necessitated by Carolina's asset growth and the acquisition of the Franklin and Waynesville branch banking offices.

#### EXPANSIONS DURING 1997

In addition to the purchase of First Clayton, other Company subsidiaries expanded in their respective surrounding areas. Carolina created new branch offices in the western North Carolina cities of Bryson City, Brevard and Cashiers. Subsequent to December 31, 1997, Carolina has applied for and has received approval to open a branch in Etowah, North Carolina. Effective January 30, 1998, the Company's subsidiary, Peoples, assumed deposits totaling \$23 million and purchased certain assets totaling \$4 million of a branch in Ellijay, Georgia.

Effective September 12, 1997, the Company completed the acquisition of First Clayton, the parent company of the \$73 million First Clayton Bank and Trust in Clayton, Georgia. The Company issued 646,257 shares of its common stock and paid approximately \$7,000 for fractional shares in connection with this acquisition. The acquisition was accounted for as a pooling of interests and accordingly, the consolidated financial statements and management's discussion and analysis for all periods have been restated to include the financial position and results of operations as if the combination had occurred at the beginning of the earliest period presented.

#### EXPANSIONS PRIOR TO 1997

Effective July 1, 1996, the Georgia bank branching laws were amended to permit subsidiary banks of Georgia bank holding companies to branch in an aggregate of three additional locations prior to July 1, 1998, after which time statewide branching will be permitted. On July 1, 1996, UCB changed its name from Union County Bank to United Community Bank and established a branch office in Dahlonega, Lumpkin County, Georgia. UCB simultaneously filed a tradename filing to permit it to conduct its operations in Union County, Georgia under the tradename Union County Bank. On September 28, 1996, UCB assumed deposits of \$23.7 million and purchased assets of \$33.2 million in Cornelia, Habersham County, Georgia, from a banking institution which sold off its operations in the county. In Habersham County, UCB operates under the trade name of First Bank of Habersham, and in Lumpkin County, UCB does business as United Community Bank. On July 1, 1996, Carolina opened a loan production office in Sylva, North Carolina.

In 1995, the Company's subsidiary, Carolina, assumed deposits totaling \$32 million and purchased certain assets totaling \$12 million of three branch banks in the western North Carolina cities of Andrews, Franklin and Waynesville.

Effective August 31, 1995, the Company completed the acquisition of White County Bancshares, Inc., the parent company of the \$71 million asset, White County Bank in Cleveland, Georgia. The Company issued 455,400 shares of its common stock in addition to a previously issued exchangeable payable in kind debenture for all of the issued and outstanding shares of White. This transaction was accounted for as a purchase.

#### NET INTEREST INCOME

Net interest income, on a taxable equivalent basis, was \$44.6 million in 1997, compared to \$35.1 million in 1996 and \$26.2 million in 1995. The 27% increase in 1997 was primarily the result of increased volume of net earning assets.

Interest income increased over 32% in 1997 and 27% in 1996. The increase in 1997 was again primarily a result of an increase in interest and fees on loans of over \$18.6 million. Interest on investment securities and other earning assets increased \$3.3 million or 29%.

Average earning assets in 1997 increased 33% when compared to 1996 due to increases in average loans of \$186.8 million and average investment securities of \$41 million. An increase in average earning assets of 28% was experienced in 1996 over 1995 primarily due to increases in average loans of \$127.1 million. The following table represents net interest income, yields and rates on a taxable-equivalent basis and average balances for the years 1997, 1996 and 1995.

CONSOLIDATED AVERAGE BALANCES, INTEREST AND RATES  
TAXABLE EQUIVALENT BASIS  
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,					
	1997			1996		
	AVERAGE BALANCE	INTEREST	YIELD/ RATE	AVERAGE BALANCE	INTEREST	YIELD/ RATE
<b>ASSETS</b>						
Interest earning assets:						
Federal funds sold .....	\$ 29,741	1,642	5.52%	20,303	1,096	5.40%
Interest bearing deposits with other banks .....	--	--	--	918	102	11.11%
Investment securities:						
Taxable .....	148,390	9,097	6.13%	115,480	6,735	5.83%
Tax-exempt .....	44,326	3,514	7.93%	36,250	3,022	8.34%
Total investment securities .....	192,716	12,611	6.54%	151,730	9,757	6.43%
Loans:						
Taxable .....	733,655	76,452	10.42%	544,247	57,495	10.56%
Tax-exempt .....	4,234	408	9.64%	6,796	732	10.77%
Total loans .....	737,889	76,860	10.42%	551,043	58,227	10.57%
Total interest earning assets .....	960,346	91,113	9.49%	723,994	69,182	9.56%
Allowance for loan losses .....	(9,304)			(7,530)		
Cash and due from banks .....	28,542			21,396		
Premises and equipment .....	23,194			18,097		
Other assets .....	21,952			27,552		
Total assets .....	\$1,024,730			\$783,509		
<b>LIABILITIES AND STOCKHOLDERS'</b>						
<b>EQUITY</b>						
Interest bearing liabilities:						
Deposits:						
Demand .....	\$ 176,054	6,712	3.81%	169,811	5,445	3.21%
Savings .....	43,286	1,190	2.75%	41,834	1,147	2.74%
Time .....	579,398	34,966	6.03%	410,656	25,569	6.23%
Federal funds purchased .....	3,229	184	5.70%	947	51	5.39%
FHLB advances .....	39,615	2,382	6.01%	17,237	981	5.69%
Notes payable .....	10,803	810	7.50%	10,291	808	7.85%
Convertible subordinated debentures .....	3,500	304	8.69%	1,000	90	9.00%
Total interest bearing liabilities	855,885	46,548	5.44%	651,776	34,091	5.23%
Noninterest bearing demand						
deposits .....	95,462			73,090		
Other liabilities .....	7,050			5,171		
Stockholders' equity .....	66,333			53,472		
Total liabilities and stockholders' equity .....	\$1,024,730			783,509		
Net interest income .....						
		44,565			35,091	
Net interest spread .....			4.05%			4.33%
Net interest margin .....			4.64%			4.85%
Taxable equivalent adjustments:						
Loans .....		138			249	
Investment securities .....		1,195			1,027	
Total taxable equivalent adjustments .....		1,333			1,276	
Net interest income .....		\$43,232			\$33,815	

YEAR ENDED DECEMBER 31,

1995		
AVERAGE BALANCE	INTEREST	YIELD/ RATE

ASSETS



Interest earning assets:			
Federal funds sold .....	20,903	1,315	6.29%
Interest bearing deposits			
with other banks .....	286	4	1.40%
Investment securities:			
Taxable .....	87,378	5,354	6.13%
Tax-exempt .....	33,003	2,894	8.77%
	-----	-----	
Total investment securities .....	120,381	8,248	6.85%
	-----	-----	
Loans:			
Taxable .....	418,015	44,196	10.57%
Tax-exempt .....	5,938	653	11.00%
	-----	-----	
Total loans .....	423,953	44,849	10.58%
	-----	-----	
Total interest earning assets .....	565,523	54,416	9.62%
	-----	-----	
Allowance for loan losses .....	(5,678)		
Cash and due from banks .....	17,374		
Premises and equipment .....	15,032		
Other assets .....	15,626		
	-----		
Total assets .....	\$607,877		
	=====		

LIABILITIES AND STOCKHOLDERS' EQUITY

Interest bearing liabilities:			
Deposits:			
Demand .....	104,403	3,833	3.67%
Savings .....	35,236	1,100	3.12%
Time .....	345,144	21,396	6.20%
Federal funds purchased .....	975	56	5.74%
FHLB advances .....	11,889	899	7.56%
Notes payable .....	9,537	820	8.60%
Convertible subordinated			
debentures .....	1,000	90	9.00%
	-----	-----	
Total interest bearing liabilities	508,184	28,194	5.55%
Noninterest bearing demand			
deposits .....	53,735		
Other liabilities .....	3,848		
Stockholders' equity .....	42,110		
	-----		
Total liabilities and			
stockholders' equity .....	607,877		
	=====		
Net interest income .....		26,222	
Net interest spread .....			4.07%
Net interest margin .....			4.64%
Taxable equivalent			
adjustments:			
Loans .....		223	
Investment securities .....		984	
		-----	
Total taxable equivalent			
adjustments .....		1,207	
		-----	
Net interest income .....		\$25,015	
		=====	

CONSOLIDATED AVERAGE BALANCES, INTEREST AND RATES

The banking industry uses two key ratios to measure relative profitability of net interest income. The net interest rate spread measures the difference between the average yield on earning assets and the average rate paid on interest bearing sources of funds. The interest rate spread eliminates the impact of noninterest bearing deposits and gives a direct perspective on the effect of market interest rate movements. The net interest margin is defined as net interest income as a percent of average total earning assets and takes into account the positive impact of investing noninterest bearing deposits.

The net interest spread was 4.05% in 1997, 4.33% in 1996 and 4.07% in 1995, while the net interest margin was 4.64% in 1997, 4.85% in 1996 and 4.64% in 1995. The decrease in the margin and spread are primarily due to a decrease in core deposits relative to total funding sources. Core deposits represent approximately 33% of total deposits in 1997, a decrease from 39% in 1996. The following table shows the change in net interest income for the past two years due to changes in volumes and rate.

RATE/VOLUME VARIANCE ANALYSIS  
TAXABLE EQUIVALENT BASIS  
(IN THOUSANDS)

	1997 COMPARED TO 1996 INCREASE (DECREASE) DUE TO CHANGES IN			1996 COMPARED TO 1995 INCREASE (DECREASE) DUE TO CHANGES IN		
	VOLUME	YIELD/ RATE	NET CHANGE	VOLUME	YIELD/ RATE	NET CHANGE
Interest earned on:						
Federal funds sold .....	\$ 511	35	546	\$ (32)	(186)	(218)
Interest bearing deposits with other banks .....	(101)	--	(101)	70	28	98
Investment securities:						
Taxable .....	1,935	427	2,362	1,639	(257)	1,382
Tax-exempt .....	687	(195)	492	271	(143)	128
Loans:						
Taxable .....	19,998	(1,041)	18,957	13,335	(36)	13,299
Tax-exempt .....	(272)	(52)	(324)	92	(13)	79
Total interest income .....	22,758	(826)	21,932	15,375	(607)	14,768
Interest paid on:						
Deposits:						
Demand .....	275	992	1,267	2,097	(485)	1,612
Savings .....	39	4	43	181	(134)	47
Time .....	10,605	(1,208)	9,397	4,079	94	4,173
Federal funds purchased .....	123	10	133	(2)	(3)	(5)
FHLB advances .....	1,280	121	1,401	304	(222)	82
Notes payable .....	130	(128)	2	59	(71)	(12)
Convertible subordinated debentures .....	225	(11)	214	--	--	--
Total interest income .....	12,677	(220)	12,457	6,718	(821)	5,897
Net interest income .....	\$ 10,081	(606)	9,475	\$ 8,657	214	8,871

NONINTEREST INCOME

Total noninterest income for 1997 increased 23% or \$1.3 million, with \$439 thousand of the increase due to an increase in gains recognized on sales of investment securities during 1997 and a \$515 thousand increase in service charges on transaction accounts. Noninterest income for 1996 increased 25% or \$1.1 million, more than \$823 thousand of which was contributed as a result of an increase in service charges on transaction accounts.

The growth in noninterest income was the result of the Company's continuing efforts to build stable sources of fee income, which includes service charges on deposits and mortgage loan and related fees. This growth is being accomplished through the building of customer market share and expansion of the Company's locations.

The primary contributor to noninterest income growth in both 1997 and 1996 was the continued growth in service charges on deposits. Fee income from service charges on deposit accounts increased over 17% in 1997 following a 38% increase in 1996. The growth in the number of accounts due to the branch expansions into new markets was the primary contributor to the increased levels of income for both years.

Net gains on sales of investment securities in 1997 increased \$439 thousand from 1996 levels as management liquidated more investment securities to meet loan demand.

Mortgage loan and related fee income decreased 26% or \$409 thousand during 1997 as compared to 1996 as the volume of loans originated and serviced decreased significantly from prior years.

#### NONINTEREST EXPENSE

Noninterest expenses for 1997 increased 29% following an increase of 29% in 1996. The increase was primarily due to the start up costs in new markets. Salaries and employee benefits increased 32% in 1997 compared to 1996 due to employee additions resulting from the branch expansions together with the increases required to maintain continued growth.

Occupancy expense increased over \$1.2 million, or 32%, in 1997 following a 21% increase in 1996. The increase for both years is due to the new physical locations associated with the new branches.

Other noninterest expenses, including advertising and stationery and supplies, increased \$1.8 million or 22% compared to a 37% increase in 1996. Increases in both years are generally associated with expansion into new markets by branching. Management continues to emphasize the importance of expense management and productivity throughout the Company in order to further decrease the cost of providing expanded banking services to a growing market base.

#### INCOME TAX EXPENSE

Income tax expense increased 16% in 1997 as compared to 1996 and 61% in 1996 as compared to 1995. The effective tax rate as a percentage of pretax income was 31% in 1997 and 32% in 1996. These tax rates are lower than the statutory Federal tax rate of 34% primarily due to interest income on tax exempt loans and securities. See the Company's consolidated financial statements for an analysis of income taxes.

#### LOAN PORTFOLIO

During 1997, average net loans increased \$186.8 million, or 34% and represented 77% of average interest earning assets and 72% of average total assets. This growth generally occurred proportionally among the various loan categories and can be attributed to additional products and services marketed to existing customers and business development efforts which resulted in market share gains from competitors. The average loan to deposit ratio was 83%, 79% and 79% in 1997, 1996 and 1995, respectively.

The "Loan Portfolio" table breaks down the composition of the loan portfolio for each of the past five years while the "Loan Portfolio Maturity" table shows the amount of loans outstanding for selected categories as of December 31, 1997, with maturities based on the remaining scheduled repayments of principal.

#### LOAN PORTFOLIO (IN THOUSANDS)

	DECEMBER 31,			
	1997		1996	
	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
Commercial, financial and agricultural .....	\$105,462	12.8%	100,538	15.8%
Real estate -- construction .....	78,699	9.6%	51,425	8.1%
Real estate -- mortgage .....	523,629	63.6%	380,681	60.0%
Consumer .....	115,534	14.0%	101,930	16.1%
	-----	-----	-----	-----
Total loans .....	823,324	100.0%	634,574	100.0%
Less: allowance for loan losses .....	10,352		8,125	
	-----		-----	

\$812,972  
=====

626,449  
=====

DECEMBER 31,

	1995		1994		1993	
	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
Commercial, financial and agricultural .....	64,727	13.6%	65,521	18.5%	49,192	16.9%
Real estate -- construction .....	30,065	6.3%	20,274	5.7%	22,104	7.6%
Real estate -- mortgage .....	294,724	62.1%	203,270	57.3%	163,940	56.2%
Consumer .....	85,341	18.0%	65,456	18.5%	56,551	19.3%
Total loans .....	474,857	100.0%	354,521	100.0%	291,787	100.0%
Less: allowance for loan losses .....	6,884		4,230		3,464	
	467,973		350,291		288,323	
	=====		=====		=====	

LOAN PORTFOLIO MATURITY  
(IN THOUSANDS)

	MATURITY			RATE STRUCTURE FOR LOANS MATURING OVER ONE YEAR		
	ONE YEAR OR LESS	OVER ONE FIVE YEARS YEAR THROUGH	OVER FIVE YEARS	TOTAL	PREDETERMINED INTEREST RATE	FLOATING OR RATE ADJUSTABLE
Commercial, financial and agricultural ..	\$ 62,826	34,486	8,150	105,462	26,861	15,775
Real estate -- construction .....	70,226	3,773	4,700	78,699	494	7,979
	-----	-----	-----	-----	-----	-----
	\$ 133,052	38,259	12,850	184,161	27,355	23,754
	=====	=====	=====	=====	=====	=====

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses increased 65% in 1997 compared to 1996 and increased 43% in 1996 compared to 1995. The allowance for loan losses as a percentage of total loans remained stable at 1.26% at December 31, 1997 compared to 1.28% at December 31, 1996. The increase in the provision for loan losses is a result of the large increase in loans outstanding during 1997.

Net loan charge-offs for 1997 increased 14% compared to 1996, although the average balance of loans increased 34%. The Company does not currently allocate the allowance for loan losses to the various loan categories. Net charge-offs during 1998 are expected to approximate those experienced during 1997.

The following table sets forth information with respect to the Company's allowance for loan losses for each of the last five years.

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES  
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,	
	1997	1996
Allowance for loan losses at beginning of year	\$ 8,125	6,884
Charge-offs:		
Commercial, financial and agricultural .....	73	329
Real estate -- construction .....	--	--
Real estate -- mortgage .....	99	13
Consumer .....	625	353
	-----	-----
Total charge-offs .....	797	695
	-----	-----
Recoveries:		
Commercial, financial and agricultural .....	22	251
Real estate -- construction .....	--	--
Real estate -- mortgage .....	224	39
Consumers .....	144	49
	-----	-----
Total recoveries .....	390	339
	-----	-----
Net charge-offs .....	407	356
	-----	-----
Provisions charged to earnings .....	2,634	1,597
Allowance for loan losses acquired from White .....	--	--
	-----	-----
Balance at end of year .....	\$ 10,352	8,125
	=====	=====
Ratio of net charge-offs to average loans outstanding during the period .....	0.06%	0.06%

	YEARS ENDED DECEMBER 31,		
	1995	1994	1993
Allowance for loan losses at beginning of year	4,231	3,465	2,776
Charge-offs:			
Commercial, financial and agricultural .....	148	27	6
Real estate -- construction .....	24	--	--
Real estate -- mortgage .....	337	49	54
Consumer .....	192	262	286
	-----	-----	-----
Total charge-offs .....	701	338	346

Recoveries:			
Commercial, financial and agricultural .....	157	6	1
Real estate -- construction .....	--	--	--
Real estate -- mortgage .....	188	1	28
Consumers .....	80	99	75
	-----	-----	-----
Total recoveries .....	425	106	104
	-----	-----	-----
Net charge-offs .....	276	232	242
	-----	-----	-----
Provisions charged to earnings .....	1,116	998	931
Allowance for loan losses acquired from White .....	1,813	--	--
	-----	-----	-----
Balance at end of year .....	6,884	4,231	3,465
	=====	=====	=====
Ratio of net charge-offs to average loans outstanding during the period .....	0.07%	0.07%	0.09%

#### ASSET QUALITY

Nonperforming assets, comprised of nonaccrual loans, other real estate owned and loans for which payments are more than 90 days past due totaled \$1.4 million compared to \$1.7 million at year end 1996.

There were no commitments to lend additional funds on nonaccrual loans at December 31, 1997. The following table summarizes the Company's nonperforming assets for each of the last five years.

RISK ELEMENTS  
(IN THOUSANDS)

	DECEMBER 31,				
	1997	1996	1995	1994	1993
Loans on nonaccrual .....	\$ 515	984	2,017	569	585
Loans 90 days past due .....	536	487	291	102	219
Other real estate .....	386	210	65	--	--
	-----	-----	-----	-----	-----
Total non-performing assets .....	\$ 1,437	1,681	2,373	671	804
	=====	=====	=====	=====	=====
Total non-performing loans as a percentage of loans	0.13%	0.23%	0.49%	0.19%	0.28%
Loans 90 days past due as a percentage of loans ....	0.07%	0.08%	0.06%	0.03%	0.08%

There may be additional loans within the Company's portfolio that may become classified as conditions dictate; however, management was not aware of any such loans that are material in amount at December 31, 1997. At December 31, 1997, management was unaware of any known trends, events or uncertainties that will have, or that are reasonably likely to have a material effect on the Company's liquidity, capital resources or operations.

SECURITIES PORTFOLIO

During 1997, gross investment securities sales were \$32.1 million as compared to \$18.1 million during 1996. Maturities and paydowns were \$40.5 and \$54.6 million, representing 21% and 36%, respectively, of the average total portfolio for the year. Net gains associated with the sales were approximately \$426 thousand during 1997 with net losses of \$13 thousand during 1996. Gross unrealized gains in the total portfolio amounted to approximately \$2.8 million at December 31, 1997, and gross unrealized losses amounted to approximately \$189 thousand. Total average investment securities, including those available for sale, increased 27% during 1997. Average investment securities during 1996 increased 26% from the 1995 average levels.

The following table reflects the carrying amount of the investment securities portfolio for the past three years.

CARRYING VALUE OF INVESTMENTS  
(IN THOUSANDS)

	DECEMBER 31		
	1997	1996	1995
Securities held to maturity:			
U.S. Treasury .....	\$ 500	2,368	7,124
U.S. Government agencies .....	22,361	34,804	42,488
State and political subdivisions .....	42,330	33,036	28,055
Mortgage backed securities .....	4,368	7,118	7,937
	-----	-----	-----
	69,559	77,326	85,604
	-----	-----	-----
Securities available for sale:			
U.S. Treasuries .....	46,945	12,841	25,776
U.S. Government agencies .....	45,552	38,953	30,634
State and political subdivisions .....	11,860	6,833	6,595
Mortgage backed securities .....	33,347	18,635	4,290
Other .....	6,190	4,002	2,855
	-----	-----	-----
	143,894	81,264	70,150
	-----	-----	-----
Total .....	\$ 213,453	158,590	155,754
	=====	=====	=====

CARRYING VALUE OF INVESTMENTS

The December 31, 1997, market value of securities held to maturity, as a percentage of amortized cost was 102%, up from 100% at December 31, 1996. At December 31, 1997, the Company had 18% of its total investment portfolio in mortgage-backed pass-through securities, all of which are issued or backed by Federal agencies.

## DEPOSITS

All major categories of average interest bearing deposits increased during 1997. The largest dollar increase in average interest bearing deposits was in the time deposit category, rising over \$168.7 million or 41% during 1997 as compared to 1996 followed by the increase in average interest bearing demand deposits of \$6.2 million or 4%. Average noninterest bearing demand deposits increased \$22.4 million or 31% after increasing 36% during 1996. The increases were primarily a result of internally generated growth, as well as the previously discussed expansions. Savings deposits, interest bearing demand deposits and noninterest bearing demand deposits comprised 35% of total average deposits during 1997. For 1996, these lower cost deposits comprised 41% of total average deposits. The maturities of time deposits of \$100,000 or more issued by the Banks at December 31, 1997, are summarized in the following table.

### MATURITIES OF TIME DEPOSITS OVER \$100,000 (IN THOUSANDS)

Three months or less .....	\$ 49,895
Over three months through six months .....	41,867
Over six months through twelve months .....	36,577
Over twelve months .....	28,464
	-----
	\$156,803
	=====

## BORROWINGS

At December 31, 1997, five of the Banks were shareholders in the FHLB of Atlanta. Through this affiliation, advances totaling \$43.3 million were outstanding at rates competitive with time deposits of like maturities. The Company anticipates continued utilization of this short and long term source of funds to minimize interest rate risk and provide competitive, long-term fixed rate loans to its customers.

## INTEREST RATE SENSITIVITY MANAGEMENT

During 1997 and 1996, the Company used derivative financial instruments to a limited extent in its interest rate risk management. Interest rate swap contracts with an aggregate notional amount of \$35 million extending through various dates in 1998 and 1999 were executed to effectively convert certain fixed rate liabilities to variable rates. From October 1, 1996, through December 1997, the Company converted the effective interest rate of certain deposit liabilities from 7.25% to 6.46% with the execution of swap agreements. Additionally, the Company entered into an interest rate floor contract for the notional amount of \$50 million extending through January, 1998. For a one time premium upon the execution of the contract, the floor agreement reduces the Company's interest rate risk in the event of rate declines below a predetermined level. Notional amounts of the swap and floor contracts only represent the basis for exchange of the cash flows and do not represent credit risk. Credit risk is limited to the aggregate positive market value of all swap and floor contracts due from all counterparties. The Company anticipates continued use of derivative interest rate contracts when appropriate in its asset-liability rate management.

Interest rate sensitivity is a function of the repricing characteristics of the Company's portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest bearing assets and 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 effect of interest rate movements on net interest income. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in the Company'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, 1997.



INTEREST RATE SENSITIVITY ANALYSIS  
(IN THOUSANDS)

	DECEMBER 31, 1997					
	IMMEDIATE	ONE THROUGH THREE MONTHS	FOUR THROUGH TWELVE MONTHS	FIVE YEARS ONE THROUGH	OVER FIVE YEARS AND NON-RATE SENSITIVE	TOTAL
<b>Interest earning assets:</b>						
Federal funds sold .....	\$ 8,420	--	--	--	--	8,420
Investment securities .....	--	6,464	21,334	115,965	69,690	213,453
Mortgage loans held for sale .....	--	3,962	--	--	--	3,962
Loans .....	--	355,427	309,540	135,157	23,200	823,324
<b>Total interest earning assets .....</b>	<b>8,420</b>	<b>365,853</b>	<b>330,874</b>	<b>251,122</b>	<b>92,890</b>	<b>1,049,159</b>
<b>Interest bearing liabilities:</b>						
<b>Deposits:</b>						
Demand .....	--	189,280	--	--	--	189,280
Savings .....	--	--	45,280	--	--	45,280
Time .....	--	191,524	321,404	120,381	--	633,309
FHLB advances .....	31,736	72	2,386	7,855	1,272	43,321
Noes payable .....	12,722	352	995	--	--	14,069
Convertible subordinated debentures .....	--	--	--	--	3,500	3,500
<b>Total interest bearing liabilities .....</b>	<b>44,458</b>	<b>381,228</b>	<b>370,065</b>	<b>128,236</b>	<b>4,772</b>	<b>928,759</b>
Noninterest bearing sources of funds-net .....	--	--	--	--	109,210	109,210
<b>Interest sensitivity gap .....</b>	<b>(36,038)</b>	<b>(15,375)</b>	<b>(39,191)</b>	<b>122,886</b>	<b>(21,092)</b>	<b>11,190</b>
<b>Cumulative interest sensitivity gap .....</b>	<b>\$ (36,038)</b>	<b>(51,413)</b>	<b>(90,604)</b>	<b>32,282</b>	<b>11,190</b>	<b>--</b>

As seen in the preceding table, for the first 365 days 86% of earning liabilities funding sources will reprice compared to 67% of all interest earning assets. 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 income. This characteristic is referred to as basis risk and generally relates to the possibility that the repricing characteristics of short-term assets tied to the Company'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 which are not reflected in the interest rate sensitivity analysis report. These prepayments may have significant effects on the Company's net interest margin. Because of these factors an interest sensitivity gap report may not provide a complete assessment of the Company's exposure to changes in interest rates.

The preceding table indicates the Company is in a liability sensitive or negative gap position at twelve months. This liability sensitive position would generally indicate that the Company's net interest income would decrease should interest rates rise and would increase should interest rates fall. Due to the factors cited previously, current simulation results indicate only minimal sensitivity to parallel shifts in interest rates. 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 required to produce an optimal net interest margin. Also see "Quantitative and Qualitative Disclosures about Market Risk."

The following table represents 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 assuming a 34% tax rate) at December 31, 1997. It should be noted that the composition and maturity/repricing distribution of the investment portfolio is subject to change depending on rate sensitivity, capital needs, and liquidity needs.

EXPECTED MATURITY OF INVESTMENT SECURITIES  
(IN THOUSANDS)

	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS		AFTER TEN YEARS		TOTALS
	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	
Securities held to maturity:									
U.S. Treasury securities .....	\$ 500	7.12%	--	--	--	--	--	--	500
U.S. Government Agencies .....	17,817	5.57%	4,544	6.11%	--	--	--	--	22,361
State and political subdivisions .....	1,739	8.20%	17,132	7.37%	18,819	7.56%	4,640	8.11%	42,330
Mortgage backed securities .....	621	5.11%	1,721	6.65%	860	6.16%	1,166	7.89%	4,368
	-----	----	-----	----	-----	----	-----	----	-----
	20,677	5.81%	23,397	7.07%	19,679	7.50%	5,806	8.07%	69,559
	-----	----	-----	----	-----	----	-----	----	-----
Securities available for sale:									
U.S. Treasury securities .....	2,242	6.09%	42,573	6.20%	1,489	6.05%	--	--	46,304
U.S. Government agencies .....	8,150	5.77%	33,269	6.31%	3,898	6.17%	--	--	45,317
State and political subdivisions .....	2,569	9.03%	3,019	8.21%	4,103	7.02%	1,984	7.26%	11,675
Mortgage backed securities .....	2,499	6.93%	15,062	6.46%	7,416	6.24%	7,993	6.48%	32,970
Other .....	--	--	--	--	--	--	6,256	5.18%	6,256
	-----	----	-----	----	-----	----	-----	----	-----
	15,460	6.55%	93,923	6.35%	16,906	6.40%	16,233	6.07%	142,522
	-----	----	-----	----	-----	----	-----	----	-----
Total .....	\$36,137	6.13%	117,320	6.49%	36,585	6.99%	22,039	6.60%	212,081
	=====	=====	=====	=====	=====	=====	=====	=====	=====

LIQUIDITY MANAGEMENT

Mortgage loans held for sale totaled just over \$3.9 million at December 31, 1997, and typically turn over every 45 days. Real estate-construction and commercial, financial and agricultural loans that mature in one year or less amounted to \$133 million or 16% of the total loan portfolio at December 31, 1997. Investment securities maturing in the same time frame totaled \$36 million or 17% of the total investment securities portfolio at year end 1997.

As disclosed in the Company's audited consolidated statements of cash flows included elsewhere herein, net cash provided by operating activities was approximately \$14 million during 1997. The major sources of cash provided by operating activities are net income and changes in other assets and other liabilities. Net cash used in investing activities of \$252.2 million consisted primarily of a net increase in loans of \$189.1 million and securities purchased of \$125.9 million funded by increased deposits and by sales, maturities and paydowns of investment securities. These changes resulted from management's continued efforts to reinvest new funds in higher-yielding loans rather than investment securities. Net cash provided by financing activities provided the remainder of funding sources for 1997. The \$254.4 million of net cash provided by financing activities consisted primarily of a \$203.8 million net increase in deposits coupled with a net increase in FHLB advances of \$8.2 million and federal funds purchases of \$33 million at year end.

Management considers the Company's liquidity position at December 31, 1997, to be sufficient to meet its foreseeable cash flow requirements. Reference should be made to the audited consolidated statements of cash flows appearing elsewhere in this Prospectus for a three-year analysis of the changes in cash and cash equivalents resulting from operating, investing and financing activities.

CAPITAL RESOURCES AND DIVIDENDS

Stockholders' equity at December 31, 1997, increased 30% from December 31, 1996. Net earnings after dividends for 1997 provided \$10 million of the increase in stockholders' equity while an offering of 300,000 shares of common stock added \$6.5 million.

Dividends of \$699 thousand or \$.10 per share were declared on the common stock in 1997 and 1996. The Company has historically retained the majority of its earnings in order to keep pace with the rate at which assets have grown.

Average stockholders' equity as a percentage of total average assets is one measure used to determine capital strength. The ratio of average stockholders' equity to average assets for 1997 and 1996 was 6.47% and 6.82%, respectively. The Company's asset growth has continued to exceed the rate at which capital has been retained. The following table summarizes these and other key ratios for the Company for each of the last three years.

#### EQUITY RATIOS

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Return on average assets .....	1.05%	1.14%	1.10%
Return on average equity .....	16.18%	16.69%	15.84%
Dividend payout ratio .....	6.51%	7.58%	8.82%
Average equity to average assets .....	6.47%	6.82%	6.93%

The Company's Tier I capital amounted to \$68.2 million at December 31, 1997. Total Risk-based Capital was \$81.6 million at December 31, 1997. The percentage ratios were 8.59% and 10.28% for Tier I and Total Risk-based Capital, respectively, at December 31, 1997. The Company's leverage ratios at December 31, 1997 and 1996 were 5.76% and 5.98%, respectively. Further analysis regarding the actual and required capital ratios of the Company and the Banks is provided in note 12 to the audited consolidated financial statements.

All three of the capital ratios of the Company and each bank currently exceed the minimum ratios required in 1997 as defined by federal regulators. The Company monitors these ratios to ensure that the Company and the Banks remain within regulatory guidelines.

#### IMPACT OF INFLATION AND CHANGING PRICES

A bank's asset and liability structure is substantially different from that of an industrial company in that primarily all assets and liabilities of a bank are monetary in nature and therefore differ greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories.

The Company's management believes the impact of inflation on financial results depends on the Company's ability to react to changes in interest rates and, by such reaction, reduce the inflationary impact on performance. The Company has an asset/liability management program which attempts to manage the Company'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.

#### YEAR 2000 CONSIDERATIONS

The Company is aware of the issues associated with the programming code in existing computer systems as the millennium (year 2000) approaches. The "year 2000" (Y2K) issue is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two-digit value to 00. The issue is whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company is utilizing both internal and external resources to identify, correct or reprogram, and test the systems for Y2K compliance. It is anticipated that all internal mainframe systems will be Y2K certified no later than the fourth quarter of 1998, allowing adequate time for testing during 1999. To date, confirmation has been received from the Company's primary processing vendors that plans are being developed to address processing of transactions in the year 2000.

Management has not yet fully determined the Y2K compliance expense and related potential effect on the Company's earnings; however, direct costs are not expected to be material to the consolidated results of operations and will be expensed as incurred. Expenses in 1997 related to the Y2K issue were not material to the financial results of operations.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's net interest income, and the fair value of its financial instruments, are primarily influenced by changes in the level of interest rates. The Company manages its exposure to fluctuations in interest rates

through policies established by its Asset/Liability Management Committee (the "ALCO"). The ALCO meets regularly and has the 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 and the Banks.

Management utilizes an interest rate simulation model to estimate the sensitivity of the Company's net interest income to changes in interest rates. Such estimates are based upon a number of assumptions for each scenario, including the level of balance sheet growth, interest-bearing accounts repricing characteristics and the rate of prepayments.

The estimated impact on the Company's net interest income sensitivity over a one-year time horizon is shown below. Such analysis assumes an immediate and sustained parallel shift in interest rates, no balance sheet growth and the Company's estimate of how interest-bearing transaction accounts will reprice in each scenario.

	PRINCIPAL/NOTIONAL AMOUNTS OF EARNING ASSETS, INTEREST BEARING LIABILITIES AND SWAPS AT DECEMBER 31, 1997	PERCENTAGE INCREASE (DECREASE) IN INTEREST INCOME/EXPENSE GIVEN IMMEDIATE AND SUSTAINED PARALLEL INTEREST RATE SHIFTS	
		DOWN 100 BASIS POINTS	UP 100 BASIS POINTS
-----			
(IN THOUSANDS)			
Assets which reprice in:			
One year or less .....	705,147		
Over one year .....	344,012		
	-----		
	\$1,049,159	( 4.79%)	4.72%
	=====		
Liabilities which reprice in:			
One year or less .....	795,751		
Over one year .....	133,008		
	-----		
	\$ 928,759	( 7.36%)	7.23%
	=====		
Non-trading swaps .....	\$ 35,000	102.42%	(102.42%)
	=====		
Net interest income sensitivity		( 1.51%)	1.52%

The ALCO policy, with which the Company complies, is based on the same assumptions as the above table and provides that a 100 basis point increase or decrease in interest rates should not reduce net interest income by more than five percent (5%). Certain financial instruments have been excluded from the above analysis because of the no-growth assumption, including letters of credit and the commitments to extend credit.

The Company enters into various interest rate contracts to manage the Company's interest rate sensitivity. Such contracts generally have a fixed notional principal amount and include interest rate swaps where a company typically receives or pays a fixed rate and a counterparty pays or receives a floating rate based on a specific index, generally prime rate or London Interbank Offered Rate ("LIBOR") and interest rate floors purchased where the Company receives interest if the specific index falls below the floor rate. The interest rate risk factor in these contracts is considered in the overall interest management strategy of the Company's interest risk management program. The income or expense associated with these interest rate derivatives is ultimately reflected as adjustments to interest income or expense. Changes in the estimated fair value of interest rate protection contracts are not reflected in the financial statements until realized.

## BUSINESS

### GENERAL

The Company is a bank holding company incorporated under the laws of Georgia and headquartered in Blairsville, Georgia. The Company commenced operations in 1988 when it acquired all of the capital stock of Union County Bank, now United Community Bank. The Company conducts its operations in northern Georgia and western North Carolina through the Banks and one non-bank subsidiary. The Company provides a variety of retail and commercial banking products and services to individuals and small- to medium-sized businesses. As of June 30, 1998, the Company operated a total of 23 banking offices and 3 non-bank offices in 20 communities, had total consolidated assets of approximately \$1.3 billion, total consolidated deposits of approximately \$1.1 billion, and total consolidated shareholders' equity of approximately \$80.2 million.

The Company's strategy for generating balance sheet and earnings per share growth is to build personal banking relationships in each of its local markets. The Company differentiates itself from larger competitors by operating a number of banking subsidiaries and by operating under trade names in the various markets in order to provide a local community feel in each market. United Community Bank, the largest banking subsidiary which is headquartered in Blairsville, Georgia, operates as Union County Bank in Blairsville, Georgia, United Community Bank of Lumpkin County in Dahlonega, Georgia, and First Bank of Habersham in Cornelia, Georgia. Peoples Bank of Fannin County, Blue Ridge, Georgia, operates as Peoples Bank of McCaysville in McCaysville, Georgia.

By having a local bank and board of directors or advisory board in each market, the Company believes it is better able to keep abreast of local market conditions and business opportunities and close loan transactions more quickly. This strategy enables the Company to offer personalized customer service and rapid decision making on loans. While the Company decentralizes marketing and operations, it maintains control through centralized standards and systems, including centralized data processing and loan review. Thus, the individual community banks benefit from the management expertise, policies, product array and economies of scale of a billion-dollar institution while maintaining a community presence in each market.

The Company's banking markets are characterized by significant growth opportunities. The mountain communities of northern Georgia and western North Carolina have become popular with affluent individuals building summer or retirement homes, as well as other tourists who bolster the local economy with their vacation spending. To date the Company's loan portfolio has emphasized residential and commercial real estate and construction lending. As of June 30, 1998, approximately \$707 million, or 79% of the Company's \$895 million net loan portfolio, was secured by residential and commercial real estate. The Company maintains strong credit standards. As of June 30, 1998, the ratios of non-performing assets to total gross loans and other real estate owned was 0.26% and reserves to non-performing assets was 438.68%. Furthermore, the Company's net charge-offs to average loans were less than 0.10% in each of the past five fiscal years. In addition to prudent underwriting and credit monitoring, the Company has maintained ample balance sheet liquidity and core funding. As of June 30, 1998, the Company's loan to deposit ratio was 83%, and it had more than \$163 million in securities available for sale. The Company's financial performance reflects management's concurrent emphases on asset and return on equity growth. During the five years ended December 31, 1997, the Company's total assets and earnings grew at a compound annual growth rate of 26%. The Company's return on average equity for the year ended December 31, 1997, and the six months ended June 30, 1998, were 16.18% and 14.40%, respectively.

### RECENT DEVELOPMENTS

On January 30, 1998, the Company acquired certain assets and deposit liabilities of the Ellijay office of The Bank of North Georgia, which had total loans of \$3 million, and total deposits of \$23 million.

On September 12, 1997, the Company completed the acquisition of First Clayton in Rabun County, Georgia with the issuance of 646,257 shares of the Company's common stock and approximately \$7,000 paid for fractional shares. At the date of closing, First Clayton had assets of \$74 million and equity of \$6 million. First Clayton is a full-service commercial bank located in Clayton, Georgia. First Clayton provides customary types of banking services such as checking accounts, savings accounts and time deposits. It also engages in commercial and consumer lending, makes secured and unsecured loans and provides other financial services.

In May 1997, the Company completed a public offering of 300,000 shares of the Company's common stock, pursuant to which \$6.5 million in additional capital was raised. The Company used the net proceeds of that offering to invest additional capital in UCB, Carolina and Towns and for general corporate purposes.

## SERVICES

The Banks are community-oriented, with an emphasis on retail banking, and offer such customary banking services as consumer and commercial checking accounts, NOW accounts, savings accounts, certificates of deposit, lines of credit, Mastercard and VISA accounts, money transfers and trust services. The Banks finance commercial and consumer transactions, make secured and unsecured loans, including residential mortgage loans, and provide a variety of other banking services. UCB also offers travel agency services for the Banks' customers.

The Mortgage People Company ("MP"), a division of UCB, is a full-service mortgage lending operation approved as a seller/servicer for Federal National Mortgage Association and Federal Home Mortgage Company. MPC was organized to provide fixed- and adjustable-rate mortgages.

UFFC is a traditional consumer finance company which is based in Blue Ridge, Georgia and also has been granted a license to conduct business in Hiawassee, Georgia and Murphy, North Carolina.

## MARKETS

The Company conducts banking activities primarily through UCB, Towns, White and First Clayton in northern Georgia, Peoples in northern Georgia and Polk County, Tennessee and surrounding counties, and through Carolina in western North Carolina. MPC primarily makes mortgage loans inside the Banks' market areas and outside this market areas through affiliations with UCB, Carolina, Peoples, Towns, White and First Clayton. Customers of the Banks are primarily consumers and small businesses.

## DEPOSITS

The Banks offer a full range of depository accounts and services to both consumers and businesses. At December 31, 1997, the Company's deposit base, totaling approximately \$977,079,000, consisted of approximately \$109,210,000 in non-interest-bearing demand deposits (11% of total deposits), approximately \$189,280,000 in interest-bearing demand deposits (including money market accounts) (19% of total deposits), approximately \$45,280,000 in savings deposits (5% of total deposits), approximately \$476,506,000 in time deposits in amounts less than \$100,000 (49% of total deposits), and approximately \$156,803,000 in time deposits of \$100,000 or more (16% of total deposits). Certificates of deposit in excess of \$100,000 may be more volatile than other deposits since those deposits, to the extent that they exceed \$100,000, are not insured by the FDIC. Management of the Company is of the opinion that its time deposits of \$100,000 or more are customer-relationship oriented and represent a reasonably stable source of funds.

## 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, 1997, consumer, real estate construction, real estate mortgage and commercial loans represented approximately 13%, 10%, 64% and 13%, respectively, of the Company's total loan portfolio.

Specific risk elements associated with each of the Banks' lending categories are as follows:

Commercial, financial and agricultural.....	Industry concentrations, inability to monitor the condition of collateral (inventory, accounts receivable and vehicles), lack of borrower management expertise, increased competition, and specialized or obsolete equipment as collateral
Real estate -- construction.....	Inadequate collateral and long-term financing agreements
Real estate -- mortgage.....	Changes in local economy and rate limits on variable rate loans
Installment loans to individuals.....	Loss of borrower's employment, changes in local economy, the inability to monitor collateral (vehicle, boats and mobile homes).

Effective March 19, 1993, 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 guidelines, subject to an allowable amount of non-conforming loans. The Banks had similar guidelines in place and adopted the federal guidelines as their maximum allowable limits, but had in the past and now have in place loan policies that are, in some cases, more conservative than the federal guidelines. The federal guidelines establish maximum allowable loan-to-value ratios for various types

of real estate loans as set forth below:



LOAN CATEGORY	MAXIMUM ALLOWABLE LOAN-TO-VALUE PERCENT
Land .....	65%
Land development .....	75
Construction:	
Commercial, multi-family (1) and other nonresidential .....	80
One-to-four family residential .....	85
Improved property .....	85
Owner-occupied one-to-four family and home equity .....	(2)

(1) Multi-family construction includes condominiums and cooperatives.

(2) A loan-to-value limit has not been established for permanent mortgage or home equity loans on owner-occupied, one-to-four family residential property. However, for any such loan with a loan-to-value ratio that equals or exceeds 90% at origination, appropriate credit enhancement in the form of either mortgage insurance or readily marketable collateral is required.

#### LENDING POLICY

The current lending strategy of the Banks is to make loans primarily to persons who reside, work or own property in their primary trade areas, except that the Company makes mortgage loans in the trade areas of the community banks in which the Company has affiliations or in the areas in which the Company has a loan origination office. See " -- Markets." Unsecured loans normally are made only to persons who maintain depository relationships with the Banks. Secured loans are made to persons who are well established and have net worth, collateral and cash flow to support the loan.

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, 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. All unsecured loans in excess of \$50,000 must have the approval of the President or a Senior Vice President of the appropriate Bank prior to being committed. Generally, secured loans above \$400,000 and unsecured loans over \$50,000 require Board approval.

#### LOAN REVIEW AND NONPERFORMING ASSETS

The loan review officer of the Company reviews each of the Banks' loan portfolios to determine any deficiencies and corrective action to be taken. 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 the Company and the Boards of Directors of each of the Banks and the Company. On at least a semi-annual basis, reviews are conducted at Towns and White for all loans over \$350,000; at Carolina and First Clayton for all loans over \$200,000; at Peoples for all loans over \$400,000; and at UCB for all loans over \$500,000. Past due loans are reviewed at least weekly by lending officers of the Bank involved and by the Chief Credit Officer of the Company, and a summary report is reviewed monthly by the Boards of Directors of each Bank.

#### ASSET/LIABILITY MANAGEMENT

Committees composed of officers of each of the Banks and the Chief Financial Officer and Controller of the Company are charged with managing the assets and liabilities of the Banks. The committees attempt to manage asset growth, liquidity and capital in order to maximize income and reduce interest rate risk. The committees direct each Bank's overall acquisition and allocation of funds. At monthly meetings, the committees review the monthly asset and liability funds budget in relation to the actual flow of funds, as well as 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.

#### 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 the Boards of Directors. Individual transactions, portfolio composition and performance are reviewed and approved monthly by the Boards of Directors or a committee thereof. The Chief Financial Officer of the Company and the President of each of the Banks implement the policy and report information to



the full Board of Directors of each of the Banks on a monthly basis concerning sales, purchases, maturities and calls, resultant gains or losses, average maturity, federal taxable equivalent yields and appreciation or depreciation by investment categories.

#### COMPETITION

The banking business is highly competitive. UCB competes with one other depository institution in Union County, Georgia, and three other depository institutions in each of Lumpkin and Habersham Counties. Carolina competes with six other depository institutions in Graham, Cherokee, Macon, Haywood and Clay Counties, North Carolina, the majority of which are branches of regional or North Carolina state-wide institutions. Peoples competes with two other depository institutions in Fannin County, Georgia. Towns competes with one depository institution in Towns County, Georgia. White competes with two other depository institutions in White County, Georgia. First Clayton competes with two other depository institutions in Rabun County. The Banks also compete with other financial service organizations, including savings and loan associations, finance companies, credit unions and certain governmental agencies. To the extent that banks must maintain non-interest-earning reserves against deposits, they may be at a competitive disadvantage when compared with other financial service organizations that are not required to maintain reserves against substantially equivalent sources of funds.

#### SUPERVISION AND REGULATION

GENERAL. The Company 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 "BHCA"). The Company is required to file financial information with the Federal Reserve periodically and is subject to periodic examination by the Federal Reserve.

The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve before (i) 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; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of a bank; and (iii) 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 found by the Federal Reserve, by order or regulation, to be so 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 discount 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.

The Company 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 the Company 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 the Company 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.

The Company is an "affiliate" of the Banks under the Federal Reserve Act, which imposes certain restrictions on (i) loans by the Banks to the Company, (ii) investments in the stock or securities of the Company by the Banks, (iii) the Banks' taking the stock or securities of an "affiliate" as collateral for loans by the Bank to a borrower, and (iv) the purchase of assets from the Company 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 the Company's subsidiaries is regularly examined by the Federal Deposit Insurance Company (the "FDIC"). UCB, Peoples, White, Towns and First Clayton, as state banking associations organized under Georgia law, are subject to

the supervision of, and are regularly examined by, the DBF. 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 UCB, Peoples, White, Towns or First Clayton, and the FDIC and the NCBC must grant prior approval of any merger, consolidation or other corporate reorganization of 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.** The Company is a legal entity separate and distinct from the Banks. Most of the revenues of the Company 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 the Company to its shareholders.

UCB, Peoples, Towns, White and First Clayton 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 Carolina may declare a dividend for as much of the undivided profits of Carolina as it deems appropriate, so long as Carolina's surplus is greater than 50% of its capital.

The payment of dividends by the Company 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, 1997, net assets available from the Banks to pay dividends without prior approval from regulatory authorities totaled approximately \$13 million. For 1997, the Company's cash dividend payout to stockholders was 6.5% 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 earnings 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 (i) a minimum level of total capital (as defined) to risk-weighted assets of eight percent (8%); (ii) a minimum Tier One Capital (as defined) to risk-weighted assets of four percent (4%); and (iii) a minimum stockholders' equity 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 One Capital to total assets for the most highly-rated banks and bank holding companies. "Tier One 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 the Company's capital requirements.

In addition, effective December 19, 1992, a new Section 38 to the Federal Deposit Insurance Act implemented the prompt corrective action provisions that Congress enacted as a part of the Federal Deposit Insurance Company 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: (i) a "well capitalized" institution has a total risk-based capital ratio of at least 10%, a Tier One risk-based ratio of at least 6% and a leverage ratio of at least 5%; (ii) an "adequately capitalized" institution has a total risk-based capital ratio of at least 8%, a Tier One risk-based ratio of at least 4% and a leverage ratio of at least 4%; (iii) an "undercapitalized" institution has a total risk-based capital ratio of under 8%, a Tier One risk-based ratio of under 4% or a leverage ratio of under 4%; (iv) a "significantly undercapitalized" institution has a total risk-based capital ratio of under 6%, a Tier One risk-based ratio of under 3% or a leverage ratio of under 3%; and (v) 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. Under the FDIC's regulations, all of the Banks were "well capitalized" institutions at December 31, 1996 and December 31, 1997.

Set forth below are pertinent capital ratios for each of the Banks as of December 31, 1997:

MINIMUM CAPITAL REQUIREMENT	UCB	CAROLINA	PEOPLES	TOWNS	WHITE	FIRST CLAYTON
Tier One Capital to Risk Based Assets: 4% (1) .....	9.75%	9.56%	9.86%	10.67%	10.83%	12.27%
Total Capital to Risk Based Assets: 8% (2) .....	10.92	10.81	11.11	11.92	12.09	13.53
Leverage Ratio (Tier One Capital to Average Total Assets): 3% (3) .....	7.67%	6.34%	6.96%	7.25%	7.93%	7.43%

- (1) Minimum required ratio for "well capitalized" banks is 6%
- (2) Minimum required ratio for "well capitalized" banks is 10%
- (3) Minimum required ratio for "well capitalized" banks is 5%

RECENT LEGISLATIVE AND REGULATORY ACTION. On April 19, 1995, the four federal bank regulatory agencies adopted revisions to the regulations promulgated pursuant to the Community Reinvestment Act (the "CRA"), which are intended to set distinct assessment standards for financial institutions. The revised regulation contains three evaluation tests: (i) a lending test, which will compare an institution's market share of loans in low- and moderate-income areas to its market share of loans in its entire service area and the percentage of a bank's outstanding loans to low- and moderate-income areas or individuals, (ii) a services test, which will evaluate the provisions of services that promote the availability of credit to low- and moderate-income areas, and (iii) an investment test, which will evaluate an institution's record of investments in organizations designed to foster community development, small and minority-owned businesses and affordable housing lending, including state and local government housing or revenue bonds. The regulations are designed to reduce some paperwork requirements of the current regulations and provide regulators, institutions and community groups with a more objective and predictable manner with which to evaluate the CRA performance of financial institutions. The rule became effective on January 1, 1996, at which time evaluation under streamlined procedures began for institutions with assets of less than \$250 million that are owned by a holding company with total assets of less than \$1 billion. It is not expected that these regulations will have any appreciable impact upon the Company and the Banks.

Congress and various federal agencies (including, in addition to the bank regulatory agencies, the Department of Housing and Urban Development, the Federal Trade Commission and the Department of Justice) (collectively the "Federal Agencies") responsible for implementing the nation's fair lending laws have been increasingly concerned that prospective home buyers and other borrowers are experiencing discrimination in their efforts to obtain loans. In recent years, the Department of Justice has filed suit against financial institutions, which it determined had discriminated, seeking fines and restitution for borrowers who allegedly suffered from discriminatory practices. Most, if not all, of these suits have been settled (some for substantial sums) without a full adjudication on the merits.

On March 8, 1994, the Federal Agencies, in an effort to clarify what constitutes lending discrimination and specify the factors the agencies will consider in determining if lending discrimination exists, announced a joint policy statement detailing specific discriminatory practices prohibited under the Equal Opportunity Act and the Fair Housing Act. In the policy statement, three methods of proving lending discrimination were identified: (i) overt evidence of discrimination, when a lender blatantly discriminates on a prohibited basis, (ii) evidence of disparate treatment, when a lender treats applicants differently based on a prohibited factor even where there is no showing that the treatment was motivated by prejudice or a conscious intention to discriminate against a person, and (iii) evidence of disparate impact, when a lender applies a practice uniformly to all applicants, but the practice has a discriminatory effect, even where such practices are neutral on their face and are applied equally, unless the practice can be justified on the basis of business necessity.

On September 23, 1994, President Clinton signed the Reigle Community Development and Regulatory Improvement Act of 1994 (the "Regulatory Improvement Act"). The Regulatory Improvement Act contains funding for community development projects through banks and community development financial institutions and also numerous regulatory relief provisions designed to eliminate certain duplicative regulations and paperwork requirements.

On September 29, 1994, President Clinton signed the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Federal Interstate Bill") which amends federal law to permit bank holding companies to acquire existing banks in any state effective September 29, 1995. Further, any interstate bank holding company is permitted to merge its various bank subsidiaries into a single bank with interstate branches after May 31, 1997. States have the authority to authorize interstate branching before June 1, 1997, or, alternatively, to opt out of interstate branching prior to that date. The Georgia Financial Institutions Code was amended in 1994 to permit the acquisition of a Georgia bank or bank holding company by out-of-state bank holding companies beginning July 1, 1995. On September 29, 1995, the interstate banking provisions of the Georgia Financial Institutions Code were superseded by the Federal Interstate Bill.

On January 26, 1996, the Georgia legislature adopted a bill (the "Georgia Intrastate Bill") to permit, effective July 1, 1996, any Georgia bank or group of affiliated banks under one holding company to establish up to an aggregate of three new or additional branch banks anywhere within the State of Georgia, excluding any branches established by a bank in a county in which it is already located. After July 1, 1998, all restrictions on state-wide branching are removed. Before adoption of the Georgia Intrastate Bill, Georgia only permitted branching via merger or consolidation with an existing bank or in certain other limited circumstances.

FDIC INSURANCE AND FICO ASSESSMENTS FOR THE BANKS. The Banks are subject to FDIC deposit insurance assessments for the Bank Insurance Fund (the "BIF"). In the first six months of 1995, the Banks were assessed \$.23 per \$100 of deposits based upon a risk-based system whereby banks are assessed on a sliding scale depending upon their placement in nine separate supervisory categories, from \$.23 per \$100 of deposits for the healthiest banks (those with the highest capital, best management and best overall condition) to as much as \$.31 per \$100 of deposits for the less-healthy institutions, for an average \$.259 per \$100 of deposits.

On August 8, 1995, the FDIC lowered the BIF premium for healthy banks 83% from \$.23 per \$100 in deposits to \$.04 per \$100 in deposits, while retaining the \$.31 level for the riskiest banks. The average assessment rate was therefore reduced from \$.232 to \$.044 per \$100 of deposits. The new rate took effect on September 29, 1995. On September 15, 1995, the FDIC refunded \$564,000 to the Banks for premium overpayments in the second and third quarter of 1995. On November 14, 1995, the FDIC again lowered the BIF premium for healthy banks from \$.04 per \$100 of deposits to zero for the highest rated institutions (94% of the industry). As a result, the Banks paid no premium for deposit insurance in 1997 and FICO bond assessments of \$100,000. It is not estimated that the Banks will pay any premium for deposit insurance in 1998 and will pay FICO bond assessments of \$120,000.

## EMPLOYEES

As of June 30, 1998, the Company and the Banks had 628 full-time equivalent employees. Neither the Company nor any of the Banks is a party to any collective bargaining agreement, and the Company and the Banks believe that their employee relations are good. None of the executive officers of the Company or the Banks is employed pursuant to an employment contract.

## PROPERTIES

The executive offices of the Company and the main banking office of UCB are located in adjacent buildings, the former a 17,000 square-foot facility at 59 Highway 515, Blairsville, Georgia and the latter a 19,000 square-foot operations center located adjacent to its executive offices and main banking office. Both the building and the land, which includes parking and four drive-in teller stations, are owned by UCB. UCB also has a branch at an Ingles supermarket in Blairsville. The Ingles branch property, consisting of 350 square feet, is leased. UCB's branch office in Cornelia, which it owns, is 5,000 square feet. UCB also maintains a branch office in Dahlonega, which consists of 9,500-square feet and two drive-in teller stations, which are owned by UCB and a 1,020-square foot building leased by UCB.

The main banking office of Carolina is located at 300 Peachtree Street, Murphy, North Carolina, and contains 12,000 square feet. Both the building and the land, which includes parking and drive-in teller stations, are owned by Carolina. Carolina has 10 North Carolina branches: Hayesville (one full service branch and one supermarket branch); Robbinsville; Andrews; Waynesville; Franklin; Sylva; Bryson City; and Cashiers. Over half of Carolina's branches are in locations where both the land and the building is owned by the Company. Carolina's branches aggregate approximately 20,000 square feet.

Peoples owns its main banking office located at 4000 Appalachian Highway, Blue Ridge, Georgia. The office contains 19,000 square feet and four drive-in teller stations. Peoples owns a branch at West Tennessee Avenue and Blue Ridge Drive in McCaysville, Georgia, which contains 2,800 square feet and has three drive-in teller stations. Peoples also leases a 335 square foot branch at an Ingles supermarket on Appalachian Highway in Blue Ridge, Georgia.

Towns owns its banking facility, containing 3,594 square feet and two drive-in teller stations. The facility is located at 214 North Main Street, Hiawassee, Georgia.

The main banking office of White is located at 153 East Kytile Street, Cleveland, Georgia and contains approximately 14,000 square feet and four drive-in teller stations. White also has a branch office located on Highway 75 North in Helen, Georgia which contains approximately 2,200 square feet. White owns both its main and branch office.

First Clayton owns its banking facilities, containing 11,500 square feet and four drive-in teller stations. The facility is located at U.S. 441 and Duval in the Village Center, Clayton, Georgia.

UFFC leases property in Hiawassee and Blue Ridge, Georgia and Murphy, North Carolina. The Hiawassee, Blue Ridge and Murphy properties consist of 1,800, 2,800 and 1,000 square feet, respectively.

None of the properties owned by the Company or the Banks is subject to encumbrances.

## LEGAL PROCEEDINGS

The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject.



MANAGEMENT

DIRECTORS

The members of the Board of Directors of the Company, and their ages, positions with the Company and the Banks, business experience and terms of office as of June 30, 1998 are as follows:

NAME	AGE	POSITION WITH COMPANY AND BANKS AND BUSINESS EXPERIENCE	DIRECTOR OF COMPANY SINCE
Jimmy C. Tallent	45	President, Chief Executive Officer and Director of the Company and UCB since 1984. Director of Carolina since 1990, of Peoples since 1992, of White since 1995, and of First Clayton since 1997. Chairman of the Board of Towns since 1992 and Chairman of the Board of White since 1995. Director of UFFC since 1997.	1987
Billy M. Decker	54	Senior Vice President and Cashier of UCB from 1986 to 1990, Mr. Decker became President, Chief Executive Officer and a Director of Carolina in 1990. He has been a Vice President of the Company since 1992 and a Director of UCB since 1980. He has been Secretary of the Company since 1988.	1988
Thomas C. Gilliland	50	A Vice Chairman of the Peoples' Board since 1986, Mr. Gilliland became President and Chief Executive Officer of Peoples and Vice President of the Company in 1993 and was named Executive Vice President of the Company in 1994. He has served as Chairman of the Board of UFFC since 1997.	1992
Robert L. Head, Jr.	59	Chairman of the Board of Directors of the Company, Mr. Head has served as a Director of UCB since 1973. Mr. Head operates Head Construction Company, a general construction firm, and Head-Westgate Corp., a construction and real estate development firm in Blairsville, Georgia. He also owns Mountain Building Supply in Blairsville, Georgia.	1988
Charles E. Hill	61	A Director of UCB since 1972, Mr. Hill is the Director of Pharmacy at Union General Hospital in Blairsville, Georgia.	1988
Hoyt O. Holloway	58	A Director of Peoples since 1986, Mr. Holloway owns H&H Farms, a poultry farm in Blue Ridge, Georgia.	1993
P. Deral Horne	72	A Director of Carolina since 1988, Mr. Horne owns Mountain and Valley Properties, a land development and sales business in Murphy, North Carolina.	1992
John R. Martin	48	A Director of First Clayton since 1990, and Chairman of the Board of Directors of First Clayton since 1996, Mr. Martin is also the owner of John Martin Construction and of several mini-warehouse facilities in northeast Georgia and western South Carolina, as well as being a registered pharmacist.	1997
Clarence W. Mason, Sr.	62	Chairman of the Board of Directors of Peoples since 1986, Mr. Mason owns Mason Tractor, a retail equipment sales operation in Blue Ridge, Georgia.	1992
W. C. Nelson, Jr.	55	A Director of UCB since 1975, Mr. Nelson is Vice Chairman of the Company's Board of Directors and owns Nelson Tractor Company, a retail equipment sales firm in Blairsville, Georgia.	1988
Charles E. Parks	67	A retired businessman, Mr. Parks is the former owner of Parks Lumber Co., a retail building supply firm located in Murrayville, Georgia.	1997

## EXECUTIVE OFFICERS

Executive officers of the Company are elected by the Board of Directors annually in January and hold office until the following January unless they sooner resign or are removed from office by the Board of Directors. The executive officers and significant employees of the Company, and their ages, positions with the Company and the Banks, business experience and terms of office as of June 30, 1998 are set forth below. For the business experience and positions with the Banks of executive officers and significant employees who are also Directors of the Company. See " -- Directors."

NAME	AGE	POSITION WITH COMPANY AND BANKS AND BUSINESS EXPERIENCE	OFFICER OF COMPANY SINCE
Jimmy C. Tallent	45	President, Chief Executive Officer and Director of the Company.	1984
Billy M. Decker	54	Senior Vice President, Director and Secretary of the Company.	1988
Guy Freeman	62	Senior Vice President of the Company since March 1995, Executive Vice President of Carolina since July 1996; President and CEO of Carolina since 1997; and Director of Carolina since December 1996. Mr. Freeman served as President and Chief Executive Officer of White from 1993 until February 1995. Since February 1995, Mr. Freeman has been Chairman of the Board of White, of which he has been a member since January 1993. Mr. Freeman also served as Chairman of the Board of WC Holding Company from February 1995 until its acquisition by the Company. From 1992 until 1993, Mr. Freeman served as President and Chief Executive Officer of East Side Bank, Snellville, Georgia, and from 1987 to 1992, he served in the same capacity at First American Bank, Atlanta, Georgia.	1995
Thomas C. Gilliland	50	A Director of the Company since 1992, Mr. Gilliland became Vice President of the Company in 1993 and was promoted to Executive Vice President in April 1994.	1993
Eugene B. White	53	President and Director of White and Vice President of the Company since March, 1995. Mr. White served as Executive Vice President of First National Bank of Habersham, Cornelia, Georgia from 1982 to 1995.	1995
Richard E. Martin, Jr.	49	Vice President of the Company since 1993; President and Director of Towns. From 1989 through 1992, Mr. Martin was Senior Vice President of First Colony Bank, Alpharetta, Georgia.	1992
L. Gene Sprayberry	53	Executive Vice President of UCB; Assistant Secretary of the Company.	1973
Christopher J. Bledsoe	35	Senior Vice President and Chief Financial Officer of UCB and the Company; Director of UFFC since 1997. A certified public accountant, from 1988 through 1993, Mr. Bledsoe was a Supervisor at Evans, Porter, Bryan & Co., an accounting firm in Atlanta, Georgia.	1993
Robert L. Cochran	34	Assistant Vice President and Controller of UCB; Controller of the Company since 1996. A certified public accountant, from 1989 through 1995, Mr. Cochran was an accounting manager with PNC Bank in Cincinnati, Ohio.	1995

There are no family relationships between any Director or executive officer of the Company or any of its subsidiaries.

EXECUTIVE COMPENSATION

The table below sets forth the annual and other compensation paid by the Company and the Banks to the following persons who served in the designated offices during 1997: Jimmy C. Tallent, President and Chief Executive Officer of the Company and UCB, Thomas C. Gilliland, President and Chief Executive Officer of Peoples and Executive Vice President of the Company, Billy M. Decker, Senior Vice President of the Company, Guy Freeman, President and Chief Executive Officer of Carolina and Senior Vice President of the Company, and Christopher J. Bledsoe, Senior Vice President and Chief Financial Officer of the Company and UCB (individually a "Named Executive Officer," collectively, the "Named Executive Officer").

NAME AND PRINCIPAL OFFICES HELD DURING 1997	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
	YEAR	SALARY	BONUS	OTHER	SECURITIES	ALL
					OPTIONS UNDERLYING	OTHER COMPENSATION
Jimmy C. Tallent	1997	\$ 215,000	\$90,000	\$ 32,875 (1)	8,750	\$ 27,058 (2)
President and Chief Executive Officer of the Company and UCB	1996	\$ 188,650	\$65,000	\$ 10,000 (1)	8,750	\$ 23,781
	1995	\$ 167,200	\$57,000	\$ 9,000 (1)	12,500	\$ 21,085
Thomas C. Gilliland	1997	\$ 157,500	\$42,500	\$ 5,400 (1)	5,250	\$ 13,388 (3)
President and Chief Executive Officer of Peoples; Executive Vice President of the Company	1996	\$ 142,188	\$35,000	\$ 6,400 (1)	5,250	\$ 12,086
	1995	\$ 132,563	\$30,000	\$ 5,400 (1)	7,500	\$ 6,628
Billy M. Decker	1997	\$ 117,700	\$30,000	\$ 18,600 (1)	3,500	\$ 14,359 (3)
Senior Vice and Secretary of the Company	1996	\$ 107,500	\$35,500	\$ 10,000 (1)	3,500	\$ 13,115
	1995	\$ 98,010	\$30,000	\$ 8,100 (1)	5,000	\$ 11,957
Guy W. Freeman	1997	\$ 139,200	\$40,000	7,000 (1)	10,000	\$ 16,982 (3)
President and Chief Executive Officer of Carolina; Senior Vice President of the Company	1996	\$ 117,500	\$20,000	3,850 (1)	3,500	\$ 14,335
	1995	\$ 87,929 (4)	\$10,000	1,400 (1)	5,000	--
Christopher J. Bledsoe(5)	1997	\$ 102,500	\$25,000	--	3,500	\$ 12,505 (3)
Financial Officer of the Company and UCB	1996	\$ 91,500	\$20,000	--	3,500	\$ 11,163
	1995	\$ 80,000	\$17,000	--	5,000	\$ 9,760

- (1) Directors' fees for service on the Banks' boards of directors. Other perquisites do not meet the Securities and Exchange Commission threshold for disclosure.
- (2) Represents a contribution by the Company of \$26,230 on behalf of Mr. Tallent to the Company's Profit Sharing Plan and insurance premiums of \$828 paid by UCB on behalf of Mr. Tallent on a life insurance policy.
- (3) Represents the Company's contribution on behalf of the named individual to the Company's Profit Sharing Plan.
- (4) Mr. Freeman commenced employment with the Company and its subsidiaries in March 1995. Mr. Freeman beneficially owns 26,618 shares of Common Stock.
- (5) Mr. Bledsoe beneficially owns 18,886 shares of Common Stock.

The Company has never granted restricted stock, stock appreciation rights or similar awards to any of its present or past executive officers, other than awards of stock options under the United Community Banks Key Employee Stock Option Plan.

Directors of the Company, other than a President or Vice President of a bank subsidiary who serves on the Company's Board of Directors, received \$1,000 per board meeting attended during 1997. Certain members of the Company's Board of Directors also serve as members of one or more of the Boards of Directors of the Banks, for which they are compensated by the Banks.

The following table sets forth information concerning stock options granted to the Named Executive Officers under the Plan during fiscal year 1997 and the projected value of those options at assumed annual rates of appreciation.

OPTION GRANTS IN LAST FISCAL YEAR

NAME	INDIVIDUAL GRANTS			EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)	
	SECURITIES UNDERLYING OPTIONS GRANTED (1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH) (3)		5%	10%
Jimmy C. Tallent .....	8,750	16	\$ 8.00	1/1/07	\$121,100	\$306,775
Thomas C. Gilliland .....	5,250	9	8.00	1/1/07	72,660	184,065
Billy M. Decker .....	3,500	6	8.00	1/1/07	48,440	122,710
Guy W. Freeman .....	10,000	18	8.00	1/1/07	138,400	350,600
Christopher J. Bledsoe .....	3,500	6	8.00	1/1/07	48,440	122,710

(1) 20% of the options were vested at the date of grant and an additional 20% vest at each of the first four anniversaries of the date of grant. Exercise price of the options is \$22.00 per share, the fair market value on the date of grant of the options.

(2) "Potential Realizable Value" is disclosed in response to SEC regulations that require such disclosure for illustration only. The values disclosed are not intended to be, and should not be interpreted as, representations or projections of the future value of the Company's Common Stock or of the stock price. Amounts are calculated at 0%, 5% and 10% assumed appreciation of the value of the Common Stock (compounded annually over the option term) and are not intended to forecast actual expected future appreciation, if any, of the Common Stock. The potential realizable value to the optionee is the difference between the exercise price and the appreciated stock price at the assumed annual rates of appreciation multiplied by the number of shares underlying the options.

Shown below is information with respect to unexercised options to purchase the Common Stock granted under the Plan to the Named Executive Officers and held by them at December 31, 1997. No options were exercised during 1997 by a Named Executive Officer.

FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR END (#)		VALUE OF UNEXERCISED IN THE MONEY OPTIONS AT FISCAL YEAR END (\$ (1))	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Jimmy C. Tallent .....	17,750	12,250	\$269,600	\$36,400
Thomas C. Gilliland .....	10,650	7,350	161,760	21,840
Billy M. Decker .....	7,100	4,900	107,840	14,560
Guy W. Freeman .....	8,400	10,100	109,920	22,880
Christopher J. Bledsoe .....	7,100	4,900	107,840	14,560

(1) Based on \$30.00 per share, the last sale price known to the Company during 1997. The Company's Common Stock is not publicly traded.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee of the Board of Directors are Robert L. Head, Jr., Charles E. Hill, Hoyt O. Holloway, P. Deral Horne, John R. Martin, Clarence W. Mason, Jr., W.C. Nelson, Jr. and Charles E. Parks. The Board of Directors of the Company reviewed the compensation of Messrs. Tallent, Gilliland, Freeman, Decker and Bledsoe and of the Company's other executive officers for the 1997 fiscal year. Although all members of the Board of Directors participated in deliberations regarding the salaries of executive officers, none of such officers participated in any decisions regarding his own compensation as an executive officer. The Compensation Committee makes recommendations to the Board concerning executive compensation, but does not establish compensation.

UCB and Carolina have retained the services of a construction company operated by Robert L. Head, Jr., who is Chairman of the Board of Directors of the Company and a director of UCB. During 1997, UCB and Carolina made payments

of approximately \$1.2 million to such construction company.

The Banks have had, and expect to have in the future, banking transactions in the ordinary course of business with directors and officers of the Company and their associates, including corporations in which such officers or directors are shareholders, directors and/or officers, on the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with unaffiliated third parties. Such transactions have not involved more than the normal risk of collectability or presented other unfavorable features.

## THE EXCHANGE OFFER

### PURPOSE AND EFFECT OF THE EXCHANGE OFFER

In connection with the sale of the Old Capital Securities, the Company and the Trust entered into the Registration Rights Agreement with the Initial Purchaser, pursuant to which the Company and the Trust agreed to file and use commercially reasonable efforts to cause to become effective with the Commission a registration statement relating to the exchange of the New Capital Securities for the Old Capital Securities. A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

The Exchange Offer is being made to satisfy the contractual obligations of the Company and the Trust under the Registration Rights Agreement. The form and terms of the New Capital Securities are the same as the form and terms of the Old Capital Securities except that the New Capital Securities have been registered under the Securities Act, will not be subject to certain restrictions on transfer applicable to the Old Capital Securities and will not provide for any increase in the Distribution rate thereon. The Registration Rights Agreement provides that (i) the Company and the Trust shall use their respective best efforts to cause the Registration Statement to be declared effective by the Commission on or prior to 180 days after the date of the original issuance of the Trust Securities, and to keep the Registration Statement effective for not less than 30 business days (or longer if required by applicable law) after the date notice of the Exchange Offer is made to the holders, (ii) unless the Exchange Offer will not be permitted by applicable law or Commission policy, the Trust will commence the Exchange Offer and use its best efforts to consummate the Exchange Offer within 30 business days after the effective date of the Registration Statement, and (iii) if obligated to file the "Shelf Registration Statement" (as defined in the Registration Rights Agreement), the Company and Trust will use their best efforts to file the Shelf Registration Statement with the Commission as promptly as practicable, but, in any event, within 45 days after such filing obligation arises, and to cause the Shelf Registration Statement to be declared effective by the Commission on or prior to 180 days after such obligation arises.

If (i) the Company and the Trust fail to file, if appropriate, the Shelf Registration Statement on or before the dates specified for such filing, (ii) the Registration Statement or the Shelf Registration Statement, if applicable, is not declared effective by the Commission on or prior to the date specified for such effectiveness (the "Effectiveness Target Date"), (iii) the Company and Trust fail to consummate the Exchange Offer within 30 business days of the Effectiveness Target Date with respect to the Registration Statement, or (iv) the Registration Statement or the Shelf Registration Statement, if applicable, is declared effective but thereafter ceases to be effective or usable in connection with resales of "Transfer Restricted Securities" (as defined below) during the period specified in the Registration Rights Agreement (each such event referred to in clauses (i) through (iv) above, a "Registration Default"), then liquidated damages shall accrue on the principal amount ("Additional Interest") of the Junior Subordinated Debentures, and additional Distributions shall accumulate on the Liquidation Amount ("Additional Distributions") of the Capital Securities immediately following occurrence of such Registration Default, each at a rate of 0.25% per annum. Notwithstanding the foregoing, neither the Additional Interest on the Junior Subordinated Debentures nor the Additional Distribution rate on the Liquidation Amount of the Capital Securities may exceed in the aggregate 0.25% per annum. Such Additional Interest and Additional Distributions shall cease to accrue and accumulate upon the curing of the respective Registration Default.

For purposes of the preceding paragraph, "Transfer Restricted Security" means each Old Capital Security, the Old Guarantee or Old Junior Subordinated Debenture until (i) the date on which such Old Capital Security, the Old Guarantee or Old Junior Subordinated Debenture has been exchanged for a New Capital Security, the New Guarantee or New Junior Subordinated Debenture in the Exchange Offer and are thereafter freely tradable by the holder thereof (other than an affiliate of the company), (ii) such Old Capital Security, Old Guarantee or Old Junior Subordinated Debenture, as the case may be, shall have ceased to be outstanding, (iii) the date on which such Old Capital Security, Old Guarantee or Old Junior Subordinated Debenture has been effectively registered under the Securities Act and disposed of in accordance with the Registration Statement or the Shelf Registration Statement, if applicable, or (iv) the date on which such Old Capital Security, Old Guarantee or Old Junior Subordinated Debenture is distributed to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act.

The Exchange Offer is not being made to, nor will the Trust accept tenders for exchange from, holders of Old Capital Securities in any jurisdiction in which the Exchange Offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

Unless the context requires otherwise, the term "holder" with respect to the Exchange Offer means any person in whose name the Old Capital Securities are registered on the books of the Trust or any other person who has obtained a properly completed bond power from the registered holder, or any participant in The Depository Trust Company ("DTC") system

whose name appears on a security position listing as the holder of such Old Capital Securities and who desires to deliver such Old Capital Securities by book-entry transfer at DTC.

Pursuant to the Exchange Offer, as soon as practicable after the Expiration Date, the Company will exchange the Old Junior Subordinated Debentures for a like aggregate principal amount of the New Junior Subordinated Debentures. The New Guarantee and the New Junior Subordinated Debentures have been registered under the Securities Act.

#### TERMS OF THE EXCHANGE OFFER

The Trust hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal, to exchange up to and including \$21,000,000 aggregate Liquidation Amount of New Capital Securities for a like aggregate Liquidation Amount of Old Capital Securities properly tendered on or prior to the Expiration Date and not properly withdrawn in accordance with the procedures described herein. The Trust will issue, as soon as practicable after the Expiration Date, an aggregate Liquidation Amount of up to and including \$21,000,000 of New Capital Securities in exchange for a like Liquidation Amount of outstanding Old Capital Securities tendered and accepted in connection with the Exchange Offer. Holders may tender their Old Capital Securities in whole or in part in a Liquidation Amount of not less than \$100,000 (100 Capital Securities) or any integral multiple of \$1,000 Liquidation Amount (one Capital Security) in excess thereof.

The Exchange Offer is not conditioned upon any minimum Liquidation Amount of Old Capital Securities being tendered. As of the date of this Prospectus, \$21,000,000 aggregate Liquidation Amount of the Old Capital Securities is outstanding.

Holders of Old Capital Securities do not have any appraisal or dissenters' rights in connection with the Exchange Offer. Old Capital Securities that are not tendered for or are tendered but not accepted in connection with the Exchange Offer will remain outstanding and be entitled to the benefits of the Trust Agreement, but will not be entitled to any further registration rights under the Registration Rights Agreement, except under limited circumstances. See "Risk Factors -- Consequences of a Failure to Exchange Old Capital Securities."

If any tendered Old Capital Securities are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Old Capital Securities will be returned, without expense, to the tendering holder thereof as soon as practicable after the Expiration Date.

Holders who tender Old Capital Securities in connection with the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Old Capital Securities in connection with the Exchange Offer. The Company will pay all charges and expenses, other than certain applicable taxes described herein, in connection with the Exchange Offer. See " -- Fees and Expenses."

NEITHER THE COMPANY, THE BOARD OF DIRECTORS OF THE COMPANY NOR ANY ISSUER TRUSTEE OF THE TRUST MAKES ANY RECOMMENDATION TO HOLDERS OF OLD CAPITAL SECURITIES AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING ALL OR ANY PORTION OF THEIR OLD CAPITAL SECURITIES PURSUANT TO THE EXCHANGE OFFER. IN ADDITION, NO ONE HAS BEEN AUTHORIZED TO MAKE ANY SUCH RECOMMENDATION. EACH HOLDER OF OLD CAPITAL SECURITIES MUST DECIDE WHETHER TO TENDER PURSUANT TO THE EXCHANGE OFFER AND, IF SO, THE LIQUIDATION AMOUNT OF OLD CAPITAL SECURITIES TO TENDER BASED ON SUCH HOLDER'S OWN FINANCIAL POSITION AND REQUIREMENTS.

#### EXPIRATION DATE, EXTENSIONS, AMENDMENTS

The term "Expiration Date" means 5:00 p.m., New York City time, on \_\_\_\_\_, 1998 unless the Exchange Offer is extended by the Company or the Trust (in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended).

The Company and the Trust expressly reserve the right in their sole and absolute discretion, subject to applicable law, at any time and from time to time, (i) to delay the acceptance of the Old Capital Securities for exchange, (ii) to terminate the Exchange Offer (whether or not any Old Capital Securities have theretofore been accepted for exchange) if the Trust determines, in its sole and absolute discretion that if any of the events or conditions referred to under " -- Conditions to the Exchange Offer" have occurred or exist or have not been satisfied, (iii) to extend the Expiration Date of the Exchange Offer and retain all Old Capital Securities tendered pursuant to the Exchange Offer, subject, however, to the right of holders of Old Capital Securities to withdraw their tendered Old Capital Securities as described under " -- Withdrawal Rights," and (iv) to waive any condition or otherwise amend the terms of the Exchange Offer in any respect. If the Exchange Offer is amended in a manner determined by the Company and the Trust to constitute a material change, or if the Company and the





Trust waive a material condition of the Exchange Offer, the Company and the Trust will promptly disclose such amendment by means of a prospectus supplement that will be distributed to the holders of the Old Capital Securities, and the Company and the Trust will extend the Exchange Offer to the extent required by Rule 14e-1 under the Exchange Act.

Any such delay in acceptance, extension, termination or amendment will be followed promptly by oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent and by making a public announcement thereof, and such announcement in the case of an extension will be made no later than 9:00 a.m., New York City time, on the next Business Day (as defined herein) after the previously scheduled Expiration Date. Without limiting the manner in which the Company and the Trust may choose to make any public announcement and subject to applicable laws, the Company and the Trust shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a release to an appropriate news agency.

#### ACCEPTANCE FOR EXCHANGE AND ISSUANCE OF NEW CAPITAL SECURITIES

Upon the terms and subject to the conditions of the Exchange Offer, the Trust will exchange, and will issue to the Exchange Agent, New Capital Securities for Old Capital Securities validly tendered and not withdrawn promptly after the Expiration Date.

In all cases, delivery of New Capital Securities in exchange for Old Capital Securities tendered and accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of (i) the Old Capital Securities or a book-entry confirmation of a book-entry transfer of the Old Capital Securities into the Exchange Agent's account at The Depository Trust Company ("DTC"), including an Agent's Message if the tendering holder has not delivered a Letter of Transmittal, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or (in the case of a book-entry transfer) an Agent's Message in lieu of the Letter of Transmittal and (iii) any other documents required by the Letter of Transmittal.

The term "book-entry confirmation" means a timely confirmation of a book-entry transfer of the New Capital Securities into the Exchange Agent's account at DTC. The term "Agent's Message" means a message, transmitted by DTC to and received by the Exchange Agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agreed to be bound by, and make the representations and warranties contained in, the Letter of Transmittal and that the Trust and the Company may enforce such Letter of Transmittal against such a participant.

Subject to the terms and conditions of the Exchange Offer, the Trust will be deemed to have accepted for exchange, and thereby exchanged, Old Capital Securities validly tendered and not withdrawn as, if and when the Trust gives oral or written notice to the Exchange Agent (any such oral notice to be promptly confirmed in writing) of the Trust's acceptance of such Old Capital Securities for exchange pursuant to the Exchange Offer. The Exchange Agent will act as agent for the Trust for the purpose of receiving tenders of book-entry confirmations or certificates representing Old Capital Securities, Letters of Transmittal and related documents, and as agent for tendering holders for the purpose of receiving book-entry confirmations or certificates representing Old Capital Securities, Letters of Transmittal and related documents and transmitting New Capital Securities to validly tendering holders. Such exchange will be made as soon as practicable after the Expiration Date. If for any reason whatsoever, acceptance for exchange or the exchange of any Old Capital Securities tendered pursuant to the Exchange Offer is delayed (whether before or after the Trust's acceptance for exchange of Old Capital Securities) or the Trust extends the Exchange Offer or is unable to accept for exchange or exchange Old Capital Securities tendered pursuant to the Exchange Offer, then, without prejudice to the Trust's rights set forth herein, the Exchange Agent may, nevertheless, on behalf of the Trust and subject to Rule 14e-1(c) under the Exchange Act, retain tendered Old Capital Securities and such Old Capital Securities may not be withdrawn except to the extent tendering holders are entitled to withdrawal rights as described under " -- Withdrawal Rights."

Pursuant to the Letter of Transmittal, a holder of Old Capital Securities will represent, warrant and agree that it has full power and authority to tender, exchange, sell, assign and transfer Old Capital Securities, that the Trust will acquire good, marketable and unencumbered title to the tendered Old Capital Securities, free and clear of all liens, restrictions, charges and encumbrances, and the Old Capital Securities tendered for exchange are not subject to any adverse claims or proxies. The holder also will represent, warrant and agree that it will, upon request, execute and deliver any additional documents deemed by the Trust or the Exchange Agent to be necessary or desirable to complete the exchange, sale, assignment, and transfer of the Old Capital Securities tendered pursuant to the Exchange Offer.

## PROCEDURES FOR TENDERING OLD CAPITAL SECURITIES

VALID TENDER. Except as set forth herein, in order for Old Capital Securities to be validly tendered pursuant to the Exchange Offer, a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees or (in the case of a book-entry transfer) an Agent's Message in lieu of the Letter of Transmittal and any other required documents, must be received by the Exchange Agent at its address set forth under "-- Exchange Agent" on or prior to the Expiration Date, and either (i) tendered Old Capital Securities must be received by the Exchange Agent, or (ii) such Old Capital Securities must be tendered pursuant to the procedures for book-entry transfer set forth herein and a book-entry confirmation, including an Agent's Message if the tendering holder has not delivered a Letter of Transmittal, must be received by the Exchange Agent, in each case on or prior to the Expiration Date, or (iii) the guaranteed delivery procedures set forth herein must be complied with.

If less than all of the Old Capital Securities are tendered, a tendering holder should fill in the Liquidation Amount of Old Capital Securities being tendered in the appropriate box on the Letter of Transmittal or so indicate in an Agent's Message in lieu of the Letter of Transmittal. The entire Liquidation Amount of Old Capital Securities delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

THE METHOD OF DELIVERY OF THE BOOK-ENTRY CONFIRMATIONS OR CERTIFICATES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF THE TENDERING HOLDER, AND DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL, RETURN RECEIPT REQUESTED, PROPERLY INSURED, OR AN OVERNIGHT DELIVERY SERVICE IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

BOOK-ENTRY TRANSFER. The Company understands that the Exchange Agent has confirmed with DTC that any financial institution that is a participant in DTC's system may utilize DTC's Automated Tender Offer Program ("ATOP") to tender Old Capital Securities. The Exchange Agent will establish an account with respect to the Old Capital Securities at DTC for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any financial institution that is a participant in DTC's book-entry transfer facility system may make a book-entry delivery of the Old Capital Securities by causing DTC to transfer such Old Capital Securities into the Exchange Agent's account at DTC in accordance with DTC's procedures for transfers. However, although delivery of Old Capital Securities may be effected through book-entry transfer into the Exchange Agent's account at DTC, the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents, must in any case be delivered to and received by the Exchange Agent at its address set forth under "-- Exchange Agent" on or prior to the Expiration Date, or the guaranteed delivery procedures set forth below must be complied with.

DELIVERY OF DOCUMENTS TO DTC IN ACCORDANCE WITH DTC'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

SIGNATURE GUARANTEES. Certificates for the Old Capital Securities need not be endorsed and signature guarantees on the Letter of Transmittal are unnecessary unless (i) a certificate for the Old Capital Securities is registered in a name other than that of the person surrendering the certificate or (ii) such holder completes the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" in the Letter of Transmittal. In the case of (i) or (ii) above, such certificates for Old Capital Securities must be duly endorsed or accompanied by a properly executed bond power, with the endorsement or signature on the bond power and on the Letter of Transmittal guaranteed by a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as an "eligible guarantor institution," including (as such terms are defined therein): (a) a bank; (b) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer; (c) a credit union; (d) a national securities exchange, registered securities association or clearing agency; or (e) a savings association that is a participant in a Securities Transfer Association (each of the foregoing, an "Eligible Institution"), unless surrendered on behalf of such Eligible Institution. See Instructions to the Letter of Transmittal.

DELIVERY. The method of delivery of the book-entry confirmation, certificates representing tendered Old Capital Securities, the Letter of Transmittal, and all other required documents is at the option and sole risk of the tendering holder, and delivery will be deemed made only when actually received by the Exchange Agent. If delivery is to be made by mail, registered mail, return receipt requested, properly insured, or an overnight delivery service is recommended. In all cases, sufficient time should be allowed to ensure timely delivery on or prior to the Expiration Date.

GUARANTEED DELIVERY. If a holder desires to tender Old Capital Securities pursuant to the Exchange Offer and the certificates for such Old Capital Securities are not immediately available or time will not permit all required documents to reach the Exchange Agent on or prior to the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, such Old Capital Securities may nevertheless be tendered, provided that all of the following guaranteed delivery procedures are complied with:

- (i) such tenders are made by or through an Eligible Institution;
- (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form accompanying the Letter of Transmittal, is received by the Exchange Agent, as provided herein, on or prior to the Expiration Date; and
- (iii) the certificates (or a book-entry confirmation) representing all tendered Old Capital Securities, in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other documents required by the Letter of Transmittal, are received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand, or transmitted by facsimile or mail to the Exchange Agent and must include a guarantee by an Eligible Institution in the form set forth in such notice.

Notwithstanding any other provision hereof, the delivery of New Capital Securities in exchange for Old Capital Securities tendered and accepted for exchange pursuant to the Exchange Offer will in all cases be made only after timely receipt by the Exchange Agent of Old Capital Securities or of a book-entry confirmation with respect to such Old Capital Securities, and a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), together with any required signature guarantees and any other documents required by the Letter of Transmittal. Accordingly, the delivery of New Capital Securities might not be made to all tendering holders at the same time, and will depend upon when Old Capital Securities, book-entry confirmations with respect to Old Capital Securities and other required documents are received by the Exchange Agent.

The Trust's acceptance for exchange of Old Capital Securities tendered pursuant to any of the procedures described above will constitute a binding agreement between the tendering holder and the Trust upon the terms and subject to the conditions of the Exchange Offer.

DETERMINATION OF VALIDITY. All questions as to the form of documents, validity, eligibility (including time of receipt) and acceptance for exchange of any tendered Old Capital Securities will be determined by the Company and the Trust, in their sole discretion, whose determination shall be final and binding on all parties. The Company and the Trust reserve the absolute right, in their sole and absolute discretion, to reject any and all tenders determined by them not to be in proper form or the acceptance of which, or exchange for, may, in the opinion of counsel to the Company and the Trust, be unlawful. The Company and the Trust also reserve the absolute right, subject to applicable law, to waive any of the conditions of the Exchange Offer as set forth under " -- Conditions to the Exchange Offer" or any condition or irregularity in any tender of Old Capital Securities of any particular holder, whether or not similar conditions or irregularities are waived in the case of other holders.

The interpretation by the Company and the Trust of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. No tender of Old Capital Securities will be deemed to have been validly made until all irregularities with respect to such tender have been cured or waived. None of the Company, the Trust, any affiliates or assigns of the Company or the Trust, the Exchange Agent or any other person shall be under any duty to give any notification of any irregularities in tenders or incur any liability for failure to give any such notification.

If any Letter of Transmittal, endorsement, bond power, power of attorney, or any other document required by the Letter of Transmittal is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and unless waived by the Company and the Trust, proper evidence satisfactory to the Company and the Trust, in their sole discretion, of such person's authority to so act must be submitted.

## RESALES OF NEW CAPITAL SECURITIES

The Trust is making the Exchange Offer for the New Capital Securities in reliance on the position of the Staff of the Commission as set forth in certain interpretive letters addressed to third parties in other transactions. However, neither the Company nor the Trust sought its own interpretive letter and there can be no assurance that the Staff of the Commission would make a similar determination with respect to the Exchange Offer as it has in such interpretive letters to third parties. Based on these interpretations by the Staff of the Commission, and subject to the two immediately following sentences, the Company and the Trust believe that New Capital Securities issued pursuant to the Exchange Offer in exchange for Old Capital Securities may be offered for resale, resold and otherwise transferred by a holder thereof (other than a holder who is a broker-dealer) without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such New Capital Securities are acquired in the ordinary course of such holder's business and that such holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution (within the meaning of the Securities Act) of such New Capital Securities. However, any holder of Old Capital Securities who is an "affiliate" of the Company or the Trust or who intends to participate in the Exchange Offer for the purpose of distributing New Capital Securities, or any broker-dealer who purchased Old Capital Securities from the Trust for resale pursuant to Rule 144A or any other available exemption under the Securities Act, (i) will not be able to rely on the interpretations of the Staff of the Commission set forth in the above-mentioned interpretive letters, (ii) will not be permitted or entitled to tender such Old Capital Securities in the Exchange Offer and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or other transfer of such Old Capital Securities unless such sale is made pursuant to an exemption from such requirements. In addition, as described herein, if any broker-dealer holds Old Capital Securities acquired for its own account as a result of market-making or other trading activities and exchanges such New Capital Securities for Old Capital Securities, then such broker-dealer must deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Capital Securities.

Each holder of Old Capital Securities who wishes to exchange Old Capital Securities for New Capital Securities in the Exchange Offer will be required to represent that (i) it is not an "affiliate" of the Company or the Trust, (ii) any New Capital Securities to be received by it are being acquired in the ordinary course of its business, (iii) it has no arrangement or understanding with any person to participate in a distribution (within the meaning of the Securities Act) of such New Capital Securities, and (iv) if such holder is not a broker-dealer, such holder is not engaged in, and does not intend to engage in, a distribution (within the meaning of the Securities Act) of such New Capital Securities. In addition, the Company and the Trust may require such holder, as a condition to such holder's eligibility to participate in the Exchange Offer, to furnish to the Company and the Trust (or an agent thereof) in writing information as to the number of "beneficial owners" (within the meaning of Rule 13d-3 under the Exchange Act) on behalf of whom such holder holds the Old Capital Securities to be exchanged in the Exchange Offer. Each broker-dealer that receives New Capital Securities for its own account pursuant to the Exchange Offer must acknowledge that it acquired the Old Capital Securities for its own account as the result of market-making activities or other trading activities and must agree that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Capital Securities. The Letter of Transmittal states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. Based on the position taken by the Staff of the Commission in the interpretive letters referred to above, the Company and the Trust believe that Participating Broker-Dealers who acquired Old Capital Securities for their own accounts as a result of market-making activities or other trading activities may fulfill their prospectus delivery requirements with respect to the New Capital Securities received upon exchange of such Old Capital Securities (other than Old Capital Securities which represent an unsold allotment from the initial sale of the Old Capital Securities) with a prospectus meeting the requirements of the Securities Act, which may be the prospectus prepared for an exchange offer so long as it contains a description of the plan of distribution with respect to the resale of such New Capital Securities. Accordingly, this Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer during the period referred to below in connection with resales of New Capital Securities received in exchange for Old Capital Securities where such Old Capital Securities were acquired by such Participating Broker-Dealer for its own account as a result of market-making or other trading activities. Subject to certain provisions set forth in the Registration Rights Agreement, the Company and the Trust have agreed that this Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of such New Capital Securities for a period ending 90 days after the Expiration Date (subject to extension under certain limited circumstances described herein) or, if earlier, when all such New Capital Securities have been disposed of by such Participating Broker-Dealer. See "Plan of Distribution." However, a Participating Broker-Dealer who intends to use this Prospectus in connection with the resale of New Capital Securities received in exchange for Old Capital Securities pursuant to the Exchange Offer must notify the



Company or the Trust, or cause the Company or the Trust to be notified, on or prior to the Expiration Date, that it is a Participating Broker-Dealer. Such notice may be given in the space provided for that purpose in the Letter of Transmittal or may be delivered to the Exchange Agent at its address set forth herein under " -- Exchange Agent." Any Participating Broker-Dealer who is an "affiliate" of the Company or the Trust may not rely on such interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

In that regard, each Participating Broker-Dealer who surrenders Old Capital Securities pursuant to the Exchange Offer will be deemed to have agreed, by execution of the Letter of Transmittal or by transmission of an Agent's Message in lieu thereof, that, upon receipt of notice from the Company or the Trust of the occurrence of any event or the discovery of (i) any fact that makes any statement contained or incorporated by reference in this Prospectus untrue in any material respect or (ii) any fact that causes this Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference herein, in the light of the circumstances under which they were made, not misleading, or of the occurrence of certain other events specified in the Registration Rights Agreement, such Participating Broker-Dealer will suspend the sale of New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable) pursuant to this Prospectus until the Company or the Trust has amended or supplemented this Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to such Participating Broker-Dealer, or the Company or the Trust has given notice that the sale of the New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable) may be resumed, as the case may be. If the Company or the Trust gives such notice to suspend the sale of the New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable), it shall extend the 90-day period referred to above during which Participating Broker-Dealers are entitled to use this Prospectus in connection with the resale of New Capital Securities by the number of days during the period from and including the date of the giving of such notice to and including the date when Participating Broker-Dealers shall have received copies of the amended or supplemented Prospectus necessary to permit resales of the New Capital Securities or to and including the date on which the Company or the Trust has given notice that the sale of New Capital Securities (or the New Guarantee or the New Junior Subordinated Debentures, as applicable) may be resumed, as the case may be.

#### WITHDRAWAL RIGHTS

Except as otherwise provided herein, tenders of Old Capital Securities may be withdrawn at any time on or prior to the Expiration Date.

In order for a withdrawal to be effective, a written, telegraphic or facsimile transmission of such notice of withdrawal must be timely received by the Exchange Agent at its address set forth under " -- Exchange Agent" on or prior to the Expiration Date. Any such notice of withdrawal must specify the name of the person who tendered the Old Capital Securities to be withdrawn, the aggregate Liquidation Amount of Old Capital Securities to be withdrawn, and (if certificates for such Old Capital Securities have been tendered) the name of the registered holder of the Old Capital Securities as set forth on the certificates if different from that of the person who tendered such Old Capital Securities. If certificates representing Old Capital Securities have been delivered or otherwise identified to the Exchange Agent, then prior to the physical release of such certificates, the tendering holder must submit the serial numbers shown on the particular certificates to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Old Capital Securities tendered for the account of an Eligible Institution. If Old Capital Securities have been tendered pursuant to the procedures for book-entry transfer set forth in " -- Procedures for Tendering Old Capital Securities -- Book-Entry Transfer," the notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawal of Old Capital Securities. Withdrawals of tenders of Old Capital Securities may not be rescinded. Old Capital Securities properly withdrawn will not be deemed validly tendered for purposes of the Exchange Offer, but may be retendered at any subsequent time on or prior to the Expiration Date by following any of the procedures described above under " -- Procedures for Tendering Old Capital Securities."

All questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices will be determined by the Trust, in its sole discretion, whose determination shall be final and binding on all parties. None of the Company, the Trust, any affiliates or assigns of the Company or the Trust, the Exchange Agent or any other person shall be under any duty to give any notification of any irregularities in any notice of withdrawal or incur any liability for failure to give any such notification. Any Old Capital Securities that have been tendered but are withdrawn will be returned to the holder thereof promptly after withdrawal.

## DISTRIBUTIONS ON THE NEW CAPITAL SECURITIES

Holders of Old Capital Securities whose Old Capital Securities are accepted for exchange will not receive accumulated Distributions on such Old Capital Securities for any period from and after the last Distribution Date with respect to such Old Capital Securities prior to the original issue date of the New Capital Securities or, if no such Distributions have been made, will not receive any accumulated Distributions on such Old Capital Securities, and will be deemed to have waived the right to receive any Distributions on such Old Capital Securities accumulated from and after such Distribution Date or, if no such Distributions have been made, from and after July 20, 1998. However, because Distributions on the New Capital Securities will accumulate from such date, the amount of the Distributions received by holders whose Old Capital Securities are accepted for exchange will not be affected by the exchange.

## CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other provisions of the Exchange Offer, or any extension of the Exchange Offer, the Company and the Trust will not be required to accept for exchange, or to exchange, any Old Capital Securities for any New Capital Securities, and, as described herein, may terminate the Exchange Offer (whether or not any Old Capital Securities have theretofore been accepted for exchange) or may waive any conditions to or amend the Exchange Offer, if any of the following conditions have occurred or exists or have not been satisfied:

- (i) there shall occur a change in the current interpretation by the Staff of the Commission that permits the New Capital Securities issued pursuant to the Exchange Offer in exchange for Old Capital Securities to be offered for resale, resold and otherwise transferred by holders thereof (other than broker-dealers and any such holder that is an "affiliate" of the Company or the Trust within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Capital Securities are acquired in the ordinary course of such holders' business and such holders have no arrangement or understanding with any person to participate in the distribution of such New Capital Securities; or
- (ii) any law, statute, rule or regulation shall have been adopted or enacted which, in the judgment of Company or the Trust, would reasonably be expected to impair its ability to proceed with the Exchange Offer; or
- (iii) a stop order shall have been issued by the Commission or any state securities authority suspending the effectiveness of the Registration Statement, or proceedings shall have been initiated or, to the knowledge of the Company or the Trust, threatened for that purpose, or any governmental approval has not been obtained, which approval the Company or the Trust shall, in its sole discretion, deem necessary for the consummation of the Exchange Offer as contemplated hereby.

If the Company or the Trust determine in its sole and absolute discretion that any of the foregoing events or conditions has occurred or exists or has not been satisfied, it may, subject to applicable law, terminate the Exchange Offer (whether or not any Old Capital Securities have theretofore been accepted for exchange) or may waive any such condition or otherwise amend the terms of the Exchange Offer in any respect. If such waiver or amendment constitutes a material change to the Exchange Offer, the Company or the Trust will promptly disclose such waiver or amendment by means of a prospectus supplement that will be distributed to the registered holders of the Old Capital Securities and will extend the Exchange Offer to the extent required by Rule 14e-1 under the Exchange Act.

EXCHANGE AGENT

The Chase Manhattan Bank has been appointed as Exchange Agent for the Exchange Offer. Delivery of the Letters of Transmittal and any other required documents, questions, requests for assistance, and requests for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent as follows:

BY REGISTERED OR CERTIFIED MAIL OR HAND OR OVERNIGHT DELIVERY:

The Chase Manhattan Bank  
55 Water Street, Room 234  
North Building  
New York, New York 10041  
Attention: Carlos Esteves

Confirm by Telephone: (212) 638-0828

Facsimile Transmission: (212) 638-7375/344-9367

Delivery to other than the above address or facsimile number will not constitute a valid delivery.

FEEES AND EXPENSES

The Company has agreed to pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. The Company will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Prospectus and related documents to the beneficial owners of Old Capital Securities, and in handling or tendering for their customers.

Holderes who tender their Old Capital Securities for exchange will not be obligated to pay any transfer taxes in connection therewith. If, however, New Capital Securities are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Capital Securities tendered, or if a transfer tax is imposed for any reason other than the exchange of Old Capital Securities in connection with the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

Neither the Company nor the Trust will make any payment to brokers, dealers or others soliciting acceptances of the Exchange Offer.



## DESCRIPTION OF NEW CAPITAL SECURITIES

Pursuant to the terms of the Trust Agreement for the Trust, the Issuer Trustees on behalf of the Trust will have issued the Old Capital Securities and the Common Securities and will issue the New Capital Securities pursuant to the Exchange Offer. The New Capital Securities will represent preferred undivided beneficial interests in the assets of the Trust and the holders thereof will be entitled to a preference in certain circumstances with respect to Distributions and amounts payable on redemption or liquidation over the Common Securities, as well as other benefits as described in the Trust Agreement. This summary of certain provisions of the New Capital Securities and the Trust Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the Trust Agreement, including the definitions therein of certain terms. Wherever particular defined terms of the Trust Agreement are referred to herein, such defined terms are incorporated herein by reference. A copy of the form of the Trust Agreement is available upon request from the Trust by contacting the Issuer Trustees.

### GENERAL

The Capital Securities (including the Old Capital Securities and the New Capital Securities) are limited to \$21,000,000 aggregate Liquidation Amount outstanding. The Capital Securities will rank PARI PASSU, and payments will be made thereon pro rata, with the Common Securities except as described under " -- Subordination of Common Securities." The Junior Subordinated Debentures will be registered in the name of the Trust and held by the Property Trustee in trust for the benefit of the holders of the Capital Securities and Common Securities. The Guarantee will be a guarantee on a subordinated basis with respect to the Capital Securities but will not guarantee payment of Distributions or amounts payable on redemption or liquidation of such New Capital Securities when the Trust does not have funds on hand available to make such payments. See "Description of New Guarantee."

### DISTRIBUTIONS

The Capital Securities represent preferred undivided beneficial interests in the assets of the Trust, and Distributions on each Capital Security will be payable at an annual rate equal to 8.125% on the stated Liquidation Amount of \$1,000, payable semi-annually in arrears on the 15th day of January and July of each year (each a "Distribution Date"), to the holders of the New Capital Securities at the close of business on December 31 or June 30 (whether or not a Business Day (as defined below)) next preceding the relevant Distribution Date. Distributions on the New Capital Securities will be cumulative. Distributions will accumulate from the date of original issuance. The first Distribution Date for the New Capital Securities will be January 15, 1999. The amount of Distributions payable for any period less than a full Distribution period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. Distributions payable for each full Distribution period will be computed by dividing the rate per annum by two. If any date on which Distributions are payable on the Capital Securities is not a Business Day, then payment of the Distributions payable on such date will be made on the next succeeding day that is a Business Day (without any additional Distributions or other payment in respect of any such delay), with the same force and effect as if made on the date such payment was originally payable.

So long as no Debenture Event of Default has occurred and is continuing, the Company has the right under the Junior Subordinated Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each Extension Period, provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. As a consequence of any such deferral, semi-annual Distributions on the Capital Securities by the Trust will be deferred during any such Extension Period. Distributions to which holders of the Capital Securities are entitled will accumulate additional Distributions thereon at a rate equal to 8.125% per annum, compounded semi-annually from the relevant payment date for such Distributions, computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. Additional Distributions payable for each full Distribution period will be computed by dividing the rate per annum by two. The term "Distributions" as used herein shall include any such additional Distributions. During any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the

Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, stock or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Junior Subordinated Debentures. Upon the termination of any such Extension Period and the payment of all amounts then due, the Company may elect to begin a new Extension Period. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company must give the Issuer Trustees notice of its election of such Extension Period at least one Business Day prior to the earlier of (i) the date the Distributions on the New Capital Securities would have been payable but for the election to begin such Extension Period and (ii) the date the Property Trustee is required to give notice to holders of the New Capital Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date. The Property Trustee will give notice of the Company's election to begin a new Extension Period to the holders of the New Capital Securities. Subject to the foregoing, there is no limitation on the number of times that the Company may elect to begin an Extension Period. See "Description of New Junior Subordinated Debentures -- Option To Extend Interest Payment Period" and "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount."

The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Junior Subordinated Debentures.

The revenue of the Trust available for distribution to holders of the New Capital Securities will be limited to payments under the Junior Subordinated Debentures in which the Trust will invest the proceeds from the issuance and sale of the New Capital Securities. See "Description of New Junior Subordinated Debentures." If the Company does not make payments on the Junior Subordinated Debentures, the Trust may not have funds available to pay Distributions or other amounts payable on the New Capital Securities. The payment of Distributions and other amounts payable on the New Capital Securities (if and to the extent the Trust has funds legally available for and cash sufficient to make such payments) is guaranteed by the Company on a limited basis as set forth herein under "Description of New Guarantee."

#### REDEMPTION

Upon the repayment or redemption, in whole or in part, of the Junior Subordinated Debentures, whether at maturity or upon earlier redemption as provided in the Junior Subordinated Indenture, the proceeds from such repayment or redemption shall be applied by the Property Trustee to redeem a Like Amount (as defined below) of the Trust Securities, upon not less than 30 nor more than 60 days notice, at a redemption price (the "Redemption Price") equal to the aggregate Liquidation Amount of such New Capital Securities plus accumulated but unpaid Distributions thereon to but excluding the date of redemption (the "Redemption Date") and the related amount of the premium, if any, paid by the Company upon the concurrent redemption of such Junior Subordinated Debentures. See "Description of New Junior Subordinated Debentures -- Redemption." If less than all the Junior Subordinated Debentures are to be repaid or redeemed on a Redemption Date, then the proceeds from such repayment or redemption shall be allocated to the redemption Pro Rata of the New Capital Securities and the Common Securities. The amount of premium, if any, paid by the Company upon the redemption of all or any part of the Junior Subordinated Debentures to be repaid or redeemed on a Redemption Date shall be allocated to the redemption Pro Rata of the New Capital Securities and the Common Securities.

The Company has the right to redeem the Junior Subordinated Debentures (i) on or after July 15, 2008, in whole at any time or in part from time to time, or (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 Event, in each case subject to possible regulatory approval. See " -- Liquidation Distribution Upon Dissolution." A redemption of the Junior Subordinated Debentures would cause a mandatory redemption of a Like Amount of the Capital Securities and Common Securities at the Redemption Price.

The Redemption Price, in the case of a redemption under (i) above, shall equal the following prices, expressed in percentages of the Liquidation Amount (as defined below), together with accumulated Distributions to but excluding the date fixed for redemption, if redeemed during the 12-month period beginning July 15:

YEAR	REDEMPTION PRICE
2008 .....	104.06%
2009 .....	103.66
2010 .....	103.25
2011 .....	102.84
2012 .....	102.44
2013 .....	102.03
2014 .....	101.63
2015 .....	101.22
2016 .....	100.81
2017 .....	100.41

and at 100% on or after July 15, 2018.

The Redemption Price, in the case of a redemption on or after July 15, 2008 following a Tax Event, Investment Company Event or Capital Treatment Event shall equal the Redemption Price then applicable to a redemption under (i) above. The Redemption Price, in the case of a redemption prior to July 15, 2008 following a Tax Event, Investment Company Event or Capital Treatment Event as described under (ii) above, will equal for each Capital Security the Make-Whole Amount for a corresponding \$1,000 principal amount of Junior Subordinated Debentures together with accumulated Distributions to but excluding the date fixed for redemption. The "Make-Whole Amount" will be equal to the greater of (i) 100% of the principal amount of such Junior Subordinated Debentures and (ii) as determined by a Quotation Agent (as defined below), the sum of the present values of the principal amount and premium payable as part of the Redemption Price with respect to an optional redemption of such Junior Subordinated Debentures on July 15, 2008, together with the present values of scheduled payments of interest (not including the portion of any such payments of interest accrued as of the Redemption Date) from the Redemption Date to July 15, 2008 (the "Remaining Life"), in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the Treasury Rate plus (i) 200 basis points if such Redemption Date occurs on or before July 15, 1999 or (ii) 150 basis points if such Redemption Date occurs after July 15, 1999.

"Treasury Rate" means (i) the yield, under the heading which represents the average for the week immediately prior to the calculation date, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

"Business Day" means a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the City of New York or the City of Blairsville, Georgia are authorized or required by law or executive order to remain closed, or (c) a day on which the Property Trustee's Corporate Trust Office or the Corporate Trust Office of the Debenture Trustee is closed for business.

"Like Amount" means (i) with respect to a redemption of Trust Securities, Trust Securities having a Liquidation Amount (as defined below) equal to that portion of the principal amount of Junior Subordinated Debentures to be contemporaneously redeemed in accordance with the Junior Subordinated Indenture, allocated to the Common Securities and to the New

Capital Securities based upon the relative Liquidation Amounts of such classes and (ii) with respect to a distribution of Junior Subordinated Debentures to holders of Trust Securities in connection with a dissolution or liquidation of the Trust, Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the holder to whom such Junior Subordinated Debentures are distributed.

"Liquidation Amount" means the stated amount of \$1,000 per Trust Security.

PAYMENT OF ADDITIONAL SUMS. If a Tax Event described in clause (i) or (iii) of the definition of Tax Event above has occurred and is continuing and the Trust is the holder of all the Junior Subordinated Debentures, the Company will pay Additional Sums (as defined below), if any, on the Junior Subordinated Debentures.

"Additional Sums" means the additional amounts as may be necessary in order that the amount of Distributions then due and payable by the Trust on the outstanding New Capital Securities and Common Securities of the Trust will not be reduced as a result of any additional taxes, duties and other governmental charges to which the Trust has become subject as a result of a Tax Event.

#### REDEMPTION PROCEDURES

Capital Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the applicable proceeds from the contemporaneous redemption of the Junior Subordinated Debentures. Redemptions of the New Capital Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Trust has funds on hand available for the payment of such Redemption Price. See also " -- Subordination of Common Securities."

If the Trust gives a notice of redemption in respect of any New Capital Securities, then, by 12:00 noon, New York City time, on the Redemption Date, to the extent funds are available, in the case of New Capital Securities held in book-entry form, the Property Trustee will deposit irrevocably with DTC funds sufficient to pay the applicable Redemption Price and will give DTC irrevocable instructions and authority to pay the Redemption Price to the holders of the New Capital Securities. With respect to New Capital Securities not held in book-entry form, the Property Trustee, to the extent funds are available, will irrevocably deposit with the paying agent for the New Capital Securities funds sufficient to pay the applicable Redemption Price and will give such paying agent irrevocable instructions and authority to pay the Redemption Price to the holders thereof upon surrender of their certificates evidencing the New Capital Securities. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any New Capital Securities called for redemption shall be payable to the holders of the New Capital Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit all rights of the holders of such New Capital Securities so called for redemption will cease, except the right of the holders of such New Capital Securities to receive the Redemption Price, and any distribution payable in respect of the New Capital Securities, but without interest on such Redemption Price, and such New Capital Securities will cease to be outstanding. If any date fixed for redemption of New Capital Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of New Capital Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Guarantee as described under "Description of New Guarantee," distributions on such New Capital Securities will continue to accumulate at the then applicable rate, from the Redemption Date originally established by the Trust for such New Capital Securities to the date such Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the Redemption Price.

Subject to applicable law (including, without limitation, United States Federal securities laws), the Company or its affiliates may at any time and from time to time purchase outstanding New Capital Securities by tender, in the open market or by private agreement, and may resell such securities.

If less than all the Capital Securities and Common Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of such New Capital Securities and Common Securities to be redeemed shall be allocated PRO RATA to the New Capital Securities and the Common Securities based upon the relative Liquidation Amounts of such classes. The particular New Capital Securities to be redeemed shall be selected on a PRO RATA basis not more than 60 days prior to the Redemption Date by the Property Trustee from the outstanding New Capital Securities not previously called for redemption, or if the New Capital Securities are then held in the form of a Global Capital Security (as defined below), in accordance with DTC's customary procedures. The Property Trustee shall promptly notify the securities registrar for the

Trust Securities in writing of the New Capital Securities selected for redemption and, in the case of any New Capital Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of the Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of New Capital Securities shall relate, in the case of any New Capital Securities redeemed or to be redeemed only in part, to the portion of the aggregate Liquidation Amount of New Capital Securities which has been or is to be redeemed.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each registered holder of New Capital Securities to be redeemed at its address appearing on the securities register for the Trust Securities. Unless the Company defaults in payment of the Redemption Price on the Junior Subordinated Debentures, on and after the Redemption Date interest will cease to accrue on the Junior Subordinated Debentures or portions thereof (and, unless payment of the Redemption Price in respect of the New Capital Securities is withheld or refused and not paid either by the Trust or the Company pursuant to the Guarantee, Distributions will cease to accumulate on the New Capital Securities or portions thereof) called for redemption.

#### SUBORDINATION OF COMMON SECURITIES

Payment of Distributions on, the Liquidation Distribution in respect of, and the Redemption Price of, the New Capital Securities and Common Securities, as applicable, shall be made PRO RATA based on the Liquidation Amount of such New Capital Securities and Common Securities. However, if on any Distribution Date or Redemption Date a Debenture Event of Default has occurred and is continuing as a result of any failure by the Company to pay any amounts in respect of the Junior Subordinated Debentures when due, no payment of any Distribution on, or Liquidation Distribution in respect of, or the Redemption Price of, any of the Common Securities, and no other payment on account of the redemption, liquidation or other acquisition of such Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions on all the outstanding New Capital Securities for all Distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price the full amount of such Redemption Price on all the outstanding New Capital Securities then called for redemption, or in the case of payment of the Liquidation Distribution, the full amount of such Liquidation Distribution on all outstanding New Capital Securities, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions on, or Redemption Price of, the New Capital Securities then due and payable. The existence of an Event of Default (as defined below) does not entitle the holders of New Capital Securities to accelerate the maturity thereof.

In the case of any Event of Default resulting from a Debenture Event of Default, the holders of the Common Securities will be deemed to have waived any right to act with respect to any such Event of Default under the Trust Agreement until the effects of all such Events of Default with respect to such New Capital Securities have been cured, waived or otherwise eliminated. See " -- Events of Default; Notice" and "Description of New Junior Subordinated Debentures -- Debenture Events of Default." Until all such Events of Default under the Trust Agreement with respect to the New Capital Securities have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the New Capital Securities and not on behalf of the holders of the Common Securities, and only the holders of the New Capital Securities will have the right to direct the Property Trustee to act on their behalf.

#### LIQUIDATION DISTRIBUTION UPON DISSOLUTION

The amount payable on the Capital Securities in the event of any liquidation of the Trust is \$1,000 per Capital Security plus accumulated and unpaid Distributions to the date of payment, subject to certain exceptions, which may be in the form of a distribution of such amount in Junior Subordinated Debentures.

The holders of all the outstanding Common Securities have the right at any time to dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities and Common Securities in liquidation of the Trust.

The Federal Reserve's risk-based capital guidelines currently provide that redemptions of permanent equity or other capital instruments before stated maturity could have a significant impact on a bank holding company's overall capital structure and that any organization considering such a redemption should consult with the Federal Reserve before redeeming any equity or capital instrument prior to maturity if such redemption could have a material effect on the level or composition of the organization's capital base (unless the equity or capital instrument were redeemed with the proceeds of, or replaced by, a like amount of a similar or higher quality capital instrument and the Federal Reserve considers the organization's capital position to be fully adequate after the redemption).

In the event the Company, while a holder of Common Securities, dissolves the Trust prior to the Stated Maturity of the New Capital Securities and the dissolution of the Trust is deemed to constitute the redemption of capital instruments by the Federal Reserve under its risk-based capital guidelines or policies, the dissolution of the Trust by the Company may be subject to the prior approval of the Federal Reserve. Moreover, any changes in applicable law or changes in the Federal Reserve's risk-based capital guidelines or policies could impose a requirement on the Company that it obtain the prior approval of the Federal Reserve to dissolve the Trust.

Pursuant to the Trust Agreement, the Trust will automatically dissolve upon expiration of its term or, if earlier, will dissolve on the first to occur of: (i) certain events of bankruptcy, dissolution or liquidation of the Company or the holder of the Common Securities, (ii) if the holders of Common Securities have given written direction to the Property Trustee to dissolve the Trust (which direction, subject to the foregoing restrictions, is optional and wholly within the discretion of the holders of Common Securities), (iii) the repayment of all the Capital Securities in connection with the redemption of all the Junior Subordinated Debentures as described under " -- Redemption" and (iv) the entry of an order for the dissolution of the Trust by a court of competent jurisdiction.

If dissolution of the Trust occurs upon expiration of its term or as described in clause (i), (ii) or (iv) above, the Trust will be liquidated by the Property Trustee as expeditiously as the Property Trustee determines to be possible by distributing, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to the holders of such Trust Securities a Like Amount of the Junior Subordinated Debentures, unless such distribution is not practical, in which event such holders will be entitled to receive out of the assets of the Trust available for distribution to holders, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to, in the case of holders of New Capital Securities, the aggregate of the Liquidation Amount plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on its New Capital Securities shall be paid on a pro rata basis. The holders of the Common Securities will be entitled to receive distributions upon any such liquidation pro rata with the holders of the New Capital Securities, except that if a Debenture Event of Default has occurred and is continuing as a result of any failure by the Company to pay any amounts in respect of the Junior Subordinated Debentures when due, the New Capital Securities shall have a priority over the Common Securities. See " -- Subordination of Common Securities."

After the liquidation date is fixed for any distribution of Junior Subordinated Debentures (i) the New Capital Securities will no longer be deemed to be outstanding, (ii) DTC or its nominee, as the registered holder of New Capital Securities, will receive a registered global certificate or certificates representing the Junior Subordinated Debentures to be delivered upon such distribution with respect to New Capital Securities held by DTC or its nominee and (iii) any certificates representing the New Capital Securities not held by DTC or its nominee will be deemed to represent the Junior Subordinated Debentures having a principal amount equal to the stated Liquidation Amount of the New Capital Securities and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on the New Capital Securities until such certificates are presented to the security registrar for the Trust Securities for transfer or reissuance.

If the Company does not redeem the Junior Subordinated Debentures prior to the Stated Maturity and the Trust is not liquidated and the Junior Subordinated Debentures are not distributed to holders of the New Capital Securities, the New Capital Securities will remain outstanding until the repayment of the Junior Subordinated Debentures and the distribution of the Liquidation Distribution to the holders of the New Capital Securities.

There can be no assurance as to the market prices for the Capital Securities or the Junior Subordinated Debentures that may be distributed in exchange for Capital Securities if a dissolution and liquidation of the Trust were to occur. Accordingly, the New Capital Securities that an investor may purchase, or the Junior Subordinated Debentures that the investor may receive on dissolution and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the New Capital Securities offered hereby.

#### EVENTS OF DEFAULT; NOTICE

Any one of the following events constitutes an "Event of Default" under the Trust Agreement (an "Event of Default") with respect to the Capital Securities (whatever the reason for such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (i) the occurrence of a Debenture Event of Default (see "Description of New Junior Subordinated Debentures -- Debenture Events of Default"); or



- (ii) default by the Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days; or
- (iii) default by the Trust in the payment of any Redemption Price of any Trust Security when it becomes due and payable; or
- (iv) default in the performance, or breach, in any material respect, of any covenant or warranty of the Issuer Trustees in the Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (ii) or (iii) above), and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Issuer Trustees and the Company by the holders of at least 25% in aggregate Liquidation Amount of the outstanding New Capital Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Trust Agreement; or
- (v) the occurrence of certain events of bankruptcy or insolvency with respect to the Property Trustee if a successor Property Trustee has not been appointed within 90 days thereof.

Within five Business Days after the occurrence of any Event of Default actually known to the Property Trustee, the Property Trustee will transmit notice of such Event of Default to the holders of Trust Securities and the Administrators, unless such Event of Default has been cured or waived. The Company, as Depositor, and the Administrators are required to file annually with the Property Trustee a certificate as to whether or not they are in compliance with all the conditions and covenants applicable to them under the Trust Agreement.

If a Debenture Event of Default has occurred and is continuing as a result of any failure by the Company to pay any amounts in respect of the Junior Subordinated Debentures when due, the New Capital Securities will have a preference over the Common Securities with respect to payments of any amounts in respect of the New Capital Securities as described above. See " -- Subordination of Common Securities," " -- Liquidation Distribution Upon Dissolution" and "Description of New Junior Subordinated Debentures -- Debenture Events of Default."

#### REMOVAL OF ISSUER TRUSTEES; APPOINTMENT OF SUCCESSORS

The holders of at least a majority in aggregate Liquidation Amount of the outstanding Capital Securities may remove an Issuer Trustee for cause (including the bankruptcy or insolvency of the Trust) or, if a Debenture Event of Default has occurred and is continuing, with or without cause. If an Issuer Trustee resigns, is removed by the holders of the outstanding New Capital Securities, or is incapable of acting as Issuer Trustee, the Company shall appoint a successor Issuer Trustee. Within one year after such appointment, the holders of not less than 25% in Liquidation Amount of the outstanding New Capital Securities may appoint a successor. If a successor has not been appointed by the Company or the holders, any holder of New Capital Securities or Common Securities or the other Issuer Trustee may petition a court in the State of Delaware to appoint a successor. Any Delaware Trustee must meet the applicable requirements of Delaware law. Any Property Trustee must be a national or state-chartered bank, and at the time of appointment have securities rated in one of the three highest rating categories by a nationally recognized statistical rating organization and have a combined capital and surplus of at least \$50,000,000. No resignation or removal of an Issuer Trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the Trust Agreement.

#### MERGER OR CONSOLIDATION OF ISSUER TRUSTEES

Any entity into which the Property Trustee or the Delaware Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which such Issuer Trustee is a party, or any entity succeeding to all or substantially all of the corporate trust business of such Issuer Trustee, will be the successor of such Issuer Trustee under the Trust Agreement, provided such entity is otherwise qualified and eligible.

#### MERGERS, CONSOLIDATIONS, AMALGAMATIONS OR REPLACEMENTS OF THE TRUST

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any entity, except as described below or as otherwise set forth in the Trust Agreement. The Trust may, at the request of the holders of the Common Securities and with the consent of the holders of at least a majority in aggregate Liquidation Amount of the outstanding New Capital Securities, merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any State, so long as (i) such successor entity either (a) expressly assumes all the obligations of the Trust with respect to the New Capital Securities or (b) substitutes for the





securities having substantially the same terms as the New Capital Securities (the "Successor Securities") so long as the Successor Securities have the same priority as the New Capital Securities with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) a trustee of such successor entity, possessing the same powers and duties as the Property Trustee, is appointed to hold the Junior Subordinated Debentures, (iii) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the New Capital Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the New Capital Securities (including any Successor Securities) in any material respect, (v) such successor entity has a purpose substantially identical to that of the Trust, (vi) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Trust has received an opinion from independent counsel experienced in such matters to the effect that (a) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the New Capital Securities (including any Successor Securities) in any material respect and (b) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act, and (vii) the Company or any permitted successor or assignee owns all the common securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust may not, except with the consent of holders of 100% in aggregate Liquidation Amount of the New Capital Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be taxable other than as a grantor trust for United States federal income tax purposes.

#### VOTING RIGHTS; AMENDMENT OF TRUST AGREEMENT

Except as provided below and under " -- Removal of Trustees; Appointment of Successors" and "Description of New Guarantee -- Amendments and Assignment" and as otherwise required by law and the Trust Agreement, the holders of the Capital Securities will have no voting rights. Holders shall be entitled to one vote for each \$1,000 of Liquidation Amount represented by their outstanding Trust Securities as to which such holders are entitled to vote.

The Trust Agreement may be amended from time to time by the holders of a majority in Liquidation Amount of the Common Securities and the Property Trustee, without the consent of the holders of the Capital Securities, (i) to cure any ambiguity, correct or supplement any provisions in the Trust Agreement that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Trust Agreement, provided that any such amendment does not adversely affect in any material respect the interests of any holder of Trust Securities, or (ii) to modify, eliminate or add to any provisions of the Trust Agreement to such extent as may be necessary to ensure that the Trust will not be taxable other than as a grantor trust for United States federal income tax purposes at any time that any Trust Securities are outstanding or to ensure that the Trust will not be required to register as an "investment company" under the Investment Company Act. Any amendments to the Trust Agreement will become effective when notice of such amendment is given to the holders of Trust Securities. The Trust Agreement may be amended by the holders of a majority of the Common Securities and the Property Trustee with (i) the consent of holders representing not less than a majority in aggregate Liquidation Amount of the outstanding New Capital Securities and (ii) receipt by the Issuer Trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the Issuer Trustees in accordance with such amendment will not affect the Trust's not being taxable other than as a grantor trust for United States federal income tax purposes or the Trust's exemption from status as an "investment company" under the Investment Company Act, except that, without the consent of each holder of Trust Securities affected thereby, the Trust Agreement may not be amended to (x) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date or (y) restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date.

So long as any Junior Subordinated Debentures are held by the Property Trustee on behalf of the Trust, the Property Trustee will not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or execute any trust or power conferred on the Property Trustee with respect to the Junior Subordinated Debentures, (ii) waive any past default that is waivable under Section 5.13 of the Junior Subordinated Indenture, (iii) exercise any right to rescind or annul a declaration that the Junior Subordinated Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Junior Subordinated Indenture or the Junior Subordinated Debentures,

where such consent shall be required, without, in each case, obtaining the prior approval of the holders of at least a majority in aggregate Liquidation Amount of the New Capital Securities, except that, if a consent under the Junior Subordinated Indenture would require the consent of each holder of Junior Subordinated Debentures affected thereby, no such consent will be given by the Property Trustee without the prior written consent of each holder of the New Capital Securities. The Property Trustee may not revoke any action previously authorized or approved by a vote of the holders of the New Capital Securities except by subsequent vote of the holders of the New Capital Securities. The Property Trustee will notify each holder of New Capital Securities of any notice of default with respect to the Junior Subordinated Debentures. In addition to obtaining the foregoing approvals of the holders of the New Capital Securities, before taking any of the foregoing actions, the Property Trustee will obtain an opinion of counsel experienced in such matters to the effect that the Trust will not be taxable other than as a grantor trust for United States federal income tax purposes on account of such action.

Any required approval of holders of New Capital Securities may be given at a meeting of holders of New Capital Securities convened for such purpose or pursuant to written consent. The Property Trustee will cause a notice of any meeting at which holders of New Capital Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each registered holder of New Capital Securities in the manner set forth in the Trust Agreement.

No vote or consent of the holders of New Capital Securities will be required to redeem and cancel New Capital Securities in accordance with the Trust Agreement.

Notwithstanding that holders of New Capital Securities are entitled to vote or consent under any of the circumstances described above, any of the New Capital Securities that are owned by the Company, the Issuer Trustees or any affiliate of the Company or any Issuer Trustees, will, for purposes of such vote or consent, be treated as if they were not outstanding.

#### BOOK-ENTRY, DELIVERY AND FORM

The New Capital Securities will be issued in fully registered form and in minimum blocks of at least 100 New Capital Securities (representing a minimum of \$100,000 aggregate Liquidation Amount). The New Capital Securities must at all times be held in blocks of at least 100.

The New Capital Securities may be evidenced by a global Capital Security certificate (the "Global Capital Security") which will be deposited with, or on behalf of, DTC and registered in the name of Cede & Co. as DTC's nominee. Except as set forth below, record ownership of the Global Capital Security may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

A person may hold its interest in the Global Capital Security directly through DTC if such person is a participant in DTC, or indirectly through organizations that are participants in DTC ("Participants"). Transfers between Participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

Persons who are not Participants may beneficially own interests in the Global Capital Security held by DTC only through Participants or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants"). So long as Cede, as the nominee of DTC, is the registered holder of the Global Capital Security, Cede for all purposes will be considered the sole holder of the Global Capital Security. Except as provided below, owners of beneficial interests in the Global Capital Security will not be entitled to have certificates registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered holders thereof.

Payment of Distributions on, and the Redemption Price of, the Global Capital Security will be made to Cede, the nominee for DTC, as the registered holder of the Global Capital Security, by wire transfer of immediately available funds on each Distribution Date or Redemption Date. Neither the Company nor the Issuer Trustees (or any Administrator, securities registrar, paying agent or exchange agent under the Trust Agreement) will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Capital Security, for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for the performance by DTC or its Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

The Company and the Trust have been informed by DTC that, with respect to any payment of Distributions on, or the Redemption Price of, the Global Capital Security, DTC's practice is to credit Participants' accounts on the payment date thereof with payments in amounts proportionate to their respective beneficial interests in the New Capital Securities represented by the Global Capital Security, as shown on the records of DTC (adjusted as necessary so that such payments are



made with respect to whole New Capital Securities only), unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to owners of beneficial interests in New Capital Securities represented by the Global Capital Security held through such Participants will be the responsibility of such Participants, as is the case with securities held for the accounts of customers registered in "street name."

Because DTC can only act on behalf of Participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in New Capital Securities represented by the Global Capital Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest. Furthermore, the laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Global Capital Security to such persons may be limited.

DTC has advised the Company and the Trust that it will take any action permitted to be taken by a holder of New Capital Securities only at the direction of one or more Participants to whose account with DTC interests in the Global Capital Security are credited and only in respect of the aggregate Liquidation Amount of the New Capital Securities represented by the Global Capital Security as to which such Participant or Participants has or have given such direction.

DTC has advised the Company and the Trust as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic book entry changes to accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations such as the Initial Purchaser. Certain of such Participants (or their representatives), together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with a Participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Capital Security among Participants of DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. The Global Capital Security is exchangeable for definitive New Capital Securities in registered certificated form if (i) DTC advises the Company and the Property Trustee in writing that it is no longer willing or able to properly discharge its responsibilities with respect to the Global Capital Security, and the Company is unable to locate a qualified successor, (ii) the Trust at its option advises DTC in writing that it elects to terminate the book-entry system through DTC or (iii) there shall occur and be continuing an Event of Default. In all cases, certificated New Capital Securities delivered in exchange for any Global Capital Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the restrictive legend referenced in "Notice to Investors," unless the Property Trustee (based upon an opinion of counsel) determines otherwise in compliance with applicable law.

So long as DTC or its nominee is the registered holder of the Global Capital Security, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the New Capital Securities represented by the Global Capital Security for all purposes under the Trust Agreement. Except as provided above, owners of beneficial interests in the Global Capital Security will not be entitled to have any of the individual New Capital Securities represented by the Global Capital Security registered in their names, will not receive or be entitled to receive physical delivery of any such New Capital Securities in definitive form and will not be considered the owners or holders thereof under the Trust Agreement.

#### EXPENSES AND TAXES

In the Trust Agreement, the Company, has agreed to pay all debts and other obligations (other than with respect to the New Capital Securities) and all costs and expenses of the Trust (including costs and expenses relating to the organization of the Trust, the fees and expenses of the Issuer Trustees and the costs and expenses relating to the operation of the Trust) and to pay any and all taxes and all costs and expenses with respect thereto (other than United States withholding taxes) to which the Trust might become subject. The foregoing obligations of the Company under the Trust Agreement are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations of the Company directly against the Company, and the Company has irrevocably waived any right or remedy to require that



any such Creditor take any action against the Trust or any other person before proceeding against the Company. The Company has also agreed in the Trust Agreement to execute such additional agreements as may be necessary or desirable to give full effect to the foregoing.

#### RESTRICTIONS ON TRANSFER

The New Capital Securities will be issued, and may be transferred only, in blocks having a Liquidation Amount of not less than \$100,000 (100 New Capital Securities). Any such transfer of New Capital Securities in a block having a Liquidation Amount of less than \$100,000 shall be deemed to be void and of no legal effect whatsoever. Any such transferee shall be deemed not to be the holder of such New Capital Securities for any purpose, including but not limited to the receipt of Distributions on such New Capital Securities, and such transferee shall be deemed to have no interest whatsoever in such New Capital Securities.

#### PAYMENT AND PAYING AGENCY

Payments in respect of the New Capital Securities will be made to DTC, which will credit the relevant accounts at DTC on the applicable Distribution Dates or, if the New Capital Securities are not held by DTC, such payments will be made by check mailed to the address of the holder entitled thereto as such address appears on the securities register for the Trust Securities. The paying agent (the "Paying Agent") initially will be the Property Trustee and any co-paying agent chosen by the Property Trustee and acceptable to the Administrators. The Paying Agent will be permitted to resign as Paying Agent upon 30 days' written notice to the Property Trustee and the Administrators. If the Property Trustee is no longer the Paying Agent, the Property Trustee will appoint a successor (which must be a bank or trust company reasonably acceptable to the Administrators) to act as Paying Agent.

#### REGISTRAR AND TRANSFER AGENT

The Property Trustee will act as registrar and transfer agent for the New Capital Securities. Registration of transfers of New Capital Securities will be effected without charge by or on behalf of the Trust, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. Neither the Trust nor the Property Trustee will be required to register or cause to be registered the transfer of the New Capital Securities or a portion thereof after the New Capital Securities or a portion thereof have been called for redemption.

#### INFORMATION CONCERNING THE PROPERTY TRUSTEE

The Property Trustee, other than during the occurrence and continuance of an Event of Default, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such Event of Default, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of New Capital Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby.

For information concerning the relationships between The Chase Manhattan Bank, the Property Trustee, and the Company, see "Description of New Junior Subordinated Debentures -- Information Concerning the Debenture Trustee."

#### MISCELLANEOUS

The Administrators and the Property Trustee are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act or taxable other than as a grantor trust for United States federal income tax purposes and so that the Junior Subordinated Debentures will be treated as indebtedness of the Company for United States federal income tax purposes. In this connection, the Property Trustee and the holders of Common Securities are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the Trust or the Trust Agreement, that the Property Trustee and the holders of Common Securities determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially adversely affect the interests of the holders of the New Capital Securities.

Holders of the New Capital Securities have no preemptive or similar rights.

The Trust may not borrow money or issue debt or mortgage or pledge any of its assets.

#### GOVERNING LAW

The Trust Agreement is governed by and construed in accordance with the





## DESCRIPTION OF NEW JUNIOR SUBORDINATED DEBENTURES

The Old Junior Subordinated Debentures were, and the New Junior Subordinated Debentures will be issued, issued under the Junior Subordinated Indenture. This summary of certain terms and provisions of the Junior Subordinated Debentures and the Junior Subordinated Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Junior Subordinated Indenture, including the definitions therein of certain terms. Whenever particular defined terms of the Junior Subordinated Indenture (as amended or supplemented from time to time) are referred to herein, such defined terms are incorporated herein by reference. A copy of the form of Junior Subordinated Indenture is available from the Debenture Trustee upon request.

### GENERAL

Concurrently with the issuance of the Capital Securities, the Trust invested the proceeds thereof, together with the consideration paid by the Company for the Common Securities, in the Old Junior Subordinated Debentures issued by the Company. Pursuant to the Exchange Offer, the Company will exchange the Old Junior Subordinated Debenture in an amount corresponding to the Old Capital Securities accepted for exchange, for a like principal amount of New Junior Subordinated Debentures. The New Junior Subordinated Debentures will bear interest, accruing from the date of original issuance, at a rate equal to 8.125% per annum on the principal amount thereof, payable semiannually in arrears on the 15th day of January and July of each year (each, an "Interest Payment Date"), commencing January 15, 1999, to the person in whose name each Junior Subordinated Debenture is registered at the close of business on December 31 or June 30 (whether or not a Business Day) next preceding such Interest Payment Date. It is anticipated that, until the liquidation of the Trust, each New Junior Subordinated Debenture will be registered in the name of the Trust and held by the Property Trustee in trust for the benefit of the holders of the Trust Securities. The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The amount of interest payable for any full interest period will be computed by dividing the rate per annum by two. If any date on which interest is payable on the Junior Subordinated Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date such payment was originally payable. Accrued interest that is not paid on the applicable Interest Payment Date will bear additional interest on the amount thereof (to the extent permitted by law) at a rate equal to 8.125% per annum, compounded semi-annually and computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The amount of additional interest payable for any full interest period will be computed by dividing the rate per annum by two. The term "interest" as used herein includes semi-annual interest payments, interest on semi-annual interest payments not paid on the applicable Interest Payment Date and Additional Sums (as defined below), as applicable.

The New Junior Subordinated Debentures will mature on July 15, 2028.

The New Junior Subordinated Debentures will be unsecured and will rank junior and be subordinate in right of payment to all Senior Indebtedness of the Company. Because the Company is a bank holding company, the right of the Company to participate in any distribution of assets of the Banks upon their liquidation or reorganization or otherwise (and thus the ability of holders of the Capital Securities to benefit indirectly from such distribution) is subject to the prior claims of creditors of the Banks, except to the extent that the Company may itself be recognized as a creditor of the Banks. The Junior Subordinated Debentures will not be subject to a sinking fund and will not be eligible as collateral for any loan made by the Company. The Junior Subordinated Indenture does not limit the incurrence or issuance of other secured or unsecured debt by the Company, including Senior Indebtedness, whether under the Junior Subordinated Indenture or any existing or other indenture or agreement that the Company may enter into in the future or otherwise. See " -- Subordination."

### OPTION TO EXTEND INTEREST PAYMENT PERIOD

So long as no Debenture Event of Default has occurred and is continuing, the Company has the right at any time during the term of the Junior Subordinated Debentures to defer the payment of interest at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each Extension Period, provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. At the end of such Extension Period, the Company must pay all interest then accrued and unpaid (together with interest thereon at a rate equal to 8.125% per annum, compounded semi-annually and computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period, to the extent permitted by applicable law). The amount of additional interest payable for any full interest period will be computed by dividing the rate per annum by two. During an Extension Period,

interest will continue to accrue and holders of Junior Subordinated Debentures (or holders of Capital Securities while outstanding) will be required to accrue original issue discount income for United States federal income tax purposes. See "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount."

During any such Extension Period, the Company may not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, stock or other property under any shareholder rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights (where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Extension Period may exceed 10 consecutive semi-annual periods, extend beyond the Stated Maturity of the Junior Subordinated Debentures or end on a date other than an Interest Payment Date. Upon the termination of any such Extension Period and the payment of all amounts then due, the Company may elect to begin a new Extension Period subject to the above conditions. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company must give the Issuer Trustees notice of its election of such Extension Period at least one Business Day prior to the earlier of (i) the date the Distributions on the Capital Securities would have been payable but for the election to begin such Extension Period and (ii) the date the Property Trustee is required to give notice to holders of the Capital Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date. The Property Trustee will give notice of the Company's election to begin a new Extension Period to the holders of the Capital Securities. There is no limitation on the number of times that the Company may elect to begin an Extension Period.

#### REDEMPTION

The Junior Subordinated Debentures are redeemable prior to maturity at the option of the Company (i) on or after July 15, 2008, in whole at any time or in part from time to time, or (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 Event (each as defined under "Description of New Capital Securities -- Redemption"), in each case at the redemption price described below. The proceeds of any such redemption will be used by the Trust to redeem the Capital Securities.

The Federal Reserve's risk-based capital guidelines, which are subject to change, currently provide that redemptions of permanent equity or other capital instruments before stated maturity could have a significant impact on a bank holding company's overall capital structure and that any organization considering such a redemption should consult with the Federal Reserve before redeeming any equity or capital instrument prior to maturity if such redemption could have a material effect on the level or composition of the organization's capital base (unless the equity or capital instrument were redeemed with the proceeds of, or replaced by, a like amount of a similar or higher quality capital instrument and the Federal Reserve considers the organization's capital position to be fully adequate after the redemption).

The redemption of the Junior Subordinated Debentures by the Company prior to their Stated Maturity would constitute the redemption of capital instruments under the Federal Reserve's current risk-based capital guidelines and may be subject to the prior approval of the Federal Reserve. The Redemption Price for Junior Subordinated Debentures in the case of a redemption under (i) above shall equal the following prices, expressed in percentages of the principal amount, together with accrued interest to but excluding the date fixed for redemption. If redeemed during the 12-month period beginning July 15:

YEAR	REDEMPTION PRICE
2008	104.06%
2009	103.66
2010	102.84
2011	102.84
2012	102.44
2013	102.03
2014	101.63
2015	101.22
2016	100.81
2017	100.41

and at 100% on or after July 15, 2018.

The Redemption Price in the case of a redemption on or after July 15, 2008 following a Tax Event, Investment Company Event or Capital Treatment Event shall equal the Redemption Price then applicable to a redemption under (i) above. The Redemption Price for Junior Subordinated Debentures, in the case of a redemption prior to July 15, 2008 following a Tax Event, Investment Company Event or Capital Treatment Event as described under (ii) above, will equal the Make-Whole Amount (as defined under "Description of New Capital Securities -- Redemption"), together with accrued interest to but excluding the date fixed for redemption.

#### ADDITIONAL SUMS

The Company has covenanted in the Indenture that, if and for so long as (i) the Trust is the holder of all Junior Subordinated Debentures and (ii) the Trust is required to pay any additional taxes, duties or other governmental charges as a result of a Tax Event, the Company will pay as additional sums on the Junior Subordinated Debentures such amounts as may be required so that the Distributions payable by the Trust will not be reduced as a result of any such additional taxes, duties or other governmental charges. See "Description of New Capital Securities -- Redemption."

#### REGISTRATION, DENOMINATION AND TRANSFER

The New Junior Subordinated Debentures will initially be registered in the name of the Trust. If the Junior Subordinated Debentures are distributed to holders of Capital Securities, it is anticipated that the depository arrangements for the Junior Subordinated Debentures will be substantially identical to those in effect for the Capital Securities. See "Description of New Capital Securities -- Book Entry, Delivery and Form."

Although DTC has agreed to the procedures described above, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. If DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days of receipt of notice from DTC to such effect, the Company will cause the Junior Subordinated Debentures to be issued in definitive form.

Payments on New Junior Subordinated Debentures represented by a global security will be made to Cede, the nominee for DTC, as the registered holder of the Junior Subordinated Debentures, as described under "Description of the Capital Securities -- Book Entry, Delivery and Form." If Junior Subordinated Debentures are issued in certificated form, principal and interest will be payable, the transfer of the Junior Subordinated Debentures will be registrable and Junior Subordinated Debentures will be exchangeable for Junior Subordinated Debentures of other authorized denominations of a like aggregate principal amount, at the corporate trust office of the Debenture Trustee in New York, New York or at the offices of any Paying Agent or transfer agent appointed by the Company, provided that payment of interest may be made at the option of the Company by check mailed to the address of the persons entitled thereto. However, a holder of \$1.0 million or more in aggregate principal amount of Junior Subordinated Debentures may receive payments of interest (other than interest payable at the Stated Maturity) by wire transfer of immediately available funds upon written request to the Debenture Trustee not later than 15 calendar days prior to the date on which the interest is payable.

The New Junior Subordinated Debentures will be issuable only in registered form without coupons in integral multiples of \$1,000. The minimum purchase requirement will be \$100,000 (100 Junior Subordinated Debentures). Junior Subordinated Debentures will be exchangeable for other Junior Subordinated Debentures of like tenor, of any authorized denominations, and of a like aggregate principal amount.

New Junior Subordinated Debentures may be presented for exchange as provided above, and may be presented for registration of transfer (with the form of transfer endorsed thereon, or a satisfactory written instrument of transfer, duly executed), at the office of the securities registrar appointed under the Junior Subordinated Indenture or at the office of any transfer agent designated by the Company for such purpose without service charge and upon payment of any taxes and other governmental charges as described in the Junior Subordinated Indenture. The Company will appoint the Debenture Trustee as securities registrar under the Junior Subordinated Indenture. The Company may at any time designate additional transfer agents with respect to the Junior Subordinated Debentures.

In the event of any redemption, neither the Company nor the Debenture Trustee shall be required to (i) issue, register the transfer of or exchange New Junior Subordinated Debentures during a period beginning at the opening of business 15 days before the day of selection for redemption of the Junior Subordinated Debentures to be redeemed and ending at the close of business on the day of mailing of the relevant notice of redemption or (ii) to register the transfer or exchange of any Junior Subordinated Debentures so selected for redemption, except, in the case of any Junior Subordinated Debentures being redeemed in part, any portion thereof not to be redeemed.

Any monies deposited with the Debenture Trustee or any paying agent, or then held by the Company in trust, for the payment of the principal of (and premium, if any) or interest on any Junior Subordinated Debenture and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall, at the request of the Company, be repaid to the Company and the holder of such Junior Subordinated Debenture shall thereafter look, as a general unsecured creditor, only to the Company for payment thereof.

#### RESTRICTIONS ON CERTAIN PAYMENTS; CERTAIN COVENANTS OF THE COMPANY

The Company has covenanted that it will not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period or other event referred to below, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any shareholder rights plan, or the issuance of rights, stock or other property under any shareholder rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock), if at such time (x) there has occurred any event (1) of which the Company has actual knowledge that with the giving of notice or the lapse of time, or both, would constitute a Debenture Event of Default and (2) that the Company has not taken reasonable steps to cure, (y) if the Junior Subordinated Debentures are held by the Trust, the Company is in default with respect to its payment of any obligations under the Guarantee or (z) the Company has given notice of its election of an Extension Period as provided in the Junior Subordinated Indenture and has not rescinded such notice, or such Extension Period, or any extension thereof, is continuing.

The Company has covenanted in the Indenture (i) to continue to hold, directly or indirectly, 100% of the Common Securities, provided that certain successors that are permitted pursuant to the Junior Subordinated Indenture may succeed to the Company's ownership of the Common Securities, (ii) as holder of the Common Securities, not to voluntarily dissolve, windup or liquidate the Trust, other than (a) in connection with a distribution of Junior Subordinated Debentures to the holders of the Capital Securities in liquidation of the Trust or (b) in connection with certain mergers, consolidations or

amalgamations permitted by the Trust Agreement and (iii) to use its reasonable efforts, consistent with the terms and provisions of the Trust Agreement, to cause the Trust to continue not to be taxable other than as a grantor trust for United States federal income tax purposes.

#### MODIFICATION OF JUNIOR SUBORDINATED INDENTURE

From time to time, the Company and the Debenture Trustee may, without the consent of any of the holders of the outstanding Junior Subordinated Debentures, amend, waive or supplement the provisions of the Junior Subordinated Indenture to: (i) evidence succession of another corporation or association to the Company and the assumption by such person of the obligations of the Company under the Junior Subordinated Debentures; (ii) add further covenants, restrictions or conditions for the protection of holders of the Junior Subordinated Debentures; (iii) cure ambiguities or correct the Junior Subordinated Debentures in the case of defects or inconsistencies in the provisions thereof, so long as any such cure or correction does not adversely affect the interest of the holders of the Junior Subordinated Debentures in any material respect; (iv) change the terms of the Junior Subordinated Debentures to facilitate the issuance of the Junior Subordinated Debentures in certificated or other definitive form; (v) evidence or provide for the appointment of a successor Debenture Trustee; (vi) qualify, or maintain the qualification of, the Junior Subordinated Indentures under the Trust Indenture Act; (vii) convey, transfer, assign, mortgage or pledge any property to or with the Debenture Trustee or to surrender any right or power conferred on the Company in the Junior Subordinated Indenture; (viii) establish the form or terms of Junior Subordinated Debentures; or (ix) change or eliminate any provision of the Junior Subordinated Indenture, so long as at the time of such change there are no outstanding Junior Subordinated Debentures entitled to the benefit of such provision or such change does not apply to then outstanding Junior Subordinated Debentures; or (x) add any additional Debenture Events of Default for the benefit of the holders of the Junior Subordinated Debentures.

The Indenture contains provisions permitting the Company and the Debenture Trustee, with the consent of the holders of not less than a majority in principal amount of the Junior Subordinated Debentures, to modify the Junior Subordinated Indenture in a manner affecting the rights of the holders of the Junior Subordinated Debentures, except that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Debenture so affected, (i) change the Stated Maturity of the principal of, or any installment of interest on, Junior Subordinated Debentures, or reduce the principal amount thereof, the rate of interest thereon or any premium payable upon the redemption thereof, or change the place of payment where, or the currency in which, any such amount is payable or impair the right to institute suit for the enforcement of any Junior Subordinated Debenture or (ii) reduce the percentage of principal amount of Junior Subordinated Debentures, the holders of which are required to consent to any such modification of the Junior Subordinated Indenture or (iii) modify the provisions of the Junior Subordinated Indenture relating to the waiver by the holders of Debenture Events of Default, the waiver of certain covenants in the Junior Subordinated Indenture, or the provisions described in this paragraph. Furthermore, so long as any of the Capital Securities remain outstanding, no such modification may be made that (i) adversely affects the holders of such Capital Securities in any material respect, and no termination of the Junior Subordinated Indenture may occur, and no waiver of any Debenture Event of Default or compliance with any covenant under the Junior Subordinated Indenture may be effective, without the prior consent of the holders of at least a majority of the aggregate Liquidation Amount of the outstanding Capital Securities unless and until the principal of (and premium, if any, on) the Junior Subordinated Debentures and all accrued and unpaid interest thereon have been paid in full and certain other conditions are satisfied or (ii) without the prior consent of the holders of each outstanding Capital Security, would impair the unconditional right of holders of the Capital Securities to initiate direct actions against the Company upon the occurrence of a Debenture Event of Default for payment to the suing holder of the principal and interest due, if any, on the Junior Subordinated Debentures in a principal amount equal to the aggregate Liquidation Amount of the Capital Securities held by such holder.

#### DEBENTURE EVENTS OF DEFAULT

The Junior Subordinated Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Debentures that has occurred and is continuing constitutes an "Event of Default" with respect to the Junior Subordinated Debentures:

- (i) failure to pay any interest on the Junior Subordinated Debentures when due and payable, and continuance of such default for a period of 30 days (subject to the deferral of any due date in the case of an Extension Period); or
- (ii) failure to pay any principal of or premium, if any, on the Junior Subordinated Debentures when due whether at maturity, upon redemption, by declaration of acceleration or otherwise; or

(iii) failure to observe or perform in any material respect certain other covenants contained in the Junior Subordinated Indenture for 90 days after written notice to the Company from the Debenture Trustee or the holders of at least 25% in aggregate outstanding principal amount of the outstanding Junior Subordinated Debentures; or

(iv) certain events in bankruptcy, insolvency or reorganization of the Company.

For purposes of the Trust Agreement and this Prospectus, each such Event of Default under the Junior Subordinated Debenture is referred to as a "Debenture Event of Default." As described in "Description of New Capital Securities -- Events of Default; Notice," the occurrence of a Debenture Event of Default will also constitute an Event of Default in respect of the Trust Securities.

The holders of at least a majority in aggregate principal amount of outstanding Junior Subordinated Debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee. The Debenture Trustee or the holders of not less than 25% in aggregate principal amount of outstanding Junior Subordinated Debentures may declare the principal due and payable immediately upon a Debenture Event of Default, and, should the Debenture Trustee or such holders of Junior Subordinated Debentures fail to make such declaration, the holders of at least 25% in aggregate Liquidation Amount of the outstanding Capital Securities shall have such right. The holders of a majority in aggregate principal amount of outstanding Junior Subordinated Debentures may annul such declaration and waive the default if all defaults (other than the non-payment of the principal of Junior Subordinated Debentures which has become due solely by such acceleration) have been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee. Should the holders of Junior Subordinated Debentures fail to annul such declaration and waive such default, the holders of a majority in aggregate Liquidation Amount of the outstanding Capital Securities shall have such right.

The holders of at least a majority in aggregate principal amount of the outstanding Junior Subordinated Debentures affected thereby, or the holders of a majority in aggregate Liquidation Amount of the Capital Securities issued by the Trust, may, on behalf of the holders of all the Junior Subordinated Debentures, waive any past default, except a default in the payment of principal (or premium, if any) or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interests and principal due otherwise than by acceleration has been deposited with the Debenture Trustee) or a default in respect of a covenant or provision which under the Junior Subordinated Indenture cannot be modified or amended without the consent of the holder of each outstanding Junior Subordinated Debenture affected thereby. See " -- Modification of Junior Subordinated Indenture." The Company is required to file annually with the Debenture Trustee a certificate as to whether or not the Company is in compliance with all the conditions and covenants applicable to it under the Junior Subordinated Indenture.

If a Debenture Event of Default occurs and is continuing, the Property Trustee will have the right to declare the principal of and the interest on the Junior Subordinated Debentures, and any other amounts payable under the Junior Subordinated Indenture, to be forthwith due and payable and to enforce its other rights as a creditor with respect to the Junior Subordinated Debentures.

#### ENFORCEMENT OF CERTAIN RIGHTS BY HOLDERS OF CAPITAL SECURITIES

If a Debenture Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay any amounts payable in respect of the Junior Subordinated Debentures on the date such amounts are otherwise payable, a registered holder of Capital Securities may institute a legal proceeding directly against the Company pursuant to the Junior Subordinated Indenture for enforcement of payment to such holder of an amount equal to the amount payable in respect of Junior Subordinated Debentures having a principal amount equal to the aggregate Liquidation Amount of the Capital Securities held by such holder (a "Direct Action"). The Company may not amend the Junior Subordinated Indenture to remove the foregoing right to bring a Direct Action without the prior written consent of the holders of all the Capital Securities. The Company will have the right under the Junior Subordinated Indenture to set-off any payment made to such holder of Capital Securities by the Company in connection with a Direct Action.

With certain exceptions, the holders of the Capital Securities would not be able to exercise directly any remedies available to the holders of the Junior Subordinated Debentures except under the circumstances described in the preceding paragraph. See "Description of New Capital Securities -- Events of Default; Notice."

## CONSOLIDATION, MERGER, SALE OF ASSETS AND OTHER TRANSACTIONS

The Junior Subordinated Indenture provides that the Company may not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person may consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless (i) if the Company consolidates with or merges into another Person or conveys or transfers its properties and assets substantially as an entirety to any Person, the successor Person is organized under the laws of the United States or any state or the District of Columbia, and such successor Person expressly assumes the Company's obligations in respect of the Junior Subordinated Debentures; (ii) immediately after giving effect thereto, no Debenture Event of Default, and no event which, after notice or lapse of time or both, would constitute a Debenture Event of Default, has occurred and is continuing; and (iii) certain other conditions as prescribed in the Junior Subordinated Indenture are satisfied.

The provisions of the Junior Subordinated Indenture do not afford holders of the Junior Subordinated Debentures protection in the event of a highly leveraged or other transaction involving the Company that may adversely affect holders of the Junior Subordinated Debentures.

## SATISFACTION AND DISCHARGE

The Junior Subordinated Indenture provides that when, among other things, all Junior Subordinated Debentures not previously delivered to the Debenture Trustee for cancellation (i) have become due and payable or, (ii) will become due and payable at the Stated Maturity within one year or (iii) are to be called for redemption within one year, and the Company deposits or causes to be deposited with the Debenture Trustee funds, in trust, for the purpose and in an amount sufficient to pay and discharge the entire indebtedness on the Junior Subordinated Debentures not previously delivered to the Debenture Trustee for cancellation, for the principal (and premium, if any) and interest to the date of the deposit or to the Stated Maturity, as the case may be, then the Junior Subordinated Indenture will cease to be of further effect (except as to the Company's obligations to pay all other sums due pursuant to the Junior Subordinated Indenture and to provide the officers' certificates and opinions of counsel described therein), and the Company will be deemed to have satisfied and discharged the Junior Subordinated Indenture.

## SUBORDINATION

The Junior Subordinated Debentures will be subordinate and junior in right of payment, to the extent set forth in the Junior Subordinated Indenture, to all Senior Indebtedness (as defined below) of the Company. If the Company defaults in the payment of any principal, premium, if any, or interest, if any, or any other amount payable on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for redemption or by declaration of acceleration or otherwise, then, unless and until such default has been cured or waived or has ceased to exist or all Senior Indebtedness has been paid, no direct or indirect payment (in cash, property, securities, by setoff or otherwise) may be made or agreed to be made on the Junior Subordinated Debentures, or in respect of any redemption, repayment, retirement, purchase or other acquisition of any of the Junior Subordinated Debentures. Because the Company is a bank holding company, the right of the Company to participate in any distribution of assets of the Banks upon their liquidation or reorganization or otherwise (and thus the ability of holders of the Capital Securities to benefit indirectly from such distribution) is subject to the prior claims of creditors of the Banks, except to the extent that the Company may itself be recognized as a creditor of the Banks.

As used herein, "Senior Indebtedness" means, whether recourse is to all or a portion of the assets of the Company and whether or not contingent, (i) every obligation of the Company for money borrowed; (ii) every obligation of the Company evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of the Company with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Company; (iv) every obligation of the Company issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of the Company; (vi) every obligation of the Company for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another person the payment of which the Company has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; without limiting the generality of the foregoing, Senior Indebtedness shall include the Company's \$12 million loan with Bankers Bank, Atlanta, Georgia and \$3.5 million aggregate amount of Floating Rate Convertible Subordinated Payable in Kind

Debentures due December 31, 2006 (the "Floating Rate Debentures"). As of June 30, 1998, the Company's Senior Indebtedness aggregated approximately \$15.6 million. "Senior Indebtedness" shall not include (i) any obligations which, by their terms, are expressly stated to rank PARI PASSU in right of payment with, or to not be superior in right of payment to, the Junior Subordinated Debentures, (ii) any Senior Indebtedness of the Company which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (iii) any indebtedness of the Company to any of its subsidiaries, (iv) indebtedness to any executive officer or director of the Company except with respect to the Floating Rate Debentures or (v) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company in connection with the issuance of such financing entity of securities that are similar to the Capital Securities.

In the event of (i) certain events of bankruptcy, dissolution or liquidation of the Company or the holder of the Common Securities, (ii) any proceeding for the liquidation, dissolution or other winding up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by the Company for the benefit of creditors or (iv) any other marshalling of the assets of the Company, all Senior Indebtedness (including any interest thereon accruing after the commencement of any such proceedings) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made on account of the Junior Subordinated Debentures. In such event, any payment or distribution on account of the Junior Subordinated Debentures, whether in cash, securities or other property, that would otherwise (but for the subordination provisions) be payable or deliverable in respect of the Junior Subordinated Debentures will be paid or delivered directly to the holders of Senior Indebtedness in accordance with the priorities then existing among such holders until all Senior Indebtedness (including any interest thereon accruing after the commencement of any such proceedings) has been paid in full.

In the event of any such proceeding, after payment in full of all sums owing with respect to Senior Indebtedness, the holders of Junior Subordinated Debentures, together with the holders of any obligations of the Company ranking on a parity with the Junior Subordinated Debentures, will be entitled to be paid from the remaining assets of the Company the amounts at the time due and owing on the Junior Subordinated Debentures and such other obligations before any payment or other distribution, whether in cash, property or otherwise, will be made on account of any capital stock or obligations of the Company ranking junior to the Junior Subordinated Debentures and such other obligations. If any payment or distribution on account of the Junior Subordinated Debentures of any character or any security, whether in cash, securities or other property is received by any holder of any Junior Subordinated Debentures in contravention of any of the terms hereof and before all the Senior Indebtedness has been paid in full, such payment or distribution or security will be received in trust for the benefit of, and must be paid over or delivered and transferred to, the holders of the Senior Indebtedness at the time outstanding in accordance with the priorities then existing among such holders for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all such Senior Indebtedness in full. By reason of such subordination, in the event of the insolvency of the Company, holders of Senior Indebtedness may receive more, ratably, and holders of the Junior Subordinated Debentures may receive less, ratably, than the other creditors of the Company. Such subordination will not prevent the occurrence of any Event of Default in respect of the Junior Subordinated Debentures.

The Junior Subordinated Indenture places no limitation on the amount of additional Senior Indebtedness that may be incurred by the Company. The Company expects from time to time to incur additional indebtedness constituting Senior Indebtedness.

#### INFORMATION CONCERNING THE DEBENTURE TRUSTEE

The Debenture Trustee, other than during the occurrence and continuance of a default by the Company in performance of its obligations under the Junior Subordinated Indenture, is under no obligation to exercise any of the powers vested in it by the Junior Subordinated Indenture at the request of any holder of Junior Subordinated Debentures, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities that might be incurred thereby. The Debenture Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Debenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Debenture Trustee, may serve from time to time as trustee under other indentures or trust agreements with the Company or its subsidiaries relating to other issues of their securities. In addition, the Company and certain of its affiliates may have other banking relationships with The Chase Manhattan Bank and its affiliates.



#### RESTRICTIONS ON TRANSFER

The Junior Subordinated Debentures will be issued, and may be transferred only, in blocks having an aggregate principal amount of not less than \$100,000. Any such transfer of Junior Subordinated Debentures in a block having an aggregate principal amount of less than \$100,000 shall be deemed to be void and of no legal effect whatsoever. Any such transferee shall be deemed not to be the holder of such Junior Subordinated Debentures for any purpose, including but not limited to the receipt of payments on such Junior Subordinated Debentures, and such transferee shall be deemed to have no interest whatsoever in such Junior Subordinated Debentures.

#### GOVERNING LAW

The Junior Subordinated Indenture and the Junior Subordinated Debentures will be governed by and construed in accordance with the laws of the State of New York.

## DESCRIPTION OF NEW GUARANTEE

The Guarantee was executed and delivered by the Company concurrently with the issuance of the Old Capital Securities by the Trust for the benefit of the holders from time to time of the Old Capital Securities. The Guarantee also provides a Guarantee as herein described for the benefit of the holders from time to time of the New Capital Securities. The Chase Manhattan Bank will act as Guarantee Trustee under the Guarantee. This summary of certain provisions of the Guarantee does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the Guarantee, including the definitions therein of certain terms. A copy of the form of Guarantee is available upon request from the Guarantee Trustee. The Guarantee Trustee will hold the Guarantee for the benefit of the holders of the Capital Securities.

## GENERAL

The Company has irrevocably agreed to pay in full on a subordinated basis, to the extent set forth herein, the Guarantee Payments (as defined below) to the holders of the Capital Securities, as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert other than the defense of payment. The following payments with respect to the Capital Securities, to the extent not paid by or on behalf of the Trust (the "Guarantee Payments"), will be subject to the Guarantee: (i) any accumulated and unpaid Distributions required to be paid on such Capital Securities, to the extent that the Trust has funds on hand available therefor at such time; (ii) the Redemption Price with respect to any Capital Securities called for redemption, to the extent that the Trust has funds on hand available therefor at such time; and (iii) upon a voluntary or involuntary dissolution, winding up or liquidation of the Trust (unless the Junior Subordinated Debentures are distributed to holders of the Capital Securities), the lesser of (a) the aggregate of the Liquidation Amount and all accumulated and unpaid Distributions to the date of payment, to the extent that the Trust has funds on hand available therefor at such time, and (b) the amount of assets of the Trust remaining available for distribution to holders of the Capital Securities on liquidation of the Trust. The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the Capital Securities or by causing the Trust to pay such amounts to such holders.

The Guarantee is an irrevocable guarantee on a subordinated basis of the Trust's obligations under the Capital Securities, but will apply only to the extent that the Trust has funds sufficient to make such payments, and is not a guarantee of collection.

If the Company does not make payments on the Junior Subordinated Debentures held by the Trust, the Trust will not be able to pay any amounts payable in respect of the Capital Securities and will not have funds available therefor. The Guarantee will rank subordinate and junior in right of payment to all Senior Indebtedness of the Company. See " -- Status of the Guarantee." The Guarantee does not limit the incurrence or issuance of other secured or unsecured debt of the Company, including Senior Indebtedness, whether under the Junior Subordinated Indenture, any other indenture that the Company may enter into in the future or otherwise.

The Company has, through the Guarantee, the Trust Agreement, the Junior Subordinated Debentures and the Junior Subordinated Indenture, taken together, irrevocably and unconditionally guaranteed all the Trust's obligations under the Capital Securities. No single document standing alone or operating in conjunction with fewer than all the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the Trust's obligations in respect of the Capital Securities. See "Relationship Among the Capital Securities, the Junior Subordinated Debentures and the Guarantee."

## STATUS OF THE GUARANTEE

The Guarantee constitutes an unsecured obligation of the Company and will rank subordinate and junior in right of payment to all Senior Indebtedness of the Company in the same manner as the Junior Subordinated Debentures.

The Guarantee constitutes a guarantee of payment and not of collection (i.e., the guaranteed party may institute a legal proceeding directly against the Guarantor to enforce its rights under the Guarantee without first instituting a legal proceeding against any other person or entity). The Guarantee will be held by the Guarantee Trustee for the benefit of the holders of the Capital Securities. The Guarantee will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Trust or distribution to the holders of the Capital Securities of the Junior Subordinated Debentures.

#### AMENDMENTS AND ASSIGNMENT

Except with respect to any changes which do not materially adversely affect the rights of holders of the Capital Securities (in which case no vote will be required), the Guarantee may not be amended without the prior approval of the holders of not less than a majority of the aggregate Liquidation Amount of the Capital Securities. The manner of obtaining any such approval will be as set forth under "Description of New Capital Securities -- Voting Rights; Amendment of Trust Agreement." All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the Capital Securities then outstanding.

#### EVENTS OF DEFAULT

An event of default under the Guarantee will occur upon the failure of the Company to perform any of its payment or other obligations thereunder, or to perform any non-payment obligation if such non-payment default remains unremedied for 30 days. The holders of not less than a majority in aggregate Liquidation Amount of the Capital Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Guarantee.

Any registered holder of Capital Securities may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity.

The Company, as guarantor, is required to file annually with the Guarantee Trustee a certificate as to whether or not the Company is in compliance with all the conditions and covenants applicable to it under the Guarantee.

#### INFORMATION CONCERNING THE GUARANTEE TRUSTEE

The Guarantee Trustee, other than during the occurrence and continuance of a default by the Company in performance of the Guarantee, undertakes to perform only such duties as are specifically set forth in the Guarantee and, after the occurrence of an event of default with respect to the Guarantee, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by the Guarantee at the request of any holder of the New Capital Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby. For information concerning the relationship between The Chase Manhattan Bank, the Guarantee Trustee, and the Company, see "Description of New Junior Subordinated Debentures -- Information Concerning the Debenture Trustee."

#### TERMINATION OF THE GUARANTEE

The Guarantee will terminate and be of no further force and effect upon full payment of the Redemption Price of the Capital Securities, upon full payment of the amounts payable with respect to the Capital Securities upon liquidation of the Trust, upon distribution of Junior Subordinated Debentures to the holders of the Capital Securities or the exchange of the Guarantee Agreement for the New Guarantee Agreement. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the Capital Securities must restore payment of any sums paid under the Capital Securities or the Guarantee.

#### GOVERNING LAW

The Guarantee will be governed by and construed in accordance with the laws of the State of New York.

RELATIONSHIP AMONG THE NEW CAPITAL SECURITIES, THE NEW JUNIOR  
SUBORDINATED DEBENTURES AND THE NEW GUARANTEE

FULL AND UNCONDITIONAL GUARANTEE

Payments of Distributions and other amounts due on the Capital Securities (to the extent the Trust has funds available for such payment) are irrevocably guaranteed by the Company as and to the extent set forth under "Description of New Guarantee." Taken together, the Company's obligations under the Junior Subordinated Debentures, the Indenture, the Trust Agreement and the Guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of Distributions and other amounts due on the Capital Securities. No single document standing alone or operating in conjunction with fewer than all the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the Trust's obligations in respect of the Capital Securities. If and to the extent that the Company does not make payments on the Junior Subordinated Debentures, the Trust will not have sufficient funds to pay Distributions or other amounts due on the Capital Securities. The Guarantee does not cover payment of amounts payable with respect to the Capital Securities when the Trust does not have sufficient funds to pay such amounts. In such event, the remedy of a holder of the Capital Securities is to institute a legal proceeding directly against the Company for enforcement of payment of the Company's obligations under Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Capital Securities held by such holder.

The obligations of the Company under the Junior Subordinated Debentures and the Guarantee are subordinate and junior in right of payment to all Senior Indebtedness.

SUFFICIENCY OF PAYMENTS

As long as payments are made when due on the Junior Subordinated Debentures, such payments will be sufficient to cover Distributions and other payments distributable on the Capital Securities, primarily because: (i) the aggregate principal amount of the Junior Subordinated Debentures will be equal to the sum of the aggregate stated Liquidation Amount of the Capital Securities and Common Securities; (ii) the interest rate and interest and other payment dates on the Junior Subordinated Debentures will match the Distribution rate, Distribution Dates and other payment dates for the Capital Securities; (iii) the Company will pay for all and any costs, expenses and liabilities of the Trust except the Trust's obligations to holders of the Trust Securities; and (iv) the Trust Agreement further provides that the Trust will not engage in any activity that is not consistent with the limited purposes of the Trust.

Notwithstanding anything to the contrary in the Junior Subordinated Indenture, the Company has the right to set-off any payment it is otherwise required to make thereunder against and to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee.

ENFORCEMENT RIGHTS OF HOLDERS OF CAPITAL SECURITIES

A holder of any Capital Security may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee, the Trust or any other person or entity. See "Description of New Guarantee."

A default or event of default under any Senior Indebtedness of the Company would not constitute a default or Event of Default in respect of the Capital Securities. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness of the Company, the subordination provisions of the Junior Subordinated Indenture provide that no payments may be made in respect of the Junior Subordinated Debentures until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. See "Description of New Junior Subordinated Debentures -- Subordination."

LIMITED PURPOSE OF TRUST

The Capital Securities represent preferred undivided beneficial interests in the assets of the Trust, and the Trust exists for the sole purpose of issuing its Capital Securities and Common Securities and investing the proceeds thereof in Junior Subordinated Debentures. A principal difference between the rights of a holder of a Capital Security and a holder of a Junior Subordinated Debenture is that a holder of a Junior Subordinated Debenture is entitled to receive from the Company payments on Junior Subordinated Debentures held, while a holder of Capital Securities is entitled to receive Distributions or other amounts distributable with respect to the Capital Securities from the Trust (or from the Company under the Guarantee) only if and to the extent the Trust has funds available for the payment of such Distributions.

## RIGHTS UPON DISSOLUTION

Upon any voluntary or involuntary dissolution of the Trust, other than any such dissolution involving the distribution of the Junior Subordinated Debentures, after satisfaction of liabilities to creditors of the Trust as required by applicable law, the holders of the Capital Securities will be entitled to receive, out of assets held by the Trust, the Liquidation Distribution in cash. See "Description of New Capital Securities -- Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Trust, as registered holder of the Junior Subordinated Debentures, would be a subordinated creditor of the Company, subordinated and junior in right of payment to all Senior Indebtedness as set forth in the Junior Subordinated Indenture, but entitled to receive payment in full of all amounts payable with respect to the Junior Subordinated Debentures before any shareholders of the Company receive payments or distributions. Since the Company is the guarantor under the Guarantee and has agreed under the Junior Subordinated Indenture to pay for all costs, expenses and liabilities of the Trust (other than the Trust's obligations to the holders of the Trust Securities), the positions of a holder of the Capital Securities and a holder of such Junior Subordinated Debentures relative to other creditors and to shareholders of the Company in the event of liquidation or bankruptcy of the Company are expected to be substantially the same.

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

### GENERAL

The following is a summary of the principal United States federal income tax consequences of the purchase, ownership and disposition of Capital Securities. The statements of law and legal conclusions set forth in this summary regarding the tax consequences to the beneficial owners of Capital Securities (the "Securityholders") represent the opinion of Kilpatrick Stockton LLP, counsel to the Company. This summary and the tax opinion of counsel only address the tax consequences to a person that acquires Capital Securities on their original issue at their original offering price. This summary does not address all tax consequences that may be applicable to a Securityholder, nor does it address the tax consequences to (i) persons that may be subject to special treatment under United States Federal tax law, such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations and dealers in securities or currencies, (ii) persons that will hold Capital Securities as part of a position in a "straddle" or as part of a "hedging," "conversion" or other integrated investment transaction for federal income tax purposes, (iii) except with respect to the discussion under "United States Alien Securityholders," persons whose functional currency is not the United States dollar or (iv) persons that do not hold Capital Securities as capital assets.

This summary is based upon the Code, Treasury Regulations, Internal Revenue Service (the "IRS") rulings and pronouncements and judicial decisions now in effect, all of which are subject to change at any time. Such changes may be applied retroactively in a manner that could cause the tax consequences to vary substantially from the consequences described below, possibly adversely affecting a beneficial owner of Capital Securities. In addition, the authorities on which this summary is based (including authorities distinguishing debt from equity) are subject to various interpretations, and it is therefore possible that the federal income tax treatment of the Capital Securities may differ from the treatment described below. No ruling has been received from the IRS regarding the tax consequences of the Capital Securities. Counsel's opinion regarding such tax consequences represents only counsel's best legal judgment based on current authorities and is not binding on the IRS or the courts.

INVESTORS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES AS TO THE FEDERAL TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF CAPITAL SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

### CLASSIFICATION OF THE JUNIOR SUBORDINATED DEBENTURES

The Junior Subordinated Debentures are intended to be, in the opinion of Kilpatrick Stockton LLP should be, and the Company intends to take the position that the Junior Subordinated Debentures will be, classified for United States federal income tax purposes as indebtedness under current law. No assurance can be given, however, the IRS will not challenge that position. According to a petition recently filed in the United States Tax Court by a corporation unrelated to the Company and the Trust, the Internal Revenue Service has challenged the deductibility for United States federal income tax purposes of interest payments on certain purported debt instruments held by entities intended to be taxable as partnerships for United

States federal income tax purposes, where those entities, in turn, issued preferred securities to investors. Although the overall structure of the financing arrangements involved in that case is somewhat similar to the financing structure for the Junior Subordinated Debentures and the Trust, the relevant facts in that case appear to differ significantly from those relating to the Junior Subordinated Debentures and the Trust. The Company, based on the advice of counsel, intends to take the position that interest payments on the Junior Subordinated Debentures will be deductible by the Company for United States federal income tax purposes. Adverse developments relating to the deductibility of interest, whether arising in connection with the case currently pending in the United States Tax Court or not, could give rise to a Tax Event. The remainder of this summary assumes that the Junior Subordinated Debentures will be classified as indebtedness for United States federal income tax purposes.

#### EXCHANGE OF CAPITAL SECURITIES

The exchange of Old Capital Securities for New Capital Securities will not be a taxable event to Securityholders for United States federal income tax purposes. Accordingly, the New Capital Securities will have the same issue price as the Old Capital Securities, and a Securityholder will have the same adjusted tax basis and holding period for New Capital Securities as the holder had for Old Capital Securities immediately before the exchange.

#### CLASSIFICATION OF THE TRUST

In the opinion of Kilpatrick Stockton LLP, under current law and assuming compliance with the terms of the Trust Agreement, the Trust will be classified as a grantor trust and not as an association taxable as a corporation for United States federal income tax purposes. As a result, each Securityholder will be treated as owning an undivided beneficial interest in the Junior Subordinated Debentures. Accordingly, each Securityholder will be required to include in its gross income its Pro Rata share of the interest, including any original issue discount, and any other income received or accrued with respect to the Junior Subordinated Debentures whether or not cash is actually distributed to the Securityholders. See " -- Interest Income and Original Issue Discount." No amount included in income with respect to the Capital Securities will be eligible for the dividends received deduction.

#### INTEREST INCOME AND ORIGINAL ISSUE DISCOUNT

Under Treasury Regulations applicable to debt instruments issued after August 12, 1996 (the "Regulations"), a "remote" contingency that stated interest will not be timely paid will be ignored in determining whether a debt instrument is issued with original issue discount ("OID"). The Company believes that the likelihood of its exercising its option to defer payments of interest on the Junior Subordinated Debentures is remote. Based on the foregoing, in the opinion of Kilpatrick Stockton LLP, the Junior Subordinated Debentures will not be considered to be issued with OID at the time of their original issuance and, accordingly, a Securityholder should include in gross income such Securityholder's allocable share of interest on the Junior Subordinated Debentures (other than an amount of the first interest payment attributable to pre-issuance accrued interest, which a Securityholder may treat as a reduction of the issue price of the Junior Subordinated Debentures rather than as gross income) in accordance with such Securityholder's method of tax accounting.

Under the Regulations, if the Company should actually exercise its option to defer any payment of interest, the Junior Subordinated Debentures would at that time be treated as issued with OID, and all stated interest on the Junior Subordinated Debentures would thereafter be treated as OID so long as the Junior Subordinated Debentures remained outstanding. In such event, all of a Securityholder's taxable interest income with respect to the Junior Subordinated Debentures would be accounted for as OID on an economic accrual basis regardless of such Securityholder's method of tax accounting, and actual payments of stated interest would not be reported as taxable income except to the extent such actual payments of stated interest exceed the accrued OID. Consequently, a Securityholder would be required to include in gross income OID even though the Company would not make any cash payments during an Extension Period.

The Regulations specifically applicable to this discussion of interest income and OID have not been addressed in any rulings or other interpretations by the IRS, and it is possible that the IRS could take a position contrary to the interpretation herein.

#### MARKET DISCOUNT AND AMORTIZABLE PREMIUM

A secondary market purchaser of Capital Securities at a discount from the principal amount (or, if the Junior Subordinated Debentures are deemed to be issued with OID, the issue price plus accrued but unpaid OID) of the pro rata share of Junior Subordinated Debentures represented by the Capital Securities acquired such Capital Securities with "market discount" if the discount is not less than the produce of (i) 0.25% of the principal amount (or, if the Junior Subordinated



Debentures are deemed to be issued with OID, the issue price plus accrued but unpaid OID) multiplied by (ii) the number of complete years to maturity of the Junior Subordinated Debentures after the date of purchase. A purchaser of Capital Securities with market discount generally will be required to treat any gain on the sale, redemption or other disposition of all or part of such Capital Securities as ordinary income to the extent of accrued (but not previously taxable) market discount. Market discount generally will accrue ratably during the period from the date of purchase to the maturity date, unless the Securityholder elects to accrue such market discount on the basis of a constant interest rate. A Securityholder who acquires Capital Securities at a market discount may be required to defer some interest deductions attributable to any indebtedness incurred or continued to purchase or carry the Capital Securities.

A secondary market purchaser of Capital Securities at a premium over the stated principal amount of the pro rata share of Junior Subordinated Debentures (plus accrued interest) generally may elect to amortize such premium ("Section 171 premium"), under a constant yield method, as an offset to interest income on the Junior Subordinated Debentures. If the Junior Subordinated Debentures are deemed to be issued with OID and Capital Securities are acquired at a premium, the premium will not be Section 171 premium but will be amortized as a reduction in the amount of OID includable in the Securityholder's income.

#### DISTRIBUTION OF JUNIOR SUBORDINATED DEBENTURES TO HOLDERS OF CAPITAL SECURITIES

Except as noted below, under current law a distribution by the Trust of the Junior Subordinated Debentures as described under the caption "Description of "New Capital Securities -- Liquidation Distribution Upon Dissolution," would be a non-taxable event to Securityholders for United States federal income tax purposes; such a distribution would result in a Securityholder receiving directly its PRO RATA share of the Junior Subordinated Debentures previously held indirectly through the Trust, with a holding period and aggregate tax basis equal to the holding period and aggregate tax basis such Securityholder had in its Capital Securities before such distribution; and a Securityholder would account for interest, market discount and amortizable premium in respect of Junior Subordinated Debentures received from the Trust in the manner described above under " -- Interest Income and Original Issue Discount" and " -- Market Discount and Amortizable Premium." If, however, the Junior Subordinated Debentures were distributed in connection with a Tax Event that would cause the Trust to be subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures, the distribution likely would be a taxable event to Securityholders. In that case, Securityholders would recognize gain or loss equal to the difference between their adjusted bases in their Capital Securities and the fair market value of the Junior Subordinated Debentures distributed to the Securityholders, and they would obtain new holding periods and fair market value bases for such Junior Subordinated Debentures.

#### SALE OR REDEMPTION OF CAPITAL SECURITIES

Upon a sale (including redemption) of Capital Securities, a Securityholder will recognize gain or loss equal to the difference between its adjusted tax basis in the Capital Securities and the amount realized on the sale of such Capital Securities (excluding any amount attributable to any accrued interest with respect to such Securityholder's PRO RATA share of the Junior Subordinated Debentures not previously included in income, which will be taxable as ordinary income). Provided that the Company does not exercise its option to defer payment of interest on the Junior Subordinated Debentures, and the Capital Securities are not considered to be issued with OID, a Securityholder's adjusted tax basis in the Capital Securities generally will be its initial purchase price, increased by any market discount included in income and reduced by any amortized Section 171 premium for such Capital Securities. If the Junior Subordinated Debentures are deemed to be issued with OID as a result of the Company's deferral of any interest payment, a Securityholder's tax basis in the Capital Securities will be increased by OID previously includable in such Securityholder's gross income to the date of disposition and decreased by distributions or other payments received on the Capital Securities since and including the commencement date of the first Extension Period. Such gain or loss, except to the extent of any accrued market discount, generally will be a short-term capital gain or loss if the Capital Securities have been held for no more than one year, and generally will be a long-term capital gain or loss if the Capital Securities have been held for more than one year.

Should the Company exercise its option to defer any payment of interest on the Junior Subordinated Debentures, the Capital Securities may trade at a price that does not accurately reflect the value of accrued but unpaid interest with respect to the underlying Junior Subordinated Debentures. As a result, and because a Securityholder will be required to include in income accrued but unpaid interest on Junior Subordinated Debentures and to add such amount to its adjusted tax basis, such Securityholder may recognize a capital loss on a sale of Capital Securities during an Extension Period. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.



## BACKUP WITHHOLDING TAX AND INFORMATION REPORTING

The amount of interest paid and any OID accrued on the Capital Securities to most Securityholders will generally be reported to the IRS on Form 1099. It is expected that such income on the Capital Securities will be reported to Securityholders on Form 1099 and mailed to Securityholders by January 31 following each calendar year. Exempt organizations and corporations which are Securityholders are not generally subject to these reporting requirements. "Backup" withholding at a rate of 31% will apply to payments of interest and payments of disposition (including redemption) proceeds to a non-exempt Securityholder unless the Securityholder furnishes to the payor its taxpayer identification number, certifies that such number is correct, and meets certain other conditions. Any amounts withheld from a Securityholder under the backup withholding rules will be allowable as a refund or a credit against such Securityholder's United States federal income tax liability.

## UNITED STATES ALIEN SECURITYHOLDERS

For purposes of this discussion, a United States Alien Securityholder is any corporation, individual, partnership, estate or trust that for United States federal income tax purposes is a foreign corporation, nonresident alien individual, foreign partnership, foreign estate or foreign trust. This discussion assumes that income with respect to the Capital Securities is not effectively connected with a trade or business in the United States in which the United States Alien Securityholder is engaged.

Under current United States federal income tax law:

- (i) payments by the Trust or any of its paying agents to any holder of Capital Securities that is a United States Alien Securityholder generally will not be subject to withholding or other United States federal income tax, provided that, in the case of payments with respect to interest (including OID), (a) the beneficial owner of the Capital Securities does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (b) the beneficial owner of the Capital Securities is not a controlled foreign corporation that is related to the Company through stock ownership, and (c) either (A) the beneficial owner of the Capital Securities certifies to the Trust or its agent, under penalties of perjury, that it is a United States Alien Securityholder and provides its name and address or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "Financial Institution") and holds the Capital Securities in such capacity certifies to the Trust or its agent under penalties of perjury that such statement has been received from the beneficial owner by it or by a Financial Institution between it and the beneficial owner and furnishes the Trust or its agent with a copy thereof; and
- (ii) a United States Alien Securityholder of Capital Securities generally will not be subject to withholding or other United States federal income tax on any gain realized upon the sale or other disposition of Capital Securities.

## POSSIBLE TAX LAW CHANGES

In both 1996 and 1997, the Clinton Administration proposed to amend the Code to deny deductions of interest on instruments with features similar to those of the Junior Subordinated Debentures when issued under arrangements similar to the Trust. That proposal was not passed by, and is not currently pending before, Congress. There can be no assurance, however, that future legislative proposals, future regulations or official administrative pronouncements or future judicial decisions will not affect the ability of the Company to deduct interest on the Junior Subordinated Debentures. Such a change could give rise to a Tax Event, which may permit the Company, upon approval of the Federal Reserve if then required under applicable capital guidelines or policies of the Federal Reserve, to cause a redemption of the Capital Securities, as described more fully under "Description of New Capital Securities -- Redemption."

## CERTAIN ERISA CONSIDERATIONS

Before authorizing an investment in the New Capital Securities, fiduciaries of pension, profit sharing or other employee benefit plans subject to ERISA ("Plans") should consider, among other matters, (a) ERISA's fiduciary standards (including its prudence and diversification requirements), (b) whether such fiduciaries have authority to make such investment in the Capital Securities under the applicable Plan investment policies and governing instruments, and (c) rules under ERISA and the Code that prohibit Plan fiduciaries from causing a Plan to engage in a "prohibited transaction."

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also "Plans"), from, among other things, engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code



("Parties in Interest") with respect to such Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code.

The Department of Labor (the "DOL") has issued a regulation (29 C.F.R. 2510.3-101) (the "Plan Assets Regulation") concerning the definition of what constitutes the assets of a Plan. The Plan Assets Regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a Plan makes an "equity" investment will be deemed, for purposes of ERISA, to be assets of the investing Plan unless certain exceptions apply.

Insurance companies considering an investment in the Preferred Securities should note that the Small Business Job Protection Act of 1996 added new Section 401(c) of ERISA relating to the status of the assets of insurance company general accounts under ERISA and Section 4975 of the Code. Pursuant to Section 401(c), the Department of Labor issued proposed regulations (the "Proposed General Account Regulations") in December 1997, with respect to insurance policies that are supported by an insurer's general account. The Proposed General Account Regulations are intended to provide guidance on which assets held by the insurer constitute "plan assets" of an ERISA Plan for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code.

Pursuant to an exception contained in the Plan Assets Regulation, the assets of the Trust would not be deemed to be "plan assets" of investing Plans if, immediately after the most recent acquisition of any equity interest in the Trust, less than 25% of the value of each class of equity interest in the Trust were held by Plans, other employee benefit plans not subject to ERISA or Section 4975 of the Code (such as governmental, church and foreign plans), individual retirement accounts, Keogh plans and entities holding assets deemed to be "plan assets" of any Plan (collectively, "Benefit Plan Investors"). No assurance can be given that the value of the Capital Securities held by Benefit Plan Investors will be less than 25% of the total value of such Capital Securities at the completion of the initial offering or thereafter, and no monitoring or other measures will be taken with respect to the satisfaction of the conditions to this exception. All the Common Securities will be purchased and held directly by the Company.

Under another exception contained in the Plan Assets Regulation, if the New Capital Securities received as a result of an Exchange Offer were to qualify as "publicly-offered securities" under the Plan Assets Regulation, the assets of the Trust would not be deemed to be "plan assets" by reason of a Plan's acquisition or holding of such securities. The New Capital Securities would qualify as "publicly-offered securities" if, among other things, they are offered pursuant to an effective registration statement, are owned by 100 or more investors independent of the issuer and each other at the time of the offering, and are subsequently registered under the Exchange Act. It is expected that the 100 investor requirement will not be satisfied and that the New Capital Securities will not be registered under the Exchange Act.

There can be no assurance that any of the exceptions set forth in the Plan Assets Regulation will apply to the purchase of Capital Securities offered hereby and, as a result, an investing Plan's assets could be considered to include an undivided interest in the Junior Subordinated Debentures held by the Trust. In the event that assets of the Trust are considered assets of an investing Plan, the Trustees, the Company and/or other persons, in providing services with respect to the Junior Subordinated Debentures, could be considered fiduciaries to such Plan and subject to the fiduciary responsibility provisions of Title I of ERISA. In addition, certain transactions involving the Trust and/or the Capital Securities could be deemed to constitute direct or indirect prohibited transactions under ERISA and Section 4975 of the Code with respect to a Plan. For example, if the Company is a Party in Interest with respect to an investing Plan (either directly or by reason of its ownership of the Banks or other subsidiaries), extensions of credit between the Company and the Trust (as represented by the Junior Subordinated Debentures and the Guarantee) would likely be prohibited by Section 406(a)(1)(B) of ERISA and Section 4975(c)(1)(B) of the Code.

The DOL has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Capital Securities, assuming that assets of the Trust were deemed to be "plan assets" of Plans investing in the Trust (see above). Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified asset managers).

Because of ERISA's prohibitions and those of Section 4975 of the Code, the Capital Securities may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any other person investing "plan assets" of any Plan, unless such purchase or holding is covered by the exemptive relief provided by PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or another applicable exemption. If a purchaser or holder of the Capital Securities that is a Plan or a Plan Asset Entity elects to rely on an exemption other than PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, the Company and the Trust may require a satisfactory opinion of counsel or other evidence with respect to the availability of such exemption for such purchase and holding. Any purchaser or holder of the Capital Securities that is a Plan or a Plan Asset Entity or is purchasing such securities on behalf of or with "plan assets" will be deemed to have represented by its purchase and holding thereof that (a) the purchase and holding of the Capital Securities is covered by the exemptive relief provided by PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or another applicable exemption, (b) the Company and the Administrators are not "fiduciaries," within the meaning of Section 3(21) of ERISA and the regulations thereunder, with respect to such person's interest in the Capital Securities or the Junior Subordinated Debentures, and (c) in purchasing the Capital Securities, such person approves the purchase of the Junior Subordinated Debentures and the appointment of the Issuer Trustees.

Any plans or other entities whose assets include Plan assets subject to ERISA or Section 4975 of the Code proposing to acquire New Capital Securities should consult with their own counsel.

Governmental plans and certain church plans are not subject to ERISA, and are also not subject to the prohibited transaction provisions of Section 4975 of the Code. However, state laws or regulations governing the investment and management of the assets of such plans may contain fiduciary and prohibited transaction provisions similar to those under ERISA and the Code discussed above. Accordingly, fiduciaries of governmental and church plans, in consultation with their advisers, should consider the impact of their respective state laws on investments in the Capital Securities and the considerations discussed above to the extent applicable.

#### SUPERVISION, REGULATION AND OTHER MATTERS

The following information is not intended to be an exhaustive description of the statutes and regulations applicable to the Company. The discussion is qualified in its entirety by reference to all particular statutory or regulatory provisions.

The business of the Company is influenced by prevailing economic conditions and governmental policies, both foreign and domestic. The actions and policy directives of the Federal Reserve determine to a significant degree the cost and the availability of funds obtained from money market sources for lending and investing. The Federal Reserve's policies and regulations also influence, directly and indirectly, the rates of interest paid by commercial banks on their time and savings deposits. The nature and impact on the Company of future changes in economic conditions and monetary and fiscal policies, both foreign and domestic, are not predictable.

The Company is subject to supervision and examination by Federal bank regulatory authorities. As a bank holding company regulated under the BHC Act, the Company's primary bank regulatory authority is the Federal Reserve. Bank holding companies are expected to serve as a source of strength to their subsidiary banks under the Federal Reserve's regulations and policies. As state nonmember banks, the Banks' primary federal bank regulator is the Federal Deposit Insurance Corporation ("FDIC").

The Federal bank regulatory authorities have each adopted risk-based capital guidelines to which the Company and the Banks are subject. These guidelines are based on an international agreement developed by the Basle Committee on Banking Regulations and Supervisory Practices, which consists of representatives of central banks and supervisory authorities in 12 countries including the United States of America. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures into explicit account in assessing capital adequacy and minimizes disincentives to holding liquid, low-risk assets. Risk-based assets are determined by allocating assets and specified off-balance sheet commitments and exposures into four weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk.

The Company and the Banks are required to maintain a minimum total risk-based ratio of 8%, of which half (4%) must be Tier 1 capital. In addition, the Federal bank regulators established leverage ratio (Tier 1 capital to total adjusted average assets) guidelines providing for a minimum leverage ratio of 3% for banks meeting certain specified criteria, including excellent asset quality, high liquidity, low interest rate exposure and the highest regulatory rating. Institutions not meeting

these criteria are expected to maintain a ratio which exceeds the 3% minimum by at least 100 to 200 basis points. The Federal bank regulatory authorities may, however, set higher capital requirements when a bank's particular circumstances warrant.

From time to time, the Federal bank regulatory authorities, including the Federal Reserve, propose amendments to and issue interpretations of their risk-based capital guidelines and reporting instructions, which can affect reported capital ratios and net risk-adjusted assets. Effective June 26, 1996, the Federal Reserve, the Office of the Comptroller of the Currency and the FDIC issued a joint policy statement that provides guidance on sound practices for interest rate risk management and describes critical factors affecting the agencies' evaluation of a bank's interest rate risk when making a determination of capital adequacy.

The Federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution and its holding companies. The extent of these powers depends upon whether the institution in question is considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Generally, as an institution is deemed to be less well capitalized, the scope and severity of the agencies' supervisory powers increase. The agencies' corrective powers can include, among other things, requiring an insured financial institution to adopt a capital restoration plan which cannot be approved unless guaranteed by the institution's parent holding company; placing limits on asset growth and restrictions on activities; placing restrictions on transactions with affiliates; restricting the interest rates the institution may pay on deposits; prohibiting the institution from accepting deposits from correspondent banks; prohibiting the payment of principal or interest on subordinated debt; prohibiting the holding company from making capital distributions without prior regulatory approval; and, ultimately, appointing a receiver for the institution. Business activities may also be influenced by an institution's capital classification. For instance, only a "well capitalized" depository institution may accept brokered deposits without prior regulatory approval, and only an "adequately capitalized" depository institution may accept brokered deposits with prior regulatory approval. At June 30, 1998, the Banks exceeded the required capital ratios for classification as "well capitalized" banks.

The deposits of the Banks are insured by the FDIC and are subject to FDIC insurance assessments. The amount of FDIC assessments paid by individual insured depository institutions is based on their relative risk as measured by regulatory capital ratios and certain other factors. Currently, the Banks are not assessed any premiums for deposits insured by either the Bank Insurance Fund or the Savings Association Insurance Fund. The Banks, however, continue to pay premiums based on deposit levels to service debt on Financing Corporation Bonds.

Under Federal law, a financial institution insured by the FDIC under common ownership with a failed institution can be required to indemnify the FDIC for its losses resulting from the insolvency of the failed institution, even if such indemnification causes the affiliated institution also to become insolvent. As a result, the Company could, under certain circumstances, be obligated for the liabilities of its affiliates that are FDIC-insured institutions. In addition, if any insured depository institution becomes insolvent and the FDIC is appointed its conservator or receiver, the FDIC may disaffirm or repudiate any contract or lease to which such institution is a party, the performance of which is determined to be burdensome and the disaffirmance or repudiation of which is determined to promote the orderly administration of the institution's affairs. If Federal law were construed to permit the FDIC to apply these provisions to debt obligations of an insured depository institution, the result could be that such obligations would be prepaid without premium. Federal law also accords the claims of a receiver of an insured depository institution for administrative expenses and the claims of holders of deposit liabilities of such an institution priority over the claims of general unsecured creditors of such an institution in the event of a liquidation or other resolution of such institution.

The BHC Act currently permits adequately capitalized and adequately managed bank holding companies from any state to acquire banks and bank holding companies located in any other state, subject to certain conditions. The Company has the ability, subject to certain restrictions, including state opt-out provisions, to acquire by acquisition or merger branches outside of its home state. Competition may increase as banks branch across state lines and enter new markets.

#### PLAN OF DISTRIBUTION

Each broker-dealer that receives New Capital Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Capital Securities. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Capital Securities received in exchange for Old Capital Securities where such Old Capital Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities.

Neither the Company nor the Trust will receive any proceeds from any issuance of New Capital Securities. New Capital Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions, in the over-the-counter market, in negotiated transactions, through the writing of options on the New Capital Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Capital Securities.

Any broker-dealer that resells New Capital Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Capital Securities may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit of any such resale of New Capital Securities and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The Company and the Trust have agreed that this Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of such New Capital Securities for a period ending [90 DAYS] after the Expiration Date (subject to extension under certain limited circumstances described herein) or, if earlier, when all such New Capital Securities have been disposed of by such Participating Broker-Dealer. However, a Participating Broker-Dealer who intends to use this Prospectus in connection with the resale of New Capital Securities received in exchange for Old Securities pursuant to the Exchange Offer must notify the Company or the Trust, or cause the Company or the Trust to be notified, on or prior to the Expiration Date, that it is a Participating Broker-Dealer. Such notice may be given in the space provided for that purpose in the Letter of Transmittal or may be delivered to the Exchange Agent at one of the addresses set forth herein under "The Exchange Offer -- Resales of Exchange Capital Securities."

#### VALIDITY OF SECURITIES

The validity of the New Guarantee and the New Junior Subordinated Debentures will be passed upon for the Company by Kilpatrick Stockton LLP, Atlanta, Georgia, counsel to the Company. Certain matters relating to United States federal income tax considerations will be passed upon for the Company by Kilpatrick Stockton LLP. Certain matters of Delaware law relating to the validity of the New Capital Securities will be passed upon by Richards, Layton & Finger, P.A., special Delaware counsel to the Trust.

#### EXPERTS

The consolidated financial statements of the Company included herein as of December 31, 1996 and 1997, and for each of the three years in the period ended December 31, 1997, have been audited by Porter Keadle Moore, LLP, independent auditors, as set forth in their report appearing herein.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the consolidated balance sheets of United Community Banks, Inc. and subsidiaries as of December 31, 1997 and 1996 and the related statements of earnings, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. 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 conducted our audits in accordance with generally accepted auditing standards. 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, 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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ PORTER KEADLE MOORE, LLP

Atlanta, Georgia  
March 6, 1998



UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 1997 AND 1996

	1997	1996
	-----	
	(IN THOUSANDS)	
<b>ASSETS</b>		
Cash and due from banks, including reserve requirements of \$11,000 and \$6,234.....	\$ 60,414	28,085
Federal funds sold .....	8,420	24,585
	-----	-----
Cash and cash equivalents .....	68,834	52,670
	-----	-----
Securities held to maturity (estimated fair value of \$70,845 and \$77,625).....	69,559	77,326
Securities available for sale .....	143,894	81,264
Mortgage loans held for sale .....	3,962	6,727
Loans .....	823,324	634,574
Less: Allowance for loan losses .....	10,352	8,125
	-----	-----
Loans, net .....	812,972	626,449
	-----	-----
Premises and equipment, net .....	27,737	20,108
Accrued interest receivable .....	10,985	8,559
Other assets .....	15,424	13,000
	-----	-----
	\$1,153,367	886,103
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Deposits:</b>		
Demand .....	\$ 109,210	82,138
Interest-bearing demand .....	189,280	167,372
Savings .....	45,280	41,963
Time .....	476,506	346,838
Time, in excess of \$100,000.....	156,803	134,989
	-----	-----
Total deposits .....	977,079	773,300
	-----	-----
Accrued expenses and other liabilities .....	7,274	6,101
Federal funds purchased .....	33,011	--
FHLB advances .....	43,321	35,074
Notes payable .....	14,069	10,453
Convertible subordinated debentures .....	3,500	3,500
	-----	-----
Total liabilities .....	1,078,254	828,428
	-----	-----
<b>Commitments</b>		
<b>Stockholders' equity:</b>		
Preferred stock .....	--	--
Common stock, \$1 par value; 10,000,000 shares authorized; 7,385,105 and 7,084,621 shares issued and outstanding .....	7,385	7,085
Capital surplus .....	24,699	18,516
Retained earnings .....	42,198	32,162
Net unrealized gain (loss) on securities available for sale, net of tax .....	831	(88)
	-----	-----
Total stockholders' equity .....	75,113	57,675
	-----	-----
	\$1,153,367	886,103
	=====	=====

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	-----	-----	-----
	(IN THOUSANDS EXCEPT PER SHARE DATA)		
Interest income:			
Interest and fees on loans .....	\$ 76,722	57,978	44,626
Interest on deposits with other banks .....	--	102	4
Interest on federal funds sold .....	1,642	1,096	1,315
Interest on investment securities:			
U.S. Treasury & U.S. Government agencies .....	9,097	6,735	5,354
State and political subdivisions .....	2,319	1,995	1,910
	-----	-----	-----
Total interest income .....	89,780	67,906	53,209
	-----	-----	-----
Interest expense:			
Interest on deposits:			
Demand .....	6,712	5,445	3,833
Savings .....	1,190	1,147	1,100
Time .....	34,966	25,569	21,396
	-----	-----	-----
	42,868	32,161	26,329
Notes payable, subordinated debentures, federal funds purchased and FHLB advances .....	3,680	1,930	1,865
	-----	-----	-----
Total interest expense .....	46,548	34,091	28,194
	-----	-----	-----
Net interest income .....	43,232	33,815	25,015
Provision for loan losses .....	2,634	1,597	1,116
	-----	-----	-----
Net interest income after provision for loan losses .....	40,598	32,218	23,899
	-----	-----	-----
Noninterest income:			
Service charges and fees .....	3,505	2,990	2,167
Gain (loss) on sales of investment securities .....	426	(13)	4
Mortgage loan and other related fees .....	1,157	1,566	1,582
Other noninterest income .....	1,892	1,123	770
	-----	-----	-----
Total noninterest income .....	6,980	5,666	4,523
	-----	-----	-----
Noninterest expense:			
Salaries and employee benefits .....	17,695	13,373	10,504
Occupancy .....	4,726	3,570	2,948
Other noninterest expense .....	9,656	7,900	5,752
	-----	-----	-----
Total noninterest expense .....	32,077	24,843	19,204
	-----	-----	-----
Earnings before income taxes .....	15,501	13,041	9,218
Income taxes .....	4,766	4,114	2,549
	-----	-----	-----
Net earnings .....	\$ 10,735	8,927	6,669
	=====	=====	=====
Earnings per common share .....	\$ 1.47	1.29	1.03
	=====	=====	=====
Earnings per common share -- assuming dilution .....	\$ 1.46	1.26	1.01
	=====	=====	=====

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	COMMON STOCK		
	SHARES	AMOUNT	CAPITAL SURPLUS
	(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)		
Balance, December 31, 1994, as previously reported .....	5,589,365	\$5,589	7,474
Adjustment in connection with pooling of interests .....	685,240	686	3,550
	-----	-----	-----
Balance, December 31, 1994, as restated .....	6,274,605	6,275	11,024
Issuance of common shares for bank acquisition .....	455,400	455	4,828
Proceeds from common stock offering, net of offering cost .....	215,515	216	2,218
Change in unrealized gain (loss) on securities available for sale, net of tax .....	--	--	--
Cash dividends declared, (\$.08 per share).....	--	--	--
Purchase and retirement of treasury stock of pooled entity .....	(737)	(1)	(6)
Net earnings .....	--	--	--
	-----	-----	-----
Balance, December 31, 1995 .....	6,944,783	6,945	18,064
Change in unrealized gain (loss) on securities available for sale, net of tax .....	--	--	--
Cash dividends declared, (\$.10 per share).....	--	--	--
Common stock issued in conversion of debentures .....	178,568	179	821
Purchase and retirement of treasury stock of pooled entity .....	(38,730)	(39)	(369)
Net earnings .....	--	--	--
	-----	-----	-----
Balance, December 31, 1996 .....	7,084,621	7,085	18,516
Change in unrealized gain (loss) on securities available for sale, net of tax .....	--	--	--
Cash dividends declared, (\$.10 per share).....	--	--	--
Net earnings .....	--	--	--
Proceeds from common stock offering, net of offering cost .....	300,000	300	6,177
Proceeds from resale of treasury stock of pooled entity .....	484	--	6
	-----	-----	-----
Balance, December, 31, 1997 .....	7,385,105	\$7,385	24,699
	=====	=====	=====

	RETAINED EARNINGS	NET UNREALIZED GAIN (LOSS) ON SECURITIES AVAILABLE FOR SALE, NET OF TAX	TOTAL
	(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)		
	-----	-----	-----
Balance, December 31, 1994, as previously reported .....	17,363	(209)	30,217
Adjustment in connection with pooling of interests .....	468	(56)	4,648
	-----	-----	-----
Balance, December 31, 1994, as restated .....	17,831	(265)	34,865
Issuance of common shares for bank acquisition .....	--	--	5,283
Proceeds from common stock offering, net of offering cost .....	--	--	2,434
Change in unrealized gain (loss) on securities available for sale, net of tax .....	--	545	545
Cash dividends declared, (\$.08 per share).....	(588)	--	(588)
Purchase and retirement of treasury stock of pooled entity .....	--	--	(7)
Net earnings .....	6,669	--	6,669
	-----	-----	-----
Balance, December 31, 1995 .....	23,912	280	49,201
Change in unrealized gain (loss) on securities available for sale, net of tax .....	--	(368)	(368)
Cash dividends declared, (\$.10 per share).....	(677)	--	(677)
Common stock issued in conversion of debentures .....	--	--	1,000
Purchase and retirement of treasury stock of pooled entity .....	--	--	(408)
Net earnings .....	8,927	--	8,927

Balance, December 31, 1996 .....	32,162	(88)	57,675
Change in unrealized gain (loss) on securities available for sale, net of tax .....	--	919	919
Cash dividends declared, (\$.10 per share).....	(699)	--	(699)
Net earnings .....	10,735	--	10,735
Proceeds from common stock offering, net of offering cost .....	--	--	6,477
Proceeds from resale of treasury stock of pooled entity .....	--	--	6
	-----	-----	-----
Balance, December, 31, 1997 .....	42,198	831	75,113
	=====	=====	=====

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997
	-----
	(IN THOUSANDS)
Cash flows from operating activities:	
Net earnings .....	\$ 10,735
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation, amortization and accretion .....	2,448
Provision for loan losses .....	2,634
Provision for deferred income tax expense (benefit) .....	(404)
(Gain) loss on sale of securities available for sale .....	(426)
Change in assets and liabilities, net of effects of purchase acquisitions:	
Interest receivable .....	(2,426)
Interest payable .....	1,340
Other assets .....	(2,020)
Accrued expenses and other liabilities .....	(659)
Change in mortgage loans held for sale .....	2,765
	-----
Net cash provided by operating activities .....	13,987
	-----
Cash flows from investing activities, net of effects of purchase acquisitions:	
Cash acquired from acquisitions and branch purchases .....	--
Proceeds from maturities and calls of securities held to maturity .....	18,009
Purchases of securities held to maturity .....	(10,418)
Proceeds from sales of securities available for sale .....	32,105
Proceeds from maturities and calls of securities available for sale .....	22,470
Purchases of securities available for sale .....	(115,501)
Net increase in loans .....	(189,157)
Purchases of premises and equipment .....	(9,702)
	-----
Net cash used in investing activities .....	(252,194)
	-----
Cash flows from financing activities, net of effects of purchase acquisitions:	
Net change in demand and savings deposits .....	52,297
Net change in time deposits .....	151,482
Net change in federal funds purchased .....	33,011
Proceeds from convertible subordinated debentures .....	--
Proceeds from notes payable .....	4,747
Proceeds from FHLB advances .....	15,636
Repayments of notes payable .....	(1,131)
Repayments of FHLB advances .....	(7,389)
Proceeds from sale of common stock .....	6,477
Purchase of treasury stock of pooled entity .....	--
Proceeds from resale of treasury stock of pooled entity .....	6
Cash paid for dividends .....	(765)
	-----
Net cash provided by financing activities .....	254,371
	-----
Net change in cash and cash equivalents .....	16,164
	-----
Cash and cash equivalents at beginning of period .....	52,670
	-----
Cash and cash equivalents at end of period .....	\$ 68,834
	=====

	1996	1995
	-----	-----
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net earnings .....	8,927	6,669
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and accretion .....	2,347	1,882
Provision for loan losses .....	1,597	1,116
Provision for deferred income tax expense (benefit) .....	82	(95)
(Gain) loss on sale of securities available for sale .....	13	(4)
Change in assets and liabilities, net of effects of purchase acquisitions:		
Interest receivable .....	(1,430)	(1,831)
Interest payable .....	267	1,370
Other assets .....	(9)	1,003
Accrued expenses and other liabilities .....	1,059	(1,335)
Change in mortgage loans held for sale .....	5,321	347
	-----	-----
Net cash provided by operating activities .....	18,174	9,122
	-----	-----

Cash flows from investing activities, net of effects of purchase acquisitions:		
Cash acquired from acquisitions and branch purchases .....	2,650	25,867
Proceeds from maturities and calls of securities held to maturity .....	21,920	14,317
Purchases of securities held to maturity .....	(13,762)	(29,075)
Proceeds from sales of securities available for sale .....	18,065	17,520
Proceeds from maturities and calls of securities available for sale .....	32,652	11,299
Purchases of securities available for sale .....	(62,631)	(64,143)
Net increase in loans .....	(140,507)	(68,874)
Purchases of premises and equipment .....	(3,143)	(2,236)
	-----	-----
Net cash used in investing activities .....	(144,756)	(95,325)
	-----	-----
Cash flows from financing activities, net of effects of purchase acquisitions:		
Net change in demand and savings deposits .....	49,312	23,824
Net change in time deposits .....	62,394	92,333
Net change in federal funds purchased .....	--	(8,300)
Proceeds from convertible subordinated debentures .....	3,500	--
Proceeds from notes payable .....	--	2,539
Proceeds from FHLB advances .....	29,375	8,596
Repayments of notes payable .....	(856)	(630)
Repayments of FHLB advances .....	(3,302)	(11,744)
Proceeds from sale of common stock .....	--	2,434
Purchase of treasury stock of pooled entity .....	(408)	(7)
Proceeds from resale of treasury stock of pooled entity .....	--	--
Cash paid for dividends .....	(677)	(588)
	-----	-----
Net cash provided by financing activities .....	139,338	108,457
	-----	-----
Net change in cash and cash equivalents .....	12,756	22,254
	-----	-----
Cash and cash equivalents at beginning of period .....	39,914	17,660
	-----	-----
Cash and cash equivalents at end of period .....	52,670	39,914
	=====	=====

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by United Community Banks, Inc. (United or the Company) and its subsidiaries and the methods of applying these principles conform with generally accepted accounting principles 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 six 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, United Community Bank, Blairsville, Georgia (UCB), Carolina Community Bank (Carolina), Peoples Bank, Blue Ridge, Georgia (Peoples), Towns County Bank, Hiawassee, Georgia (Towns) White County Bank, Cleveland, Georgia (White) and First Clayton Bank and Trust Company, Clayton, Georgia (Clayton) (collectively, the "Bank Subsidiaries") and United Family Finance Company, Inc. (Finance), a finance company subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain items in prior years' financial statements have been reclassified to conform with the current financial statement presentations.

The Bank Subsidiaries are commercial banks which serve markets throughout North Georgia and Western North Carolina and provide a full range of customary banking services. The Bank Subsidiaries are insured and subject to the regulation of the Federal Deposit Insurance Corporation.

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 date of the balance sheet and revenues and expenses for the period. 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 acquired in connection with foreclosures or in satisfaction of loans. In connection with these valuations, management obtains independent appraisals for significant properties.

A substantial portion of United's loans are secured by real estate located in North Georgia and Western North Carolina. Accordingly, the ultimate collectibility of a substantial portion of United's loan portfolio is susceptible to changes in the real estate market conditions of this market area.

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.

Available for sale securities are recorded at fair value. Held to maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses, net of the related tax effect, on securities available for sale are excluded from earnings and are reported 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. The unrealized holding gains or losses included in the separate component of stockholders' equity for securities transferred from available for sale to held to maturity are maintained and amortized into earnings over the remaining life of the security as an adjustment to yield in a manner consistent with the amortization or accretion of premium or discount on the associated security.

A decline in the market value of any available for sale or held to maturity investment below cost that is deemed other than temporary is charged to earnings and establishes a new cost basis for the security.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

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 are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

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 of the period in which the change occurs. No market valuation allowances were required at December 31, 1997 or 1996.

LOANS AND ALLOWANCE FOR LOAN LOSSES

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

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. Generally, payments on nonaccrual loans are applied to principal.

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 income 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 Bank Subsidiaries had no material amounts of impaired loans at December 31, 1997 or 1996.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing loans that may become uncollectible. 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, current economic conditions that may affect the borrower's ability to pay, overall portfolio quality, and review of specific problem loans.

Management believes that the allowance for loan losses is adequate. 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 judgments 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 using primarily the straight-line method over the estimated useful lives of the related assets. Costs incurred for maintenance and repairs are expensed currently. The range of estimated useful lives for buildings and improvements is 15 to 40 years, and for furniture and equipment, 3 to 10 years.

GOODWILL AND DEPOSIT-BASED INTANGIBLES

Goodwill, arising from the excess cost over the fair value of net assets acquired of purchased bank subsidiaries, is amortized on a straight-line basis over periods not exceeding 25 years. Deposit assumption premiums paid in connection with the branch bank purchases are being amortized over 15 years, the estimated life of the deposit base acquired. On an



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

ongoing basis, management reviews the valuation and amortization periods of goodwill and the deposit assumption premiums to determine if events and circumstances require the remaining lives to be reduced.

MORTGAGE SERVICING RIGHTS

United's mortgage banking division accounts for mortgage servicing rights as a separate asset regardless of whether the servicing rights are acquired through purchase or origination. United's mortgage servicing rights represent the unamortized cost of purchased and originated contractual rights to service mortgages for others in exchange for a servicing fee and ancillary loan administration income. Mortgage servicing rights are amortized over the period of estimated net servicing income and are periodically adjusted for actual and anticipated prepayments of the underlying mortgage loans. Impairment analysis is performed quarterly after stratifying the rights by interest rate. Impairment, defined as the excess of the asset's carrying value over its current fair value, is recognized through a valuation allowance. At December 31, 1997 and 1996, no valuation allowances were required for United's mortgage servicing rights.

United recognized approximately \$15,000, \$137,000 and \$790,000 in servicing assets during 1997, 1996 and 1995, respectively, and recognized amortization expense relating to servicing assets of approximately \$144,000, \$267,000, and \$283,000 during 1997, 1996 and 1995, respectively. During 1996, United sold mortgage loan servicing rights with a net book value of approximately \$1,254,000. No such sales occurred during 1997 or 1995.

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 on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in 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 portion 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 income and tax planning strategies.

INTEREST RATE RISK MANAGEMENT

As part of United's overall interest rate risk management, interest rate swaps and interest rate floors are utilized. These contracts are designated by United as hedges of interest rate exposures, and interest income or expense derived from these contracts is recorded over the life of the contract as an adjustment to interest income or expense of the instruments hedged.

RECENT ACCOUNTING PRONOUNCEMENTS

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 127 "Deferral of the Effective Date of Certain Provisions of SFAS No. 125" ("SFAS 127"), Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 127 simply defers, until January 1, 1998, the effective date of selected provisions of a previously issued accounting and disclosure standard. SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. SFAS 131 specifies the presentation and disclosure of operating segment information reported in the annual report and interim reports issued to stockholders. The provisions of SFAS 130 and 131 are effective for fiscal years beginning after December 15, 1997. The management of the Company believes that the adoption of these statements will not have a material impact on the Company's financial position, results of operations, or liquidity.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

EARNINGS PER COMMON SHARE

SFAS No. 128 "Earnings Per Common Share" ("SFAS 128") became effective for the Company for the year ended December 31, 1997. This new standard specifies the computation, presentation and disclosure requirements for earnings per common share and is designed to simplify previous earnings per common share standards and to make domestic and international practices more compatible. 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 earnings per common share--assuming dilution. All earnings per common share amounts have been restated to conform to the provisions of SFAS 128.

SFAS 128 requires earnings per common share with and without the dilutive effects of potential common stock issuances from instruments such as options, convertible securities and warrants to be presented on the face of the statements of earnings. Additionally, the new statement requires the reconciliation of the amounts used in the computation of both earnings per common share and earnings per common share--assuming dilution. Earnings per common share amounts for the years ended December 31, 1997, 1996 and 1995 are as follows (dollars in thousands, except for per share data):

FOR THE YEAR ENDED DECEMBER 31, 1997

	NET EARNINGS (NUMERATOR) -----	WEIGHTED (DENOMINATOR) AVERAGE COMMON SHARES	PER SHARE AMOUNT -----
Earnings per common share .....	\$ 10,735	7,300,874	\$ 1.47 =====
Effective of dilutive securities:			
Stock options .....	--	46,680	
Convertible debentures .....	189	140,000	
	-----	-----	
Earnings per common share -- assuming dilution	\$ 10,924	7,487,554	\$ 1.46 =====
	=====	=====	=====

FOR THE YEAR ENDED DECEMBER 31, 1996

	NET EARNINGS (NUMERATOR) -----	WEIGHTED (DENOMINATOR) AVERAGE COMMON SHARES	PER SHARE AMOUNT -----
Earnings per common share .....	\$ 8,927	6,919,437	\$ 1.29 =====
Effective of dilutive securities:			
Stock options .....	--	30,098	
Convertible debentures .....	56	161,311	
	-----	-----	
Earnings per common share -- assuming dilution	\$ 8,983	7,110,846	\$ 1.26 =====
	=====	=====	=====

FOR THE YEAR ENDED DECEMBER 31, 1995

	NET EARNINGS (NUMERATOR) -----	WEIGHTED (DENOMINATOR) AVERAGE COMMON SHARES	PER SHARE AMOUNT -----
Earnings per common share .....	\$ 6,669	6,499,264	\$ 1.03 =====
Effective of dilutive securities:			
Stock options .....	--	6,897	
Convertible debentures .....	56	178,568	
	-----	-----	
Earnings per common share -- assuming dilution	\$ 6,725	6,684,729	\$ 1.01 =====
	=====	=====	=====



UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(1) MERGERS AND ACQUISITIONS

Effective September 12, 1997, the Company acquired, for 646,257 shares of its \$1 par value common stock and approximately \$7,000 paid for fractional shares, all of the outstanding common stock of First Clayton Bancshares, Inc., a \$73 million one bank holding company, located in Clayton, Georgia. The acquisition was accounted for as a pooling 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 on January 1, 1995.

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

	1997	1996	1995
	-----	-----	-----
Net interest income:			
The Company, as previously reported in 1996 and 1995	\$ 40,288	31,368	22,919
Clayton .....	2,944	2,447	2,096
	-----	-----	-----
As restated .....	\$ 43,232	33,815	25,015
	=====	=====	=====
Net earnings:			
The Company, as previously reported in 1996 and 1995	\$ 9,974	8,201	6,051
Clayton .....	761	726	618
	-----	-----	-----
As restated .....	\$ 10,735	8,927	6,669
	=====	=====	=====

On September 28, 1996, UCB assumed deposits of \$23.7 million and purchased certain assets totaling \$33.2 million of a branch in Cornelia, Georgia.

On August 31, 1995, United acquired all the outstanding common stock of White County Bancshares, Inc., (White Bancshares) the parent company of White County Bank, Cleveland, Georgia. United issued 455,400 shares of its common stock and approximately \$10,000 in cash for fractional shares, in exchange for all the outstanding common shares of White Bancshares. Additionally, United exercised its option to convert the exchangeable payable in kind debenture previously acquired during 1994, and the related accrued interest into a majority interest in White County Bank. At the date of acquisition, White County Bank had total assets of \$71 million and liabilities of \$63 million. The original purchase price was allocated to assets and liabilities acquired based on their fair values at the date of acquisition. This transaction was accounted for as a purchase and, therefore, is not included in United's results of operations or statements of financial position prior to the date of acquisition.

(2) CASH FLOWS

United paid approximately \$45 million, \$34 million and \$27 million in interest on deposits and other liabilities during 1997, 1996 and 1995, respectively. In connection with United's 1995 acquisition of White, assets having a fair value of \$71 million were acquired and liabilities totaling \$63 million were assumed.

	FOR THE YEARS ENDED DECEMBER		
	31,		
	-----	-----	-----
	1997	1996	1995
	-----	-----	-----
Schedule of noncash investing and financing activities (in thousands):			
Conversion of subordinated debentures into 178,568 shares of common stock .....	\$ --	1,000	--
Common stock issued and conversion of exchangeable payable in kind debenture in connection with the acquisition of White .....	--	--	8,384
Change in unrealized gain (loss) on securities available for sale, net of tax . .	\$ 919	(368)	545
(Decrease) increase in dividends payable .....	\$ (66)	--	--

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(3) INVESTMENT SECURITIES

Investment securities at December 31, 1997 and 1996 are as follows (in thousands):

	DECEMBER 31, 1997			
	AMORTIZED COST	GROSS GAINS UNREALIZED	GROSS LOSSES UNREALIZED	ESTIMATED VALUE FAIR
<b>SECURITIES AVAILABLE FOR SALE:</b>				
U.S. Treasuries .....	\$ 46,304	642	1	46,945
U.S. Government agencies .....	45,317	268	33	45,552
State and political subdivisions .....	11,675	189	4	11,860
Mortgage-backed securities .....	32,970	387	10	33,347
Other .....	6,256	--	66	6,190
	-----	---	---	-----
Total .....	\$ 142,522	1,486	114	143,894
	=====	=====	=====	=====
<b>SECURITIES HELD TO MATURITY:</b>				
U.S. Treasuries .....	\$ 500	6	--	506
U.S. Government agencies .....	22,361	35	57	22,339
State and political subdivisions .....	42,330	1,211	8	43,533
Mortgage-backed securities .....	4,368	109	10	4,467
	-----	---	---	-----
Total .....	\$ 69,559	1,361	75	70,845
	=====	=====	=====	=====

	DECEMBER 31, 1996			
	AMORTIZED COST	GROSS GAINS UNREALIZED	GROSS LOSSES UNREALIZED	ESTIMATED VALUE FAIR
<b>SECURITIES AVAILABLE FOR SALE:</b>				
U.S. Treasuries .....	\$ 12,771	71	1	12,841
U.S. Government agencies .....	39,169	59	275	38,953
State and political subdivisions .....	6,685	162	14	6,833
Mortgage-backed securities .....	18,644	46	55	18,635
Other .....	4,104	--	102	4,002
	-----	---	---	-----
Total .....	\$ 81,373	338	447	81,264
	=====	=====	=====	=====
<b>SECURITIES HELD TO MATURITY:</b>				
U.S. Treasuries .....	\$ 2,368	6	--	2,374
U.S. Government agencies .....	34,804	42	301	34,545
State and political subdivisions .....	33,036	646	173	33,509
Mortgage-backed securities .....	7,118	103	24	7,197
	-----	---	---	-----
Total .....	\$ 77,326	797	498	77,625
	=====	=====	=====	=====

The amortized cost and estimated fair value of the securities portfolio at December 31, 1997, 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

(3) INVESTMENT SECURITIES -- Continued

	SECURITIES HELD TO MATURITY DECEMBER 31, 1997		SECURITIES AVAILABLE FOR SALE DECEMBER 31, 1997	
	AMORTIZED COST	ESTIMATED FAIR VALUE	AMORTIZED COST	ESTIMATED FAIR VALUE
U.S. Treasuries:				
Within 1 year .....	\$ 500	506	2,242	2,247
1 to 5 years .....	--	--	42,573	43,184
5 to 10 years .....	--	--	1,489	1,514
	-----	---	-----	-----
	\$ 500	506	46,304	46,945
	=====	===	=====	=====
U.S. Government agencies:				
Within 1 year .....	\$ 17,817	17,801	8,150	8,150
1 to 5 years .....	4,544	4,538	33,269	33,495
5 to 10 years .....	--	--	3,898	3,907
	-----	-----	-----	-----
	\$ 22,361	22,339	45,317	45,552
	=====	=====	=====	=====
State and political subdivisions:				
Within 1 year .....	\$ 1,739	1,753	2,569	2,582
1 to 5 years .....	17,132	17,516	3,019	3,103
5 to 10 years .....	18,819	19,452	4,103	4,169
More than 10 years .....	4,640	4,812	1,984	2,006
	-----	-----	-----	-----
	\$ 42,330	43,533	11,675	11,860
	=====	=====	=====	=====
Other:				
More than 10 years .....	\$ --	--	6,256	6,190
	=====	=====	=====	=====
Total securities other than mortgage-backed securities:				
Within 1 year .....	\$ 20,056	20,060	12,961	12,979
1 to 5 years .....	21,676	22,054	78,861	79,782
5 to 10 years .....	18,819	19,452	9,490	9,590
More than 10 years .....	4,640	4,812	8,240	8,196
Mortgage-backed securities .....	4,368	4,467	32,970	33,347
	-----	-----	-----	-----
	\$ 69,559	70,845	142,522	143,894
	=====	=====	=====	=====

There were no sales of securities held to maturity during 1997, 1996 and 1995. Proceeds from sales of securities available for sale during 1997, 1996 and 1995 were \$32 million, \$18 million and \$18 million, respectively. Gross gains of \$451,000, \$53,000 and \$113,000 for 1997, 1996 and 1995, respectively, along with gross losses of \$25,000, \$66,000 and \$109,000 for 1997, 1996 and 1995, respectively, were realized on those sales.

Securities with a carrying value of \$65 million and \$52 million at December 31, 1997 and 1996, respectively, were pledged to secure public deposits as required by law.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

Major classifications of loans at December 31, 1997 and 1996 are summarized as follows (in thousands):

	1997	1996
	-----	-----
Commercial, financial and agricultural .....	\$105,462	100,538
Real estate -- construction .....	78,699	51,425
Real estate -- mortgage .....	523,629	380,681
Consumer .....	115,534	101,930
	-----	-----
Total loans .....	823,324	634,574
Less: Allowance for loan losses .....	10,352	8,125
	-----	-----
Loans, net .....	\$812,972	626,449
	=====	=====

The Bank Subsidiaries grant loans and extensions of credit to individuals and a variety of firms and corporations located primarily in counties in northern Georgia and western North Carolina. Although the Bank Subsidiaries 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.

During 1997 and 1996, certain executive officers and directors of United and its Bank Subsidiaries, including their immediate families and companies with which they are associated, maintained a variety of banking relationships with the Bank Subsidiaries. Total loans outstanding to these persons at December 31, 1997 and 1996 amounted to \$15,811,000 and \$13,520,000, respectively. The change from December 31, 1996 to December 31, 1997 reflects payments amounting to \$8,408,000 and advances of \$10,699,000. Such loans are made in the ordinary course of business at normal credit terms, including interest rate and collateral requirements, and do not represent more than normal credit risk.

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

	1997	1996	1995
	-----	-----	-----
Balance at beginning of year .....	\$ 8,125	6,884	4,231
Allowance for loan losses acquired from White .....	--	--	1,813
Provisions charged to earnings .....	2,634	1,597	1,116
Loans charged off .....	(797)	(695)	(701)
Recoveries of loans previously charged off .....	390	339	425
	-----	-----	-----
Balance at end of year .....	\$ 10,352	8,125	6,884
	=====	=====	=====

United serviced approximately \$103.5 and \$117.4 million of mortgage loans for others at December 31, 1997 and 1996, respectively.

(5) PREMISES AND EQUIPMENT

Premises and equipment at December 31, 1997 and 1996 are summarized as follows (in thousands):

	1997	1996
	-----	-----
Land and land improvements .....	\$ 6,102	4,770
Building and improvements .....	14,001	12,667
Furniture and equipment .....	15,018	10,771
Construction in progress .....	2,919	167
	-----	-----
	38,040	28,375
Less: Accumulated depreciation .....	10,303	8,267
	-----	-----
	\$ 27,737	20,108

Depreciation expense was approximately \$2.1 million, \$1.6 million and \$1.4 million in 1997, 1996 and 1995, respectively.



UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(6) TIME DEPOSITS

At December 31, 1997, contractual maturities of time deposits are summarized as follows ( in thousands):

MATURING IN:

-----	
1998 .....	\$509,837
1999 .....	92,144
2000 .....	15,482
2001 .....	13,394
2002 and thereafter .....	2,452
	-----
	\$633,309
	=====

(7) FHLB ADVANCES

The Bank Subsidiaries 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 5.51% to 7.81% at December 31, 1997. The majority of the advances represent draws to fund mortgage loans to customers over payment terms longer than those normally given. The FHLB advances are collateralized by first mortgage loans, FHLB stock and other U.S. agency securities.

Advances from FHLB outstanding at December 31, 1997 mature as follows (in thousands):

YEAR:

-----	
1998 .....	\$24,468
1999 .....	15,033
2000 .....	808
2001 .....	307
2002 .....	1,432
2003 and thereafter .....	1,273
	-----
	\$43,321
	=====

(8) NOTES PAYABLE

Notes payable at December 31, 1997 and 1996 consisted of the following (in thousands):

	1997	1996
	-----	-----
Note payable, due in quarterly installments of \$321,455, plus interest, through January 2005, secured by common stock of the Bank Subsidiaries. Interest is variable based on the prime rate less 1.25%. The loan agreement contains covenants and restrictions pertaining to the maintenance of certain financial ratios, limitations on the incurrence of additional debt, and the declaration of dividends or other capital transactions .....	\$ 12,722	10,453
Commercial paper of Finance, due at maturity during 1998 and unsecured. Interest is from 7.15% to 7.25% and is payable monthly. ....	1,347	--
	-----	-----
	\$ 14,069	10,453
	=====	=====

Aggregate maturities required on the notes payable at December 31, 1997 are as follows:

1998 .....	\$ 2,633
1999 .....	1,286
2000 .....	1,286
2001 .....	1,286
2002 .....	1,286
2003 and thereafter .....	6,292
	-----
	\$14,069
	=====

(9) CONVERTIBLE SUBORDINATED DEBENTURES

On December 31, 1996, the holders of convertible debentures of the Company due July 1, 2000 (the "2000 Debentures"), which bore interest at a fixed rate of 9% per annum, converted the 2000 Debentures into an aggregate of 178,568 shares of common stock in accordance with their terms and pursuant to an additional six month period for conversion extended by the Company in order to comply with certain obligations of the Company to provide the holders with notice of the conversion termination date.

On December 31, 1996, United also completed a private placement of convertible subordinated debentures due December 31, 2006 (the "2006 Debentures"). The 2006 Debentures bear interest at the rate of one quarter of one percentage point over the prime rate per annum, payable in quarterly installments commencing on April 1, 1997. 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 not called for redemption will have the right, exercisable at any time up to December 31, 2006, to convert such Debenture at the principal amount thereof into shares of common stock of United at the conversion price of \$25 per share, subject to adjustment for stock splits and stock dividends.

Certain directors and executive officers of United held convertible debentures totaling \$3,025,000 at December 31, 1997 and 1996.

(10) INCOME TAXES

During 1997, 1996 and 1995, United made income tax payments of approximately \$5.5 million, \$4.0 million and \$2.7 million, respectively.

The components of income tax expense for the years ended December 31, 1997, 1996 and 1995 are as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Current .....	\$ 5,170	4,032	2,644
Deferred (reduction) .....	(404)	82	(95)
	-----	-----	-----
	\$ 4,766	4,114	2,549
	=====	=====	=====

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

	1997	1996	1995
	-----	-----	-----
Pretax income at statutory rates .....	\$5,270	4,434	3,134
Add (deduct):			
Tax-exempt interest income .....	(878)	(828)	(789)
Nondeductible interest expense .....	147	127	130
Other .....	227	381	74
	-----	-----	-----
	\$4,766	4,114	2,549
	=====	=====	=====

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(10) INCOME TAXES -- Continued

The following summarizes the sources and expected tax consequences of future taxable deductions (income) which comprise the net deferred tax asset at December 31, 1997 and 1996 (in thousands):

	1997	1996
	-----	-----
Deferred tax assets:		
Allowance for loan losses .....	\$ 3,531	2,549
Net operating loss and credit carryforwards .....	42	349
Unrealized loss on securities available for sale .....	--	6
Other .....	32	172
	-----	-----
Gross deferred tax assets .....	3,605	3,076
	-----	-----
Deferred tax liabilities:		
Premises and equipment .....	(1,326)	(1,159)
Unrealized gain on securities available for sale .....	(541)	--
Other .....	(65)	(101)
	-----	-----
Gross deferred tax liabilities .....	(1,932)	(1,260)
	-----	-----
Net deferred tax asset .....	\$ 1,673	1,816
	=====	=====

At December 31, 1997, United has a loss carryforward of approximately \$1 million for state income taxes which will begin to expire in 2008. The use of this carryforward is limited to future taxable earnings of United and to annual limitations imposed by the tax code.

(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 \$803,000, \$583,000 and \$566,000 in 1997, 1996, and 1995, respectively.

(12) REGULATORY MATTERS

The Bank Subsidiaries 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 Bank Subsidiaries' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank Subsidiaries must meet specific capital guidelines that involve quantitative measures of the Bank Subsidiaries' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank Subsidiaries' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank Subsidiaries to maintain minimum amounts and ratios of total and Tier 1 capital (as defined) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 1997, that the Bank Subsidiaries meet all capital adequacy requirements to which they are subject.

Minimum ratios required by the Bank Subsidiaries to ensure capital adequacy are 8% for total capital to risk weighted assets and 4% each for Tier 1 capital to risk weighted assets and Tier 1 capital to average assets. Minimum ratios required by the Bank Subsidiaries to be well capitalized under prompt corrective action provisions are 10% for total capital to risk weighted assets, 6% for Tier 1 capital to risk weighted assets and 5% for Tier 1 capital to average assets. 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). Prompt corrective action provisions do not apply to bank holding companies.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(12) REGULATORY MATTERS -- Continued

	MINIMUM TOTAL RISK BASED		MINIMUM TIER 1 RISK BASED		MINIMUM TIER 1 LEVERAGE	
	CAPITAL ADEQUACY	PROMPT ACTION CORRECTIVE	CAPITAL ADEQUACY	PROMPT ACTION CORRECTIVE	CAPITAL ADEQUACY	PROMPT ACTION CORRECTIVE
	-----	-----	-----	-----	-----	-----
1997	-----					
Consolidated .....	\$ 63,520	N/A	31,777	N/A	47,374	N/A
UCB .....	24,391	30,488	12,195	18,293	15,503	19,379
Carolina .....	17,213	21,516	8,606	12,910	12,980	16,226
1996	-----					
Consolidated .....	\$ 48,893	N/A	24,446	N/A	34,159	N/A
UCB .....	19,746	24,682	9,873	14,809	12,401	15,502
Carolina .....	11,736	14,670	5,868	8,802	8,870	11,807

Actual capital amounts and ratios for United and its most significant subsidiaries as of December 31, 1997 and 1996 are as follows (in thousands):

	ACTUAL TOTAL RISK BASED		ACTUAL TIER 1 RISK BASED		ACTUAL TIER 1 LEVERAGE	
	ACTUAL AMOUNT	RATIO	ACTUAL AMOUNT	RATIO	ACTUAL AMOUNT	RATIO
	-----	-----	-----	-----	-----	-----
1997	-----					
Consolidated .....	\$ 81,614	10.28%	68,184	8.59%	68,184	5.76%
UCB .....	33,303	10.92%	29,733	9.75%	29,733	7.67%
Carolina .....	23,260	10.81%	20,566	9.56%	20,566	6.34%
1996	-----					
Consolidated .....	\$ 62,241	10.18%	51,102	8.36%	51,102	5.98%
UCB .....	25,036	10.14%	22,518	9.12%	22,518	7.26%
Carolina .....	17,052	11.62%	15,259	10.40%	15,259	6.88%

As of December 31, 1997 and 1996, the most recent notification from the Federal Deposit Insurance Corporation categorized each Bank subsidiary as well capitalized under the regulatory framework for prompt corrective action.

(13) COMMITMENTS

The Bank Subsidiaries 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 sheets. The contract amounts of these instruments reflect the extent of involvement the Bank Subsidiaries 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 and letters of credit and financial guarantees written is represented by the contractual amount of these instruments. The Bank Subsidiaries use 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.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(13) COMMITMENTS -- Continued

The following table summarizes, as of December 31, the contract or notional amount of off-balance sheet instruments (in thousands):

	1997	1996
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit .....	\$ 106,040	64,091
Standby letters of credit .....	\$ 2,520	1,721
Interest rate contracts:		
Swap agreements .....	\$ 35,000	35,000
Floors purchased .....	\$ 50,000	50,000

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. The Bank Subsidiaries evaluate 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 Bank Subsidiaries 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 Bank Subsidiaries 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.

Derivative financial instruments include forwards, futures, swaps, options, and other instruments with similar characteristics. In general terms, derivative instruments are contracts or agreements whose value can be derived from interest rates, currency exchange rates and financial indices. The Bank Subsidiaries use interest rate contracts in balance sheet management activities, the objective of which is to minimize the risk inherent in the asset and liability interest rate structure. The Bank Subsidiaries do not use derivative financial instruments for trading purposes. Interest rate contracts include an agreement with a counterparty to exchange cash flow based on the movement of an underlying interest rate included such as the prime rate or the London International Borrowing Rate (LIBOR). A swap agreement involves the exchanges of a series of interest payments, either at a fixed or variable rate, based on a notional amount without the exchange of the underlying principal. An interest rate floor contract allows a party, for a purchase premium, to receive income if a predetermined interest rate falls below a predetermined level. Income or expense on interest rate contracts used by the Bank Subsidiaries to manage interest rate exposure is recorded on an accrual basis as an adjustment to the yield of the related interest earning asset or interest bearing liability over the period covered by the contracts. Amounts accrued relating to such contracts are included in accrued expenses and other liabilities as of the balance sheet date.

The Bank Subsidiaries' exposure from these interest rate contracts results from the possibility that one party may default on its contractual obligation (credit risk) or from the movement of interest rates (market risk). Credit risk is limited to the positive market value of the derivative, which is significantly less than its notional value since the notional amount only represents the basis for determining the exchange of the cash flows. Credit risk is minimized by performing credit reviews of the counterparties to the contract or by conducting activities through organized exchanges.

(14) PREFERRED STOCK

United may issue preferred stock in one or more series as established by resolution of the Board of Directors, up to a maximum of 10,000,000 shares. Each resolution shall include the number of shares issued, preferences, special rights and limitations as determined by the Board of Directors. At December 31, 1997 and 1996, there were no preferred shares issued or outstanding.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(15) STOCKHOLDERS' EQUITY

Dividends paid by the Bank Subsidiaries are the primary source of funds available to United for payment of dividends to its stockholders and other needs. Applicable federal and state statutes and regulations impose restrictions on the amount of dividends that may be declared by the Bank Subsidiaries. At December 31, 1997, approximately \$12.9 million of the Bank Subsidiaries' net assets were available for payment of dividends without prior approval from the regulatory authorities. In addition to the formal statutes and regulations, regulatory authorities also consider the adequacy of each Bank Subsidiary's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends from the Bank Subsidiaries.

During 1997, the Company issued 300,000 shares of common stock for approximately \$6,477,000, net of offering costs. The proceeds from this sale of stock were used to inject capital into the Bank Subsidiaries and for general corporate purposes.

During 1995, the Board of Directors adopted the Key Employee Stock Option Plan. Under this plan, options can be granted for up to 300,000 shares of United's common stock at a price equal to the fair market value at the date of grant. At December 31, 1997, 128,296 shares were available for grant under this plan. No options were exercised in 1997, 1996 or 1995.

SFAS No. 123, "Accounting for Stock-Based Compensation," became effective for the Company January 1, 1996. This statement 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. The Company has chosen not to adopt the cost recognition principles of this statement. No compensation expense has been recognized in 1997, 1996 or 1995 related to the stock option plan. Had compensation cost been determined based upon the fair value of the options at the grant dates consistent with the method of the new statement, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

		1997	1996	1995
Net earnings .....	As reported	\$ 10,735	8,927	6,669
	Pro forma	\$ 10,526	8,893	6,574
Earnings per common share .....	As reported	\$ 1.47	1.29	1.03
	Pro forma	\$ 1.44	1.29	1.01
Earnings per common share -- assuming dilution .....	As reported	\$ 1.46	1.26	1.01
	Pro forma	\$ 1.43	1.25	.99

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 1997, 1996 and 1995, respectively: dividend yield of 1%, risk free interest rates of 6%, 6% and 5%, and an expected life of 10 years.

A summary of activity in the Company's stock option plan is presented below:

	OPTION SHARES	WEIGHTED PER SHARE AVERAGE OPTION PRICE	RANGE OF PER SHARE OF PRICE
Options outstanding at December 31, 1995 .....	50,000	\$ 10.00	\$ 10.00
Options granted in 1996 .....	42,000	\$ 18.00	\$ 18.00
Options outstanding at December 31, 1996 .....	92,000	\$ 13.65	\$ 10.00-18.00
Options granted in 1997 .....	79,704	\$ 22.15	\$ 22.00-22.51
Options outstanding at December 31, 1997 .....	171,704	\$ 17.60	\$ 10.00-22.51

Options on 102,104 and 58,400 shares were exercisable at December 31, 1997 and 1996, respectively. The weighted average grant-date fair value of options granted in 1997 and 1996 was \$7.93 and \$6.45, respectively. Such options have a weighted average remaining contractual life of approximately 8 years as of December 31, 1997.





UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(16) SUPPLEMENTAL FINANCIAL DATA

Components of other operating expenses in excess of 1% of total interest and other noninterest income for the years ended December 31, 1997, 1996 and 1995 are as follows (in thousands):

	1997	1996	1995
Stationery and supplies .....	\$ 831	1,152	512
Advertising .....	1,486	704	646

(17) UNITED COMMUNITY BANKS, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

BALANCE SHEETS

DECEMBER 31, 1997 AND 1996

	1997	1996
	(IN THOUSANDS)	
<b>ASSETS</b>		
Cash .....	\$ 281	1,550
Investment in subsidiaries .....	82,902	65,559
Other assets .....	8,995	5,455
	\$ 92,178	72,564
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Other liabilities .....	\$ 843	936
Notes payable .....	12,722	10,453
Convertible subordinated debentures .....	3,500	3,500
Stockholders' equity .....	75,113	57,675
	\$ 92,178	72,564
	=====	=====

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(IN THOUSANDS)		
<b>Income:</b>			
Dividends from Bank Subsidiaries .....	\$ 1,150	5,361	1,680
Other .....	730	87	170
	1,880	5,448	1,850
	-----	-----	-----
<b>Expenses:</b>			
Interest on notes payable and subordinated debentures .....	1,045	882	910
Other .....	2,097	1,266	428
	3,142	2,148	1,338
	-----	-----	-----
Earnings (loss) before income tax benefit and equity in undistributed earnings of subsidiaries .....	(1,262)	3,300	512
Income tax benefit .....	823	739	350
	(439)	4,039	862
Earnings (loss) before equity in undistributed earnings of subsidiaries .....	11,174	4,888	5,807
Equity in undistributed earnings of subsidiaries .....	-----	-----	-----
	\$ 10,735	8,927	6,669
	=====	=====	=====

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(17) UNITED COMMUNITY BANKS, INC. (PARENT COMPANY ONLY) FINANCIAL  
 INFORMATION -- Continued

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net earnings .....	\$ 10,735	8,927	6,669
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Equity in undistributed earnings of Bank Subsidiaries .....	(11,174)	(4,888)	(5,807)
Depreciation, amortization and accretion .....	300	203	185
Change in:			
Other assets .....	(2,567)	(33)	(205)
Accrued interest payable .....	27	(39)	39
Other liabilities .....	(54)	(263)	(18)
Net cash provided by (used in) operating activities .....	(2,733)	3,907	863
Cash flows from investing activities:			
Purchase of premises and equipment .....	(1,273)	--	--
Cash paid in lieu of fractional shares .....	--	--	(10)
Capital contributions to Bank Subsidiaries .....	(5,250)	(4,275)	(4,500)
Net cash used in investing activities .....	(6,523)	(4,275)	(4,510)
Cash flows from financing activities:			
Proceeds from convertible subordinated debentures .....	--	3,500	--
Proceeds from notes payable .....	3,400	--	2,539
Repayments of notes payable .....	(1,131)	(856)	(630)
Proceeds from sale of common stock .....	6,477	--	2,434
Purchase and retirement of treasury stock of pooled entity .....	--	(408)	(7)
Proceeds from resale of treasury stock of pooled entity .....	6	--	--
Dividends paid .....	(765)	(677)	(588)
Net cash provided by financing activities .....	7,987	1,559	3,748
Net change in cash .....	(1,269)	1,191	101
Cash at beginning of year .....	1,550	359	258
Cash at end of year .....	\$ 281	1,550	359

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of United's financial instruments are detailed below. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of United or its Bank Subsidiaries, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by United since purchase, origination, or issuance.

CASH AND CASH EQUIVALENTS

For cash, due from banks and federal funds sold the carrying amount is a reasonable estimate of fair value.

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS -- Continued

SECURITIES HELD TO MATURITY AND SECURITIES AVAILABLE FOR SALE

Fair values for investment securities are based on quoted market prices.

LOANS AND MORTGAGE LOANS HELD FOR SALE

The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

DEPOSITS

The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

FEDERAL FUNDS PURCHASED

The carrying amount of federal funds purchased is a reasonable estimate of fair value.

FHLB ADVANCES

The fair value of United's fixed rate borrowings are estimated using discounted cash flows, based on United's current incremental borrowing rates for similar types of borrowing arrangements. For variable rate borrowings the carrying amount is a reasonable estimate of fair value.

NOTES PAYABLE AND CONVERTIBLE SUBORDINATED DEBENTURES

Notes payable and convertible subordinated debentures are made using variable rates, thus, the carrying amount is a reasonable estimate of fair value.

INTEREST RATE SWAPS AND INTEREST RATE FLOORS

The fair value of interest rate swaps and interest rate floors is obtained from dealer quotes. These values represent the estimated amount United would receive to terminate the contracts or agreements, taking into account current interest rates and, when appropriate, the current creditworthiness of the counterparties.

COMMITMENTS TO EXTEND CREDIT, STANDBY LETTERS OF CREDIT AND FINANCIAL GUARANTEES WRITTEN

Because commitments to extend credit and standby letters of credit are made using variable rates, the contract value is a reasonable estimate of fair value.

LIMITATIONS

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 any premium or discount that could result from offering for sale at one time United's entire holdings of a particular financial instrument. 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.

UNITED COMMUNITY BANKS, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS -- Continued

The carrying amount and estimated fair values of United's financial instruments at December 31, 1997 and 1996 are as follows (in thousands):

	DECEMBER 31, 1997		DECEMBER 31, 1996	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
<b>Assets:</b>				
Cash and cash equivalents .....	\$ 68,834	68,834	52,670	52,670
Securities held to maturity .....	69,559	70,845	77,326	77,625
Securities available for sale .....	143,894	143,894	81,264	81,264
Mortgage loans held for sale .....	3,962	3,962	6,727	6,727
Loans, net .....	812,972	814,855	626,449	629,107
<b>Liabilities:</b>				
Deposits .....	977,079	981,580	773,300	778,068
Federal funds purchased .....	33,011	33,011	--	--
FHLB advances .....	43,321	43,087	35,074	34,863
Notes payable .....	14,069	14,070	10,453	10,453
Convertible subordinated debentures .....	3,500	3,500	3,500	3,500
<b>Unrecognized financial instruments:</b>				
Commitments to extend credit .....	106,040	106,040	64,091	64,091
Standby letters of credit .....	2,520	2,520	1,721	1,721
Swap agreements .....	12	156	17	97
Floors purchased .....	3	--	33	21

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	JUNE 30, 1998	DECEMBER 31, 1997
	----- (IN THOUSANDS) -----	
<b>ASSETS</b>		
Cash and due from banks .....	\$ 51,962	\$ 60,414
Federal funds sold .....	27,150	8,420
	-----	-----
Cash and cash equivalents .....	79,112	68,834
	-----	-----
Securities held to maturity (estimated fair value of \$65,808 and \$70,846) .....	64,734	69,559
Securities available for sale .....	163,397	143,894
Mortgage loans held for sale .....	5,711	3,962
Loans .....	899,819	823,324
Less: Allowance for loan losses .....	(11,068)	(10,352)
	-----	-----
Loans, net .....	888,751	812,972
	-----	-----
Premises and equipment .....	31,893	27,737
Accrued interest receivable .....	12,550	10,985
Other assets .....	14,400	15,424
	-----	-----
	\$ 1,260,548	\$1,153,367
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Deposits:</b>		
Demand .....	\$ 128,420	\$ 109,210
Interest-bearing demand .....	234,091	189,280
Savings .....	52,425	45,280
Time .....	650,747	633,309
	-----	-----
Total deposits .....	1,065,683	977,079
	-----	-----
Accrued expenses and other liabilities .....	7,524	7,274
Borrowed funds .....	95,086	81,179
Long-term debt .....	12,079	12,722
	-----	-----
Total liabilities .....	1,180,372	1,078,254
	-----	-----
<b>Stockholders' equity:</b>		
<b>Preferred Stock</b>		
Common stock, \$1 par value; 10,000,000 shares authorized; 7,393,605 and 7,385,105 shares issued and outstanding .....	7,394	7,385
Capital surplus .....	24,808	24,699
Retained earnings .....	47,186	42,198
Accumulated other comprehensive income .....	788	831
	-----	-----
Total stockholders' equity .....	80,176	75,113
	-----	-----
	\$ 1,260,548	\$1,153,367
	=====	=====

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME  
(UNAUDITED)

	FOR THE THREE MONTHS ENDED, JUNE 30,	
	1998	1997
	(IN THOUSANDS EXCEPT PER SHARE DATA)	
Interest income:		
Interest and fees on loans .....	\$ 22,632	\$ 18,690
Interest on federal funds sold .....	358	427
Interest on investment securities:		
U.S. Treasury and U.S. Government agencies .....	2,718	2,380
State, county and municipal .....	773	548
Total interest income .....	26,481	22,045
Interest expense:		
Interest on deposits: .....		
Demand .....	2,265	2,257
Savings .....	353	268
Time .....	9,704	7,970
	12,322	10,495
Long-term debt, subordinated debentures and federal funds purchased .....	1,195	946
Total interest expense .....	13,517	11,441
Net interest income .....	12,964	10,604
Provision for loan losses .....	540	701
Net interest income after provision for loan losses .....	12,424	9,903
Noninterest income:		
Service charges and fees .....	1,294	1,108
Securities gains, net .....	68	315
Mortgage loan and related fees .....	444	275
Other noninterest income .....	261	34
Total noninterest income .....	2,067	1,732
Noninterest expense:		
Salaries and employee benefits .....	5,735	4,384
Occupancy .....	1,574	1,179
Other noninterest expense .....	2,843	2,308
Total noninterest expense .....	10,152	7,871
Earnings before income taxes .....	4,339	3,764
Income taxes .....	1,457	1,172
Net earnings .....	\$ 2,882	\$ 2,592
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) on investment securities available for sale arising during the period, net of tax, of \$31, \$(422), \$(39) and \$(144) .....	(51)	689
Less reclassification adjustment for (gains) losses included in net earnings, net of tax of \$26, \$120, \$65 and \$117 .....	(42)	(195)
Total other comprehensive income (loss) .....	(93)	494
Comprehensive income .....	\$ 2,789	\$ 3,086
Per share:		
Net earnings .....	\$ 0.39	\$ 0.35
Net earnings -- assuming dilution .....	\$ 0.38	\$ 0.35
Dividends declared .....	\$ 0.0375	\$ 0.025
Average shares outstanding .....	7,393,605	7,342,184
Diluted average shares outstanding .....	7,626,222	7,517,906

FOR THE SIX MONTHS ENDED,  
JUNE 30,

1998                      1997

Interest income:		
Interest and fees on loans .....	\$ 44,095	\$ 35,594
Interest on federal funds sold .....	695	784
Interest on investment securities:		
U.S. Treasury and U.S. Government agencies .....	5,215	4,395
State, county and municipal .....	1,491	1,083
	-----	-----
Total interest income .....	51,496	41,856
	-----	-----
Interest expense:		
Interest on deposits: .....		
Demand .....	4,361	3,199
Savings .....	682	578
Time .....	19,328	16,085
	-----	-----
	24,371	19,862
	-----	-----
Long-term debt, subordinated debentures and federal funds purchased .....	2,274	1,739
	-----	-----
Total interest expense .....	26,645	21,601
	-----	-----
Net interest income .....	24,851	20,255
Provision for loan losses .....	1,038	1,298
	-----	-----
Net interest income after provision for loan losses .....	23,813	18,957
	-----	-----
Noninterest income:		
Service charges and fees .....	2,477	2,032
Securities gains, net .....	171	308
Mortgage loan and related fees .....	880	551
Other noninterest income .....	393	376
	-----	-----
Total noninterest income .....	3,921	3,267
	-----	-----
Noninterest expense:		
Salaries and employee benefits .....	10,995	8,304
Occupancy .....	2,992	2,249
Other noninterest expense .....	5,377	4,500
	-----	-----
Total noninterest expense .....	19,364	15,053
	-----	-----
Earnings before income taxes .....	8,370	7,171
Income taxes .....	2,828	2,289
	-----	-----
Net earnings .....	\$ 5,542	\$ 4,882
	=====	=====
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) on investment securities available for sale arising during the period, net of tax, of \$31, \$(422), \$(39) and \$(144) .....	63	235
Less reclassification adjustment for (gains) losses included in net earnings, net of tax of \$26, \$(120), \$65 and \$(117) .....	(106)	(191)
	-----	-----
Total other comprehensive income (loss) .....	(43)	44
	-----	-----
Comprehensive income .....	\$ 5,499	\$ 4,926
	=====	=====
Per share:		
Net earnings .....	\$ 0.75	\$ 0.68
Net earnings -- assuming dilution .....	\$ 0.74	\$ 0.67
Dividends declared .....	\$ 0.075	\$ 0.050
Average shares outstanding .....	7,389,378	7,213,553
Diluted average shares outstanding .....	7,610,555	7,388,358

See accompanying notes to consolidated financial statements.

UNITED COMMUNITY BANKS, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30,	
	1998	1997
Cash flows from operating activities:		
Net earnings .....	\$ 5,542	\$ 4,882
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation, amortization and accretion .....	1,186	1,091
Provision for loan losses .....	1,038	1,298
Loss (gain) on sale of investment securities .....	(171)	(308)
Change in assets and liabilities:		
Interest receivable .....	(1,565)	(1,965)
Interest payable .....	(89)	829
Other assets .....	988	946
Accrued expenses and other liabilities .....	273	(1,062)
Change in mortgage loans held for sale .....	(1,749)	3,882
Net cash provided by operating activities .....	5,445	9,593
Cash flows from investing activities:		
Proceeds from maturities and calls of securities held to maturity .....	14,334	8,443
Purchases of securities held to maturity .....	(11,512)	(3,270)
Proceeds from sales of securities available for sale .....	9,277	5,229
Proceeds from maturities and calls of securities available for sale .....	17,788	8,719
Purchases of securities available for sale .....	(44,560)	(60,115)
Net increase in loans .....	(77,110)	(101,087)
Proceeds from sale of other real estate .....	113	--
Purchase of bank premises and equipment .....	(5,034)	(3,764)
Net cash used in investing activities .....	(96,704)	(145,845)
Cash flows from financing activities:		
Net increase in demand and savings deposits .....	71,166	32,239
Net increase in time deposits .....	17,438	110,945
Net change in federal funds purchased .....	(33,011)	750
Proceeds from notes payable .....	--	1,090
Repayments of notes payable .....	(643)	(565)
Proceeds from FHLB advances .....	56,000	12,810
Repayments of FHLB advances .....	(9,081)	(1,602)
Proceeds from the sale of common stock .....	119	6,476
Proceeds from resale of treasury stock of pooled entity .....	---	16
Cash paid for dividends .....	(461)	(329)
Net cash provided by financing activities .....	101,527	161,820
Net increase (decrease) in cash and cash equivalents .....	10,278	25,568
Cash and cash equivalents at beginning of period .....	68,834	52,670
Cash and cash equivalents at end of period .....	\$ 79,112	\$ 78,238
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest .....	\$ 26,734	\$ 20,772
Income Taxes .....	\$ 2,915	\$ 2,778
Schedule of noncash investing and financing activities:		
Change in dividends payable .....	\$ 93	\$ --
Transfer of loans to other real estate owned .....	\$ 1,228	\$ 693
Financed sales of other real estate .....	\$ 936	\$ --
Change in unrealized gain/(loss) on securities available for sale .....	\$ (43)	\$ 245

See accompanying notes to consolidated financial statements.



## BASIS OF PRESENTATION

The accounting and reporting policies of United Community Banks, Inc. ("United"), and its banking (the "Banks") and non-bank subsidiaries, are in conformity with generally accepted accounting principles and prevailing practices within the financial services industry. The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Such estimates are subject to change in the future as additional information becomes available or previously existing circumstances are modified. Actual results could differ from those estimates.

These statements should be read in conjunction with United's summary of significant accounting policies which are incorporated herein by reference in its 1997 Annual Report on Form 10-K. Results of operations for the three and six months ended June 30, 1998 are not necessarily indicative of the results of operations which may be expected for the full year 1998 or any other interim periods.

## ISSUANCE OF TRUST PREFERRED SECURITIES

In June, 1998, a statutory business trust ("United Community Capital Trust") was created by United which in July, 1998, issued company obligated mandatorily redeemable capital securities of subsidiary trust holding solely junior subordinated debentures of the Company ("Capital Securities") to institutional investors in the amount of \$21 million. The Capital Securities bear an interest rate of 8.125 percent and are mandatorily redeemable by United Community Capital Trust. For regulatory purposes, the Capital Securities will be treated as Tier I capital of United. The Capital Securities have a maturity date of July 15, 2028, which may be shortened to a date not earlier than January 15, 2008. If the Capital Securities are redeemed in whole or in part prior to January 15, 2008, the redemption price will include a premium ranging from 4.06 percent in 2008 to .41 percent in 2017.

## YEAR 2000 COMPLIANCE

The Federal Reserve has established a Year 2000 Supervision Program and published guidelines for implementing procedures to bring computer software programs and processing systems into Year 2000 compliance. United has established a Year 2000 task force to address all Year 2000 compliance issues as well as enhancements to computer and communications systems resulting from upgrades initiated in response to Year 2000 issues. United is in the process of implementing plans in accordance with regulatory guidelines to bring all business critical computer systems into Year 2000 compliant status. These guidelines include requirements regarding project plans, testing plans and contingency plans. United is in conformity with the current requirements regarding completion and implementation of these plans. All business critical systems have been scheduled for implementation or upgrade and testing procedures established for completion by year end 1998.

Year 2000 expenses of \$100,000 were incurred through the six months ended June 30, 1998. These expenses included training, education and an assessment of the Company's systems estimation of the costs associated with upgrading internal systems to Year 2000 compliance. United anticipates approximately \$2.4 million of additional investment, the majority of which will involve the replacement of equipment and software which will be depreciated over a period of 3 to 5 years.

The above reflects management's current assessment and estimates. Various factors could cause actual results to differ materially from those contemplated by such assessments, estimates and forward looking statements. Some of these factors may be beyond the control of United, including but not limited to, vendor representations, technological advancements, economic factors and competitive considerations. Management's evaluation of Year 2000 compliance and technological upgrades is an ongoing process involving continual evaluation. Unanticipated problems could develop and alternative solutions may be available that could cause current solutions to be more difficult or costly than currently anticipated.

## RECENT ACCOUNTING DEVELOPMENTS

United adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") in January 1998. SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 130 also requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from



retained earnings and additional paid-in-capital in the equity section of a statement of financial position. Additionally, SFAS 130 allows an enterprise to present total comprehensive income amount in the notes to the interim financial statements rather than on the face of a statement, as required for the display in the annual financial statements. For the six months ended June 30, 1998, comprehensive income was \$5.5 million, reflecting a \$43 thousand adjustment to net income for unrealized gains on securities available-for-sale, net of income taxes. Comprehensive income for the three months ended June 30, 1998 was \$2.8 million, reflecting a decrease of \$93 thousand in the unrealized gain on securities available-for-sale, net of income taxes.

On June 15, 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. This statement is effective for fiscal years beginning after June 15, 1999.

EARNINGS PER SHARE

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	1998	1997	1998	1997
(IN THOUSANDS EXCEPT PER SHARE DATA) (UNAUDITED)				
Basic earnings per share:				
Weighted average shares outstanding .....	7,394	7,342	7,389	7,214
Net income .....	2,882	2,592	5,542	4,882
Basic earnings per share .....	0.39	0.35	0.75	0.68
Diluted earnings per share:				
Weighted average shares outstanding .....	7,394	7,342	7,389	7,214
Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period .....	92	36	81	34
Effect of conversion of subordinated debt .....	140	140	140	140
Total weighted average shares and common stock equivalents outstanding .....	7,626	7,518	7,610	7,388
Net income, as reported .....	2,882	2,592	5,542	4,882
Income effect of conversion of subordinated debt, net of tax .....	47	46	94	93
Net income, adjusted for effect of conversion of subordinated debt, net of tax .....	2,929	2,638	5,636	4,975
Diluted earnings per share .....	0.36	0.35	0.74	0.67

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE EXCHANGE AGENT. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE DELIVERY OF THIS PROSPECTUS, OR ANY SALE MADE HEREUNDER, UNDER ANY CIRCUMSTANCES, DOES NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THEREOF.

UNTIL , 1998 (90 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE CAPITAL SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF THE DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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UNITED COMMUNITY  
 CAPITAL TRUST

OFFER TO EXCHANGE

All Outstanding  
 8.125% Capital Securities  
     for  
 8.125% Capital Securities

Registered under the Securities Act of 1933 Unconditionally Guaranteed, as  
 Described Herein, by

(UNITED  
 COMMUNITY BANKS logo)

-----  
 PROSPECTUS  
 -----

September , 1998

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

EXHIBIT NO.	EXHIBIT
3.1	Articles of Incorporation of United Community Banks, Inc. (the "Company"), as amended (included as Exhibit 3.1 to the Company's Registration Statement on Form S-4, Commission File No. 33-93286, filed with the Commission on July 24, 1997 (the "1997 S-4") and incorporated herein by reference)
3.2	Amended and Restated Bylaws of the Company, as amended (included as Exhibit 3.1 to the Company's Annual Report on Form 10-K, Commission File No. 000-21656, filed with the Commission on March 27, 1998 (the "1997 10-K") and incorporated herein by reference)
4.1	Junior Subordinated Indenture of the Company with The Chase Manhattan Bank, as Trustee, relating to the Junior Subordinated Debentures
4.2	Form of Certificate of Junior Subordinated Debenture (included in Exhibit 4.1)
4.3	Certificate of Trust of United Community Capital Trust
4.4	Amended and Restated Trust Agreement for United Community Capital Trust
4.5	Form of New Capital Security Certificate for United Community Capital Trust (included as Exhibit D to Exhibit 4.4)
4.6	Guarantee of the Company relating to the Capital Securities
4.7	Registration Rights Agreement
4.8	Form of Floating Rate Convertible Subordinated Payable In Kind Debenture due December 31, 2006 (included as Exhibit 4.2 to the Company's Registration Statement on Form S-1, Commission File No. 33-93278, previously filed with the Commission and incorporated herein by reference)
4.9	Form of Subscription Agreement (included as Exhibit A to the Company's Form S-1, Commission File No. 333-20887, previously filed with the Commission and incorporated by reference)
5.1	Opinion and consent of Kilpatrick Stockton LLP to the Company as to validity of the Exchange Debentures and the Guarantee to be issued by the Company
5.2	Opinion and consent of Richards, Layton & Finger, P.A., special Delaware counsel, as to validity of the New Capital Securities to be issued by United Community Capital Trust
8.1	Opinion of Kilpatrick Stockton LLP as to certain federal income tax matters

## EXHIBIT NO.

## EXHIBIT

- 10.1 Agreement, dated May 3, 1984, by and between Cornelia Bank and Union County Bank (included as Exhibit 10.8 to the Company's Registration Statement on Form S-18, Commission File No. 33-32205-A, previously filed with the Commission and incorporated herein by reference)
- 10.2 United Community Banks, Inc. Key Employee Stock Option Plan (included as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (the "1994 10-K"), previously filed with the Commission and incorporated herein by reference)
- 10.3 Loan Agreement dated April 26, 1995 by and between the Bankers Bank and the Company, together with the related Promissory Note in the principal amount of \$12,000,000 and Stock Pledge Agreement (included as Exhibit 10.17 to the Company's Registration Statement on Form S-1, Commission File No. 33-93278, previously filed with the Commission and incorporated herein by reference)
- 10.4 Split-Dollar Agreement between the Company and Jimmy C. Tallent dated June 1, 1994 (included as Exhibit 10.11 to the 1994 10-K, incorporated herein by reference)
- 10.5 Agreement and Plan of Reorganization by and among White County Bancshares, Inc., White County Bank and the Company, dated as of April 11, 1995 (included as Exhibit 2.1 to the 1997 S-4, incorporated herein by reference)
- 10.6 Agreement and Plan of Merger by and between Registrant and White County Bancshares, Inc., dated as of April 11, 1995 (included as Exhibit 2.2 to the 1997 S-4, incorporated herein by reference)
- 10.7 Agreement and Plan of Merger by and between White County Bank and White Interim Bank, dated as of June 12, 1995 (included as Exhibit 2.3 to the 1997 S-4, incorporated herein by reference)
- 10.8 Purchase and Assumption Agreement by and between Carolina Bank and NationsBank, N.A. dated May 25, 1995 (included as Exhibit 10.16 to the Company's Registration Statement on Form S-1, Commission File No. 33-93278, previously filed with the Commission and incorporated herein by reference)
- 10.9 Broker Dealer Agreement between the Registrant and The Carson Medlin Company dated January 28, 1997 (included as Exhibit 10.10 to the Company's Registration Statement on Form S-1, Commission File No. 333-20887, previously filed with the Commission and incorporated herein by reference)
- 10.10 Amendment to Broker Dealer Agreement between the Registrant and The Carson Medlin Company dated March 3, 1997 (included as Exhibit 10.11 to the Company's Registration Statement on Form S-1, Commission File No. 333-20887, previously filed with the Commission and incorporated herein by reference)
- 10.11 Agreement and Plan of Merger, dated June 12, 1997, by and between the Company and First Clayton Bancshares, Inc. (included as Appendix A to the Company's Registration Statement on Form S-4, Commission File No. 333-31997, previously filed with the Commission and incorporated herein by reference)
- 12.1 Computation of ratio of earnings to fixed charges
- 21.1 Subsidiaries of the Company (included as Exhibit 21 to the 1997 10-K, incorporated herein by reference)
- 23.1 Consent of Porter Keadle Moore, LLP
- 23.2 Consent of Kilpatrick Stockton LLP (included in Exhibit 5.1)
- 23.3 Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.2)
- 24.1 Power of Attorney of certain officers and directors of the Company (included on Signature Page)
- 25.1 Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee as to the Capital Securities

## EXHIBIT NO.

## EXHIBIT

25.2	Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee as to the Junior Subordinated Debentures
25.3	Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee as to the Guarantee for the benefit of the holders of New Capital Securities of the Company
99.1	Form of Letter of Transmittal
99.2	Form of Notice of Guaranteed Delivery
99.3	Form of Exchange Agent Agreement

## ITEM 22. UNDERTAKINGS

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against the public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against liabilities (other than the payment of the Registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, United Community Banks, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on September 30, 1998.

UNITED COMMUNITY BANKS, INC.

By: /s/ JIMMY C. TALLENT

-----  
 JIMMY C. TALLENT  
 PRESIDENT AND CHIEF EXECUTIVE  
 OFFICER

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on September 30, 1998.

SIGNATURE	TITLE
/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 of Directors
/s/ CHRISTOPHER J. BLEDSOE ----- CHRISTOPHER J. BLEDSOE	Chief Financial Officer (Principal Financial Officer)
/s/ PATRICK J. RUSNAK ----- PATRICK J. RUSNAK	Controller (Principal Accounting Officer)
/s/ BILLY M. DECKER ----- BILLY M. DECKER	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/ W.C. NELSON, JR. ----- W.C. NELSON, JR.	Director
/s/ CHARLES E. PARKS ----- CHARLES E. PARKS	Director



Pursuant to the requirements of the Securities Act of 1933, United Community Capital Trust, has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Blairsville, State of Georgia, on September 30, 1998.

UNITED COMMUNITY CAPITAL TRUST

By: United Community Banks, Inc., as  
depositor

By: /s/ JIMMY C. TALLENT

-----  
JIMMY C. TALLENT  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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## EXHIBIT INDEX

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- 12.1 Computation of ratio of earnings to fixed charges
- 21.1 Subsidiaries of the Company (included as Exhibit 21 to the 1997 10-K, incorporated herein by reference)
- 23.1 Consent of Porter Keadle Moore, LLP

- 23.2 Consent of Kilpatrick Stockton LLP (included in Exhibit 5.1 and Exhibit 8.1)
- 23.3 Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.2)
- 24.1 Power of Attorney of certain officers and directors of the Company (included on Signature Page)
- 25.1 Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee as to the Capital Securities
- 25.2 Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee as to the Junior Subordinated Debentures
- 25.3 Form T-1 Statement of Eligibility of The Chase Manhattan Bank to act as trustee as to the Guarantee for the benefit of the holders of Exchange Capital Securities of the Company
- 99.1 Form of Letter of Transmittal
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- 99.3 Form of Exchange Agent Agreement

## JUNIOR SUBORDINATED INDENTURE

Between

UNITED COMMUNITY BANKS, INC.

and

THE CHASE MANHATTAN BANK  
(as Trustee)

dated as of

July 20, 1998

## UNITED COMMUNITY CAPITAL TRUST

Certain Sections of this Junior Subordinated Indenture relating  
to Sections 310 through 318 of the  
Trust Indenture Act of 1939:

Trust Indenture Act Section -----		Junior Subordinated Indenture Section -----
Section 310	(a) (1).....	6.9
	(a) (2).....	6.9
	(a) (3).....	Not Applicable
	(a) (4).....	Not Applicable
	(a) (5).....	6.9
	(b).....	6.8, 6.10
Section 311	(a).....	6.13
	(b).....	6.13
	(b) (2).....	7.3(a)
Section 312	(a).....	7.1, 7.2(a)
	(b).....	7.2(b)
	(c).....	7.2(c)
Section 313	(a).....	7.3(a)
	(a) (4).....	7.3(a)
	(b).....	7.3(b)
	(c).....	7.3(a)
	(d).....	7.3(c)
Section 314	(a).....	7.4
	(b).....	7.4
	(c) (1).....	1.2
	(c) (2).....	1.2
	(c) (3).....	Not Applicable
	(e).....	1.2
Section 315	(a).....	6.1(a)
	(b).....	6.2, 7.3
	(c).....	6.1(b)
	(d).....	6.1(c)
	(e).....	5.14
Section 316	(a).....	5.12
	(a) (1) (A).....	5.12
	(a) (1) (B).....	5.13
	(a) (2).....	Not Applicable
	(b).....	5.8
	(c).....	1.4(f)
Section 317	(a) (1).....	5.3

	(a) (2).....	5.4
	(b).....	10.3
Section 318	(a).....	1.7

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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ANNEX A                   FORM OF RESTRICTED SECURITIES  
                                  CERTIFICATE

JUNIOR SUBORDINATED INDENTURE

THIS JUNIOR SUBORDINATED INDENTURE, dated as of July 20, 1998, is between UNITED COMMUNITY BANKS, INC., a Georgia bank holding company (the "COMPANY"), having its principal office at 59 Highway 515, Blairsville, Georgia 30512, and THE CHASE MANHATTAN BANK, as Trustee, having its principal corporate trust office at 450 West 33rd Street, 15th Floor, New York, New York 10001 (the "TRUSTEE").

RECITALS OF THE COMPANY

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured junior subordinated debt securities in series (hereinafter called the "SECURITIES") of substantially the tenor hereinafter provided, including Securities issued to evidence loans made to the Company from the proceeds from the issuance from time to time by one or more business trusts (each an "ISSUER TRUST") of undivided preferred beneficial interests in the assets of such Issuer Trusts (the "CAPITAL SECURITIES") and common undivided interests in the assets of such Issuer Trusts (the "COMMON SECURITIES" and, collectively with the Capital Securities, the "TRUST SECURITIES"), and to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered; and

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders (as such term is defined in Section 1.1 hereof) thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, and intending to be legally bound hereby, as follows:

ARTICLE I  
DEFINITIONS AND OTHER PROVISIONS  
OF GENERAL APPLICATION

SECTION 1.1. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) All other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(4) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect at the time of computation;

(5) Whenever the context may require, any gender shall be deemed to include the other;

(6) Unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Indenture; and

(7) The words "hereby", "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"ACT" when used with respect to any Holder has the meaning specified in Section 1.4(a).

"ADDITIONAL INTEREST" means the interest, if any, that shall accrue on any interest on the Securities of any series the payment of which has not been made on the applicable Interest Payment Date and which shall accrue at the rate per annum specified or determined as specified in such Security.

"ADDITIONAL SUMS" has the meaning specified in Section 10.6.

"ADDITIONAL TAXES" means any additional taxes, duties and other governmental charges to which an Issuer Trust has become subject from time to time as a result of a Tax Event.

"ADMINISTRATOR" means, in respect of any Issuer Trust, each Person appointed in accordance with the related Trust Agreement, solely in such Person's capacity as Administrator of such Issuer Trust and not in such Person's individual capacity, or any successor Administrator appointed as therein provided.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or

indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT MEMBER" means any member of, or participant in, the Depository.

"APPLICABLE PROCEDURES" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depository for such Global Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"AUTHENTICATING AGENT" means any Person authorized by the Trustee pursuant to Section 6.14 to act on behalf of the Trustee to authenticate Securities of one or more series.

"BOARD OF DIRECTORS" means the board of directors of the Company or the Executive Committee of the board of directors of the Company (or any other committee of the board of directors of the Company performing similar functions) or, for purposes of this Indenture, a committee designated by the board of directors of the Company (or such committee), comprised of two or more members of the board of directors of the Company or officers of the Company, or both.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or any Assistant Secretary of the Company to have been duly adopted by the Board of Directors, or such committee of the Board of Directors or officers of the Company to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in the City of New York, New York, or the City of Blairsville, Georgia, are authorized or required by law or executive order to remain closed, or (iii) a day on which the Corporate Trust Office of the Trustee, or, with respect to the Securities of a series initially issued to an Issuer Trust, the "Corporate Trust Office" (as defined in the related Trust Agreement) of the Property Trustee or the Delaware Trustee under the related Trust Agreement, is closed for business.

"CAPITAL SECURITIES" has the meaning specified in the first recital of this Indenture.

"CAPITAL TREATMENT EVENT" means, in respect of any Issuer Trust, the reasonable determination by the Company that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement, action or decision is announced on or after the date of the issuance of the Capital Securities of such Issuer Trust, there is more than an insubstantial risk that the Company will not

be entitled to treat an amount equal to the Liquidation Amount of such Capital Securities as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the risk-based capital adequacy guidelines of the Board of Governors of the Federal Reserve System, as then in effect and applicable to the Company.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"COMMON SECURITIES" has the meaning specified in the first recital of this Indenture.

"COMMON STOCK" means the common stock, \$1.00 par value per share of the Company.

"COMPANY" means the Person named as the "COMPANY" in the first paragraph of this instrument until a successor entity shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "COMPANY" shall mean such successor entity.

"COMPANY REQUEST" and "COMPANY ORDER" mean, respectively, the written request or order signed in the name of the Company by its Chairman of the Board of Directors, its President or a Senior Vice President or Vice President, and by its Chief Financial Officer, its Treasurer or an Assistant Treasurer, or its Secretary or an Assistant Secretary, and delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

"CREDITOR" has the meaning specified in Section 6.7(c).

"DEFAULTED INTEREST" has the meaning specified in Section 3.8.

"DELAWARE TRUSTEE" means, with respect to any Issuer Trust, the Person identified as the "Delaware Trustee" in the related Trust Agreement, solely in its capacity as Delaware Trustee of such Issuer Trust under such Trust Agreement and not in its individual capacity, or its successor in interest in such capacity, or any successor Delaware trustee appointed as therein provided.

"DEPOSITARY" means, with respect to the Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 3.1 with respect to such series (or any successor thereto).

"DISCOUNT SECURITY" means any security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"DOLLAR" or "\$" means the currency of the United States of America that, as at the time of payment, is legal tender for the payment of public and private debts.

The term "ENTITY" includes a bank, corporation, association, company, limited liability company, joint-stock company or business trust.

"EVENT OF DEFAULT," unless otherwise specified in the supplemental indenture or specified in or pursuant to the Board Resolution creating a series of Securities, has the meaning specified in Article V.

"EXCHANGE ACT" means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

"EXCHANGE OFFER" means an exchange offer of Exchange Securities for Private Securities, which is registered under the Securities Act pursuant to a registration rights agreement.

"EXCHANGE SECURITIES" means a new series of Securities issued by the Company in a mandatory exchange offer for Private Securities, such exchange offer being registered under the Securities Act.

"EXPIRATION DATE" has the meaning specified in Section 1.4(f).

"EXTENSION PERIOD" has the meaning specified in Section 3.12.

"GLOBAL SECURITY" means a Security in the form prescribed in Section 2.4 evidencing all or part of a series of Securities, issued to the Depositary or its nominee for such series, and registered in the name of such Depositary or its nominee.

"GUARANTEE" means, with respect to any Issuer Trust, the Guarantee Agreement executed by the Company for the benefit of the Holders of the Capital Securities issued by such Issuer Trust as modified, amended or supplemented from time to time.

"HOLDER" means a Person in whose name a Security is registered in the Securities Register.

"INDENTURE" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of each particular series of Securities established as contemplated by Section 3.1.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INTEREST PAYMENT DATE" means, as to each series of Securities, the Stated Maturity of an installment of interest on such Securities.

"INVESTMENT COMPANY ACT" means the Investment Company Act of 1940 and any statute successor thereto, in each case as amended from time to time.

"INVESTMENT COMPANY EVENT" means the receipt by an Issuer Trust of an Opinion of Counsel (as defined in the relevant Trust Agreement) experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change (including any announced prospective change) in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that such Issuer Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Capital Securities of such Issuer Trust.

"ISSUER TRUST" has the meaning specified in the first recital of this Indenture.

"LIQUIDATION AMOUNT" shall have the meaning assigned in the applicable related Trust Agreement.

"MATURITY" when used with respect to any Security means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"NOTICE OF DEFAULT" means a written notice of the kind specified in Section 5.1(3).

"OFFICERS' CERTIFICATE" means a certificate signed by the Chief Executive Officer, the President or a Vice President, and by the Chief Financial Officer, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the party provided herein. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 10.4) shall include:

(a) a statement by each officer signing the Officers' Certificate that such officer has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by such officer in rendering the Officers' Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and



(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be counsel for or an employee of the Company or any Affiliate of the Company.

"ORIGINAL ISSUE DATE" means the date of issuance specified as such in a Security or, if not so specified, the date of original issuance of such Security (including any Predecessor Security).

"OUTSTANDING" means, when used in reference to any Securities, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; and

(iii) Securities in substitution for or in lieu of which other Securities have been authenticated and delivered or that have been paid pursuant to Section 3.7, unless proof satisfactory to the Trustee is presented that any such Securities are held by Holders in whose hands such Securities are valid, binding and legal obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor (other than, for the avoidance of doubt, the Issuer Trust to which Securities of the applicable series were initially issued) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities that the Trustee knows to be so owned shall be so disregarded. Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor (other than, for the avoidance of doubt, such Issuer Trust). Upon the written request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company, or any other obligor on the Securities or any Affiliate of the Company or such obligor (other than, for the avoidance of doubt, such Issuer Trust), and, subject to the provisions of Section 6.1, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

"PAYING AGENT" means the Trustee or any Person authorized by the Company to pay the principal of (or premium, if any) or interest on, or other amounts in respect of any Securities on behalf of the Company.

"PERSON" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLACE OF PAYMENT" means, with respect to the Securities of any series, the place or places where the principal of (and premium, if any) and interest on the Securities of such series are payable pursuant to Section 3.1.

"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security. For the purposes of this definition, any security authenticated and delivered under Section 3.7 in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"PRINCIPAL SUBSIDIARY BANK" means each of (i) United Community Bank, a bank chartered under the laws of Georgia, (ii) any other banking subsidiary of the Company the consolidated assets of which constitute 20% or more of the consolidated assets of the Company and its consolidated subsidiaries, (iii) any other banking subsidiary designated as a Principal Subsidiary Bank pursuant to a Board Resolution and set forth in an Officers' Certificate delivered to the Trustee, and (iv) any banking subsidiary of the Company that owns, directly or indirectly, any voting securities, or options, warrants or rights to subscribe for or purchase voting securities, of any Principal Subsidiary Bank under clause (i), (ii) or (iii), and in the case of clause (i), (ii), (iii) or (iv) their respective successors (whether by consolidation, merger, conversion, transfer of substantially all their assets and business or otherwise) so long as any such successor is a banking subsidiary (in the case of clause (i), (ii) or (iii) or a subsidiary (in the case of clause (iv))) of the Company.

"PRIVATE SECURITY" means a Restricted Security.

"PROCEEDING" has the meaning specified in Section 13.2.

"PROPERTY TRUSTEE" means, with respect to any Issuer Trust, the Person identified as the "Property Trustee" in the related Trust Agreement, solely in its capacity as Property Trustee of such Issuer Trust under such Trust Agreement and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as therein provided.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture or the terms of such Security.

"REDEMPTION PRICE", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date with respect to the Securities of a series means, unless otherwise provided pursuant to Section 3.1 with respect to Securities of such series, the close of business on the fifteenth day of the month next preceding such Interest Payment Date (whether or not a Business Day).

"RESPONSIBLE OFFICER", when used with respect to the Property Trustee means any officer assigned to the Corporate Trust Office, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary, trust officer, senior trust officer or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"RESTRICTED SECURITY" means each Security required pursuant to Section 3.6(c) to bear a Restricted Securities Legend.

"RESTRICTED SECURITIES CERTIFICATE" means a certificate substantially in the form set forth in Annex A.

"RESTRICTED SECURITIES LEGEND" means a legend substantially in the form of the legend required in the form of Security set forth in Section 2.2 to be placed upon a Restricted Security.

"RIGHTS PLAN" means any plan of the Company providing for the issuance by the Company to all holders of its Common Stock, of rights entitling the holders thereof to subscribe for or purchase shares of any class or series of capital stock of the Company which rights (i) are deemed to be transferred with such shares of such Common Stock, (ii) are not exercisable, and (iii) are also issued in respect of future issuances of such Common Stock, in each case until the occurrence of a specified event or events.

"SECURITIES" or "SECURITY" means any debt securities or debt security, as the case may be, authenticated and delivered under this Indenture.

"SECURITIES ACT" means the Securities Act of 1933, as modified, amended or supplemented from time to time.

"SECURITIES REGISTER" and "SECURITIES REGISTRAR" have the respective meanings specified in Section 3.6(a).

"SENIOR INDEBTEDNESS" means, whether recourse is to all or a portion of the assets of the Company and whether or not contingent: (i) every obligation of the Company for money borrowed; (ii) every obligation of the Company evidenced by bonds, debentures, notes or other

similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of the Company with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Company; (iv) every obligation of the Company issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of the Company; (vi) every obligation of the Company for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person the payment of which the Company has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; without limiting the generality of the foregoing, Senior Indebtedness shall include the Company's \$12,000,000 loan with the Bankers Bank, Atlanta, Georgia; and \$3,500,000 aggregate amount of Floating Rate Convertible Subordinated Payable in Kind Debentures due December 31, 2006 (the "Floating Rate Debentures"). "Senior Indebtedness" shall not include (i) any obligations which, by their terms, are expressly stated to rank PARI PASSU in right of payment with, or to not be superior in right of payment to, the Junior Subordinated Debentures, (ii) any Senior Indebtedness of the Company which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (iii) any indebtedness of the Company to any of its subsidiaries, (iv) indebtedness to any executive officer or director of the Company, except for indebtedness with respect to the Floating Rate Debentures, or (v) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company in connection with the issuance of such financing entity of securities that are similar to the Capital Securities.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.8.

"STATED MATURITY", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified pursuant to the terms of such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable, as such date may, in the case of such principal, be shortened or extended as provided pursuant to the terms of such Security and this Indenture.

"SUBSIDIARY" means an entity more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, "voting stock" means stock that ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"SUCCESSOR SECURITY" of any particular Security means every Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.7 in

exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"TAX EVENT" means the receipt by an Issuer Trust of an Opinion of Counsel (as defined in the relevant Trust Agreement) experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Capital Securities of such Issuer Trust, there is more than an insubstantial risk that (i) such Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to United States Federal income tax with respect to income received or accrued on the corresponding series of Securities issued by the Company to such Issuer Trust, (ii) interest payable by the Company on such corresponding series of Securities is not, or within 90 days of the delivery of such Opinion of Counsel will not be, deductible by the Company, in whole or in part, for United States Federal income tax purposes, or (iii) such Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to more than a DE MINIMIS amount of other taxes, duties or other governmental charges.

"TRUST AGREEMENT" means, with respect to any Issuer Trust, the trust agreement or other governing instrument of such Issuer Trust.

"TRUSTEE" means the Person named as the "TRUSTEE" in the first paragraph of this Indenture, solely in its capacity as such and not in its individual capacity, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "TRUSTEE" shall mean or include each Person who is then a Trustee hereunder and, if at any time there is more than one such Person, "TRUSTEE" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, as modified, amended or supplemented from time to time, except as provided in Section 9.5.

"TRUST SECURITIES" has the meaning specified in the first recital of this Indenture.

"VICE PRESIDENT," when used with respect to the Company, means any duly appointed vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

#### SECTION 1.2. COMPLIANCE CERTIFICATE AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent (including covenants compliance with which constitutes a

condition precedent), if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent (including covenants compliance with which constitutes a condition precedent), if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.4) shall include:

(1) a statement by each individual signing such certificate or opinion that such individual has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions of such individual contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of such individual, such condition or covenant has been complied with.

#### SECTION 1.3. FORMS OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to matters upon which his or her certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

#### SECTION 1.4. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given to or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments is or are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "ACT" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him or her the execution thereof. Where such execution is by a Person acting in other than his or her individual capacity, such certificate or affidavit shall also constitute sufficient proof of his or her authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be provided in any other manner that the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine.

(d) The ownership of Securities shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities of such series, PROVIDED that the Company may not set a record date for, and the provisions of this paragraph shall not apply

with respect to, the giving or making of any notice, declaration, request or direction referred to in the next succeeding paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of the relevant series on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date, PROVIDED that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date (as defined below) by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be canceled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.2, (iii) any request to institute proceedings referred to in Section 5.7(2), or (iv) any direction referred to in Section 5.12, in each case with respect to Securities of such series. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities of such series on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date, PROVIDED that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities of such series on such record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be canceled and of no effect) and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

With respect to any record date set pursuant to this Section, the party hereto that sets such record date may designate any day as the "EXPIRATION DATE" and from time to time may change the Expiration Date to any earlier or later day, PROVIDED that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6 on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any



record date set pursuant to this Section, the party hereto that set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

(g) Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

SECTION 1.5. NOTICES, ETC. TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, any holder of Capital Securities or the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Global Trust Services, or

(2) the Company by the Trustee, any Holder or any holder of Capital Securities shall be sufficient for every purpose (except as otherwise provided in Section 5.1) hereunder if in writing and mailed, first class, postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument, Attention: Jimmy C. Tallent or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6. NOTICE TO HOLDERS; WAIVER.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Securities Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. If, by reason of the suspension of or irregularities in regular mail services or for any other reason, it shall be impossible or impracticable to mail notice of any event to Holders when said notice is required to be given pursuant to any provision of this Indenture or of the relevant Securities, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall

be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.7. CONFLICT WITH TRUST INDENTURE ACT.

This Indenture is intended to be in conformity with the provisions of the Trust Indenture Act that would be required to be part of this Indenture were this Indenture to be qualified under the Trust Indenture Act and shall, to the extent applicable, be governed by such provisions. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control. If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the provision of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 1.8. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.9. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. SEPARABILITY CLAUSE.

If any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns, the holders of Senior Indebtedness, the Holders of the Securities and, to the extent expressly provided in Sections 5.2, 5.8, 5.9, 5.11, 5.13, 9.1 and 9.2, the holders of Capital Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 1.13. NON-BUSINESS DAYS.

If any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal (and premium, if any) or other amounts in respect of such Security need not be made on such date, but may be made on the next succeeding Business Day (and no interest shall accrue in respect of the amounts whose payment is so delayed for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, until such next succeeding Business Day) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (in each case with the same force and effect as if made on the Interest Payment Date or Redemption Date or at the Stated Maturity).

ARTICLE II  
SECURITY FORMS

SECTION 2.1. FORMS GENERALLY.

The Securities of each series and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article, or in such other form or forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with applicable tax or securities laws or the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such securities, as evidenced by their execution of the Securities. If the form of Securities of any series is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 with respect to the authentication and delivery of such Securities.

The Trustee's certificates of authentication shall be substantially in the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods, if required by any securities exchange on which the Securities

may be listed, on a steel engraved border or steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Securities distributed to holders of Global Capital Securities (as defined in the applicable Trust Agreement) upon the dissolution of an Issuer Trust shall be distributed in the form of one or more Global Securities registered in the name of a Depositary or its nominee, and deposited with the Securities Registrar, as custodian for such Depositary, or with such Depositary, for credit by the Depositary to the respective accounts of the beneficial owners of the Securities represented thereby (or such other accounts as they may direct). Securities distributed to holders of Capital Securities other than Global Capital Securities upon the dissolution of an Issuer Trust shall not be issued in the form of a Global Security or any other form intended to facilitate book-entry trading in beneficial interests in such Securities.

SECTION 2.2. FORM OF FACE OF SECURITY.

UNITED COMMUNITY BANKS, INC.  
[Title of Security]

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) TO AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT IN A TRANSACTION THAT IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES. THE HOLDER OF THIS SECURITY AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS. THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE ISSUER THAT THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITIES.

THE SECURITIES WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A PRINCIPAL AMOUNT OF NOT LESS THAN \$100,000. ANY SUCH TRANSFER OF SECURITIES IN A BLOCK HAVING A PRINCIPAL AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF SUCH SECURITIES FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO THE RECEIPT OF INTEREST AND PRINCIPAL PAYABLE ON SUCH SECURITIES, AND SUCH TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN SUCH SECURITIES.

No. §

UNITED COMMUNITY BANKS, INC., a Georgia bank holding company (hereinafter called the "COMPANY", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to , or registered assigns, the principal sum of Dollars on , [IF THE SECURITY IS A GLOBAL SECURITY, THEN INSERT, IF APPLICABLE--], or such other principal amount represented hereby as may be set forth in the records of the Securities Registrar hereinafter referred to in accordance with the Indenture, OR the principal sum specified in the Schedule annexed hereto] [; PROVIDED that the Company may (i) shorten the Stated Maturity of the principal of this Security to a date not earlier than , and (ii) extend the Stated Maturity of the principal of this Security at any time on one or more occasions, subject to certain conditions specified in Section 3.15 of the Indenture, but in no event to a date later than ]. The Company further promises to pay interest on said principal from , or from the most recent Interest Payment Date to which interest has been paid or duly provided for, [monthly] [quarterly] [semi-annually] [IF APPLICABLE, INSERT--(subject to deferral as set forth herein)] in arrears on [INSERT APPLICABLE INTEREST PAYMENT DATES] of each year, commencing at the [variable rate equal to [INSERT APPLICABLE INTEREST RATE FORMULA]] [rate of \_\_\_\_%] per annum, [if applicable insert--together with Additional Sums, if any, as provided in Section 10.6 of the Indenture,] until the principal hereof is paid or duly provided for or made available for payment [if applicable, insert--; provided that any overdue principal, premium or Additional Sums and any overdue installment of interest shall bear Additional Interest at the [variable rate equal to [INSERT APPLICABLE INTEREST RATE FORMULA]] [rate of \_\_\_\_%] per annum (to the extent that the payment of such interest shall be legally enforceable), compounded [monthly] [quarterly] [semi-annually], from the dates such amounts are due until they are paid or made available for payment, and such interest shall be payable on demand]. The amount of interest payable for any period less than a full interest period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The amount of interest payable for any full interest period shall be computed by dividing the applicable rate per annum by [twelve/four/two]. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest installment [IF APPLICABLE, INSERT--, which shall be the [ or ] (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date]. Any such

interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee (notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date) or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

[IF APPLICABLE, INSERT--So long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time during the term of this Security, from time to time to defer the payment of interest on this Security for up to consecutive [monthly] [quarterly] [semi-annual] interest payment periods with respect to each deferral period (each an "Extension Period") [IF APPLICABLE, INSERT--, during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date, and] at the end of which the Company shall pay all interest then accrued and unpaid including Additional Interest, as provided below; PROVIDED, HOWEVER, that no Extension Period shall extend beyond the Stated Maturity of the principal of this Security [IF STATED MATURITY CAN BE SHORTENED OR EXTENDED, INSERT--, as then in effect,] and no such Extension Period may end on a date other than an Interest Payment Date; and PROVIDED, FURTHER, however, that during any such Extension Period, the Company shall not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to this Security (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a Subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any Rights Plan, or the issuance of rights, stock or other property under any Rights Plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, PROVIDED that no Extension Period shall exceed consecutive [monthly] [quarterly]

[semi-annual] interest payment periods, extend beyond the Stated Maturity of the principal of this Security or end on a date other than an Interest Payment Date. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due on any Interest Payment Date, the Company may elect to begin a new Extension Period, subject to the above conditions. No interest shall be due and payable during an Extension Period, except at the end thereof, but each installment of interest that would otherwise have been due and payable during such Extension Period shall bear Additional Interest (to the extent that the payment of such interest shall be legally enforceable) at the [variable rate equal to [INSERT APPLICABLE INTEREST RATE FORMULA]] [rate of \_\_\_\_%] per annum, compounded [monthly] [quarterly] [semi-annually] and calculated as set forth in the first paragraph of this Security, from the date on which such amounts would otherwise have been due and payable until paid or made available for payment. The Company shall give the Holder of this Security and the Trustee notice of its election to begin any Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on this Security would be payable but for such deferral [IF APPLICABLE, INSERT--or so long as this Security is held by [INSERT NAME OF APPLICABLE ISSUER TRUST], at least one Business Day prior to the earlier of (i) the next succeeding date on which Distributions on the Capital Securities of such Issuer Trust would be payable but for such deferral, and (ii) the date on which the Property Trustee of such Issuer Trust is required to give notice to holders of such Capital Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.]

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts [IF APPLICABLE, INSERT--; PROVIDED, HOWEVER that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register, or (ii) if to a Holder of \$1,000,000 or more in aggregate principal amount of this Security, by wire transfer in immediately available funds upon written request to the Trustee not later than 15 calendar days prior to the date on which the interest is payable].

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payments to the prior payment in full of all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such actions as may be necessary or appropriate to effectuate the subordination so provided, and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

UNITED COMMUNITY BANKS, INC.

By: \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
SECRETARY OR ASSISTANT SECRETARY

SECTION 2.3. FORM OF REVERSE OF SECURITY.

This Security is one of a duly authorized issue of securities of the Company (herein called the "SECURITIES"), issued and to be issued in one or more series under the Junior Subordinated Indenture, dated as of July 20, 1998 (herein called the "INDENTURE"), between the Company and The Chase Manhattan Bank, as Trustee (herein called the "TRUSTEE", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, the holders of Senior Indebtedness and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof [IF APPLICABLE, INSERT--, limited in aggregate principal amount to \$ \_\_\_\_\_].

All terms used in this Security that are defined in the Indenture [IF APPLICABLE, INSERT-- or in [insert name of trust agreement], dated as of \_\_\_\_\_ (as modified, amended or supplemented from time to time the "TRUST AGREEMENT"), relating to [INSERT NAME OF ISSUER TRUST] (the "ISSUER TRUST") among the Company, as Depositor, the Trustees named therein and the Holders from time to time of the Trust Securities issued pursuant thereto] [IF APPLICABLE, INSERT -- or in the Registration Rights Agreement, dated as of \_\_\_\_\_ (the "Registration Rights Agreement"), among the Company, [INSERT NAME OF ISSUER TRUST] and [INSERT NAME OF INITIAL PURCHASER]], shall



have the meanings assigned to them in the Indenture [IF APPLICABLE, INSERT--or the Trust Agreement [IF APPLICABLE, INSERT -- or the Registration Rights Agreement], as the case may be].

[IF APPLICABLE, INSERT--The Company has the right to redeem this Security (i) on or after \_\_\_\_\_, in whole at any time or in part from time to time, or (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 Event, in each case at the Redemption Price described below, and subject to possible regulatory approval.]

[IF APPLICABLE, INSERT--In the case of a redemption on or after \_\_\_\_\_, the Redemption Price shall equal the following prices, expressed in percentages of the principal amount hereof, together with accrued interest to but excluding the date fixed for redemption, if redeemed during the 12-month period beginning \_\_\_\_\_:

Year	Redemption Price
----	-----

and 100% on or after \_\_\_\_\_.

In the case of a redemption on or after \_\_\_\_\_ following a Tax Event, Investment Company Event or Capital Treatment Event, the Redemption Price shall equal the Redemption Price then applicable to a redemption under the preceding paragraph.

In the case of a redemption prior to \_\_\_\_\_ following a Tax Event, Investment Company Event or Capital Treatment Event in respect of the Issuer Trust, the Redemption Price shall equal the Make-Whole Amount for a corresponding \$\_\_\_\_\_ principal amount hereof, together with accrued interest to but excluding the date fixed for redemption, which Make-Whole Amount will be equal to the greater of (i) 100% of the principal amount hereof, and (ii) as determined by a Quotation Agent (as defined in the Trust Agreement), the sum of the present values of the principal amount hereof and premium, if any, payable as part of the Redemption Price with respect to an optional redemption hereof on \_\_\_\_\_, together with the present values of scheduled payments of interest (not including the portion of any such payments of interest accrued as of the Redemption Date) from the date fixed for redemption to \_\_\_\_\_, in each case discounted to the date fixed for redemption on a [monthly] [quarterly] [semi-annual] basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate (as defined in the Trust Agreement).]

[IF THE SECURITY IS SUBJECT TO REDEMPTION OF ANY KIND, INSERT--In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.]

[IF APPLICABLE, INSERT--Pursuant to the Registration Rights Agreement, in the event that: (i) (A) neither the Exchange Offer Registration Statement nor a Shelf Registration Statement is filed with the Commission on or prior to the [ ]th day after the Issue Date or (B) notwithstanding that the Company and the Issuer Trust have consummated or will consummate an Exchange Offer, the Company and the Issuer Trust are required to file a Shelf Registration Statement and such Shelf Registration Statement is not filed on or prior to the date required by the Registration Rights Agreement, then commencing on the day after the applicable required filing date, liquidated damages shall accrue on the principal amount of the Junior Subordinated Debentures and, if the Exchange Offer has been consummated, the New Junior Subordinated Debentures, each at a rate of \_\_\_\_% per annum; or (ii) (A) neither the Exchange Offer Registration Statement nor a Shelf Registration Statement is declared effective by the Commission on or prior to the [ ]th day after the Issue Date or (B) notwithstanding that the Company and the Issuer Trust have consummated or will consummate an Exchange Offer, the Company and the Issuer Trust are required to file a Shelf Registration Statement and such Shelf Registration Statement is not declared effective by the Commission on or prior to the \_\_\_\_ day after the date such Shelf Registration Statement was required to be filed, then, commencing on the \_\_\_\_ day after the Issue Date, liquidated damages shall accrue on the principal amount of the Junior Subordinated Debentures and, if the Exchange Offer has been consummated, the New Junior Subordinated Debentures, each at a rate of \_\_\_\_% per annum; or (iii) (A) the Issuer Trust has not exchanged New Capital Securities for all Capital Securities validly tendered for exchange by their respective Holders or the Company has not exchanged the New Guarantee or New Junior Subordinated Debentures for the Guarantee or Junior Subordinated Debentures validly tendered, in accordance with the terms of the Exchange Offer on or prior to the \_\_\_\_ day after the date on which the Exchange Offer Registration Statement was declared effective or (B) if applicable, the Shelf Registration Statement has been declared effective and such Shelf Registration Statement ceases to be effective at any time prior to the expiration of the Rule 144(k) Period (other than as allowed pursuant to the Registration Rights Agreement or after such time as all Capital Securities have been disposed of thereunder or otherwise cease to be Registrable Securities), then liquidated damages shall accrue on the principal amount of the Junior Subordinated Debentures and, if the Exchange Offer has been consummated, the New Junior Subordinated Debentures, each at a rate of \_\_\_\_% per annum commencing on (x) the \_\_\_\_ day after such effective date, in the case of (A) above, or (y) the day such Shelf Registration Statement ceases to be effective in the case of (B) above; PROVIDED, HOWEVER, that the liquidated damages on the Junior Subordinated Debentures and, if the Exchange Offer has been consummated, the New Junior Subordinated Debentures, may not exceed in the aggregate \_\_\_\_% per annum; provided, further, however, that (1) upon the filing of the Exchange Offer Registration Statement or a Shelf Registration Statement (in the case of clause (i) above), (2) upon the effectiveness of the Exchange Offer Registration Statement or a Shelf Registration Statement (in the case of clause (ii) above), or (3) upon the exchange of New Capital Securities, the New Guarantee and New Junior Subordinated Debentures for all Capital Securities, the Guarantee and all Junior Subordinated Debentures validly tendered (in the case of clause (iii) (A) above), or upon the effectiveness of the Shelf Registration Statement which had ceased to remain effective (in the case of clause (iii) (B) above) liquidated damages on the Junior Subordinated Debentures and, if the Exchange Offer has been consummated, the New Junior Subordinated Debentures, shall cease to accrue and accumulate.

Any amounts of liquidated damages due pursuant to the preceding paragraph, will be payable in cash on the next succeeding Interest Payment Date to Holders on the relevant Regular Record Date.]

[IF APPLICABLE, INSERT--The Indenture contains provisions for defeasance at any time [of the entire indebtedness of this Security] [or] [certain restrictive covenants and Events of Default with respect to this Security] [, in each case] upon compliance by the Company with certain conditions set forth in the Indenture.]

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee at any time to enter into a supplemental indenture or indentures for the purpose of modifying in any manner the rights and obligations of the Company and of the Holders of the Securities, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series to be affected by such supplemental indenture. The Indenture also contains provisions permitting Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

[IF THE SECURITY IS NOT A DISCOUNT SECURITY, INSERT--As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities of this series at the time Outstanding occurs and is continuing, then, and in every such case, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of this series may declare the principal amount of all the Securities of this series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders) [if applicable, insert--, provided that, if upon an Event of Default, the Trustee or such Holders fail to declare the principal of all the Outstanding Securities of this series to be immediately due and payable, the Holders of at least 25% in aggregate Liquidation Amount of the Capital Securities then outstanding shall have the right to make such declaration by a notice in writing to the Company and the Trustee]; and upon any such declaration the principal amount of and the accrued interest (including any Additional Interest) on all the Securities of this series shall become immediately due and payable, PROVIDED that the payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII of the Indenture.]

[IF THE SECURITY IS A DISCOUNT SECURITY, INSERT--As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities of this series at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of this

series may declare an amount of principal of the Securities of this series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders) [IF APPLICABLE, INSERT--, provided that, if upon an Event of Default, the Trustee or such Holders fail to declare such principal amount of the Outstanding Securities of this series to be immediately due and payable, the Holders of at least 25% in aggregate Liquidation Amount of the Capital Securities then outstanding shall have the right to make such declaration by a notice in writing to the Company and the Trustee. The principal amount payable upon such acceleration shall be equal to--INSERT FORMULA FOR DETERMINING THE AMOUNT]. Upon any such declaration, such amount of the principal of and the accrued interest (including any Additional Interest) on all the Securities of this series shall become immediately due and payable, PROVIDED that the payment of such principal and interest (including any Additional Interest) on all the Securities of this series shall remain subordinated to the extent provided in Article XIII of the Indenture. Upon payment (i) of the amount of principal so declared due and payable and (ii) of interest on any overdue principal, premium and interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and premium and interest, if any, on this Security shall terminate.]

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest (including Additional Interest) on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained under Section 10.2 of the Indenture for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of [\$100,000 and any integral multiple of \$1,000 in excess thereof]. [IF APPLICABLE, INSERT-- Securities or portions thereof may be transferred or exchanged only in principal amounts of not less than \$100,000. Any transfer, exchange or other disposition of Securities in contravention of Section 3.6(b)(v) of the Indenture shall be deemed to be void and of no legal effect whatsoever, any such transferee shall be deemed not to be the Holder or owner of any beneficial interest in such Securities for any purpose, including but not limited to the receipt of interest payable on such Securities, and such transferee shall be deemed to have no interest whatsoever in such Securities.] As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Company and, by its acceptance of this Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, this Security agrees that for United States Federal, state and local tax purposes it is intended that this Security constitute indebtedness.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

THIS SECURITY IS A DIRECT AND UNSECURED OBLIGATION OF THE COMPANY, DOES NOT EVIDENCE DEPOSITS AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER INSURER OR GOVERNMENT AGENCY.

SECTION 2.4. ADDITIONAL PROVISIONS REQUIRED IN GLOBAL SECURITY.

Unless otherwise specified as contemplated by Section 3.1, any Global Security issued hereunder shall, in addition to the provisions contained in Sections 2.2 and 2.3, bear a legend in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

SECTION 2.5. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificates of authentication shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: \_\_\_\_\_

THE CHASE MANHATTAN BANK,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

ARTICLE III  
THE SECURITIES

SECTION 3.1. TITLE AND TERMS.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and, subject to Section 3.3, set forth or determined in the manner provided, in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities as a series:

(a) the title of the securities of such series, which shall distinguish the Securities of the series from all other Securities;

(b) the limit, if any, upon the aggregate principal amount of the Securities of such series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 9.6 or 11.6 and except for any Securities that, pursuant to Section 3.3, are deemed never to have been authenticated and delivered hereunder); PROVIDED, HOWEVER, that the authorized aggregate principal amount of such series may be increased above such amount by a Board Resolution to such effect;

(c) the Person to whom any interest on a Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(d) the Stated Maturity or Maturities on which the principal of the Securities of such series is payable or the method of determination thereof, and any dates on which or circumstances under which, the Company shall have the right to extend or shorten such Stated Maturity or Maturities;

(e) the rate or rates, if any, at which the Securities of such series shall bear interest, if any, the rate or rates and extent to which Additional Interest, if any, shall be payable with respect to any Securities of such series, the date or dates from which any such interest or Additional Interest shall accrue, the Interest Payment Dates on which such interest shall be payable, the right, pursuant to Section 3.12 or as otherwise set forth therein, of the Company to defer or extend an Interest Payment Date, and the Regular Record Date for the interest payable on any Interest Payment Date or the method by which any of the foregoing shall be determined;

(f) the place or places where the principal of (and premium, if any) and interest or Additional Interest on the Securities of such series shall be payable, the place or places where the Securities of such series may be presented for registration of transfer or exchange, any restrictions that may be applicable to any such transfer or exchange in addition to or in lieu of those set forth herein and the place or places where notices and demands to or upon the Company in respect of the Securities of such series may be made;

(g) the period or periods within or the date or dates on which, if any, the price or prices at which and the terms and conditions upon which the Securities of such series may be redeemed, in whole or in part, at the option of the Company, and if other than by a Board Resolution, the manner in which any election by the Company to redeem such Securities shall be evidenced;

(h) the obligation or the right, if any, of the Company to redeem, repay or purchase the Securities of such series pursuant to any sinking fund, amortization or analogous provisions, or at the option of a Holder thereof, and the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which and the other terms and conditions upon which Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation;

(i) the denominations in which any Securities of such series shall be issuable, if other than denominations of \$100,000 and any integral multiple of \$1,000 in excess thereof;

(j) if other than Dollars, the currency or currencies (including any currency unit or units) in which the principal of (and premium, if any) and interest and Additional Interest, if any, on the Securities of the series shall be payable, or in which the Securities of the series shall be denominated and the manner of determining the equivalent thereof in Dollars for purposes of determining the Dollar equivalent of the principal amount of Outstanding Securities;

(k) the additions, modifications or deletions, if any, in the Events of Default or covenants of the Company set forth herein with respect to the Securities of such series;

(l) if, other than the principal amount thereof, the portion of the principal amount of Securities of such series that shall be payable upon declaration of acceleration of the Maturity thereof;

(m) if the principal amount payable at the Stated Maturity of any Securities of the series will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such Securities as of any such date for any purpose thereunder or hereunder, including the principal amount thereof which shall be due and payable upon any Maturity other than the Stated Maturity or which shall be deemed to be Outstanding as of any date prior to the Stated Maturity (or, in any such case, the manner in which such amount deemed to be the principal amount shall be determined);

(n) if applicable, that the Securities of the series, in whole or in any specified part, shall be defeasible and, if other than by a Board Resolution, the manner in which any election by the Company to defease such Securities shall be evidenced;

(o) the additions or changes, if any, to this Indenture with respect to the Securities of such series as shall be necessary to permit or facilitate the issuance of the Securities of such series in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

(p) any index or indices used to determine the amount of payments of principal of and premium, if any, on the Securities of such series or the manner in which such amounts will be determined;

(q) if applicable, that any Securities of the series shall be issuable in whole or in part in the form of one or more Global Securities and, in such case, the respective Depositaries for such Global Securities, the form of any legend or legends that shall be borne by any such Global Security in addition to or in lieu of that set forth in Section 2.4 and any circumstances in addition to or in lieu of those set forth in Section 3.5 in which any such Global Security may be exchanged in whole or in part for Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the name or names of Persons other than the Depositary for such Global Security or a nominee thereof;

(r) the appointment of any Paying Agent or agents for the Securities of such series;

(s) the terms of any right to convert or exchange Securities of such series into any other securities or property of the Company, and the additions or changes, if any, to this Indenture with respect to the Securities of such series to permit or facilitate such conversion or exchange;

(t) if such Securities are to be issued to an Issuer Trust, the form or forms of the Trust Agreement and Guarantee relating thereto;



(u) if, other than as set forth herein, the relative degree, if any, to which the Securities or the series shall be senior to or be subordinated to other series of Securities in right of payment, whether such other series of Securities are Outstanding or not;

(v) any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 5.2;

(w) any other terms of the Securities of such series (which terms shall not be inconsistent with the provisions of this Indenture, except as permitted by Section 9.1(3)).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided herein or in or pursuant to such Board Resolution and set forth, or determined in the manner provided, in such Officers' Certificate or in any indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

The Securities shall be subordinated in right of payment to Senior Indebtedness as provided in Article XIII.

#### SECTION 3.2. DENOMINATIONS.

The Securities of each series shall be in registered form without coupons and shall be issuable in minimum denominations of \$100,000 and any integral multiples of \$1,000 in excess thereof, unless otherwise specified as contemplated by Section 3.1(i).

#### SECTION 3.3. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President, its Chief Financial Officer or one of its Vice Presidents, under its corporate seal reproduced or impressed thereon and attested by its Secretary, or one of its Assistant Secretaries or Vice Presidents. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities. At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication,

together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities. If the form or terms of the Securities of the series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 2.1, that such form has been established in conformity with the provisions of this Indenture;

(2) if the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 3.1, that such terms have been established in conformity with the provisions of this Indenture; and

(3) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner that is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 3.1 and the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized officers or signatories, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver

such Security to the Trustee for cancellation as provided in Section 3.10, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

#### SECTION 3.4. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon receipt of a Company Order the Trustee shall authenticate and deliver, temporary Securities that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities of such series in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for that purpose without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Securities of the same series, of any authorized denominations having the same Original Issue Date and Stated Maturity and having the same terms as such temporary Securities. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

#### SECTION 3.5. GLOBAL SECURITIES.

(a) Each Global Security issued under this Indenture shall be registered in the name of the Depositary designated by the Company for such Global Security or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(b) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or a nominee thereof unless (i) such Depositary advises the Trustee in writing that such Depositary is no longer willing or able to properly discharge its responsibilities as Depositary with respect to such Global Security, and the Company is unable to locate a qualified successor, (ii) the Company executes and delivers to the Trustee a Company Order stating that the Company elects to terminate the book-entry system through the Depositary, or (iii) there shall have occurred and be continuing an Event of Default.

(c) If any Global Security is to be exchanged for other Securities or canceled in whole, it shall be surrendered by or on behalf of the Depositary or its nominee to the Securities Registrar for exchange or cancellation as provided in this Article III. If any Global Security is to be exchanged for other Securities or canceled in part, or if another Security is to be exchanged in whole or in part for a beneficial interest in any Global Security, then either (i) such Global Security shall be so surrendered for exchange or cancellation as provided in this Article III or (ii) the principal amount thereof shall be reduced, subject to Section 3.6(b)(v), or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the principal amount of such other Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Securities Registrar or an appropriate notation made on the Global Security, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depositary or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Security by the Depositary, accompanied by registration instructions, the Trustee shall, subject to Section 3.6(b) and as otherwise provided in this Article III, authenticate and deliver any Securities issuable in exchange for such Global Security (or any portion thereof) in accordance with the instructions of the Depositary. The Trustee shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(d) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Article III, Section 9.6 or 11.6 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depositary for such Global Security or a nominee thereof.

(e) The Depositary or its nominee, as the registered owner of a Global Security, shall be the Holder of such Global Security for all purposes under this Indenture and the Securities, and owners of beneficial interests in a Global Security shall hold such interests pursuant to the Applicable Procedures. Accordingly, any such owner's beneficial interest in a Global Security shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or agent. Neither the Trustee nor the Securities Registrar shall have any liability in respect of any transfers effected by the Depositary.

(f) The rights of owners of beneficial interests in a Global Security shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such owners and the Depositary and/or its Agent Members.

SECTION 3.6. REGISTRATION, TRANSFER AND EXCHANGE GENERALLY; CERTAIN TRANSFERS AND EXCHANGES; SECURITIES ACT LEGENDS.

(a) (i) The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and transfers of Securities. Such register

is herein sometimes referred to as the "SECURITIES REGISTER." The Trustee is hereby appointed "SECURITIES REGISTRAR" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at the offices or agencies of the Company designated for that purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series of any authorized denominations of like tenor and aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

At the option of the Holder, Securities may be exchanged for other Securities of the same series of any authorized denominations, of like tenor and aggregate principal amount and bearing such restrictive legends as may be required by this Indenture, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities that the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing.

No service charge shall be made to a Holder for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities.

Neither the Company nor the Trustee shall be required, pursuant to the provisions of this Section, (i) to issue, register the transfer of or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of selection for redemption of Securities of that series pursuant to Article XI and ending at the close of business on the day of mailing of the notice of redemption, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except, in the case of any such Security to be redeemed in part, any portion thereof not to be redeemed.

(ii) (A) In addition to the restrictions on transfer set forth in Section 3.6(a) (i) and 3.6(a) (ii) (B), beneficial ownership of every Private Security is subject to the restrictions on transfer imposed by the Securities Act and rules and regulations promulgated by the Commission thereunder and each certificate representing Private Securities shall bear the Restrictive Securities Legend, unless such restrictions on transfer shall be terminated in accordance with the

provisions of this Section 3.6. The Holder of each Private Security, by such Holder's acceptance thereto, agrees to be bound by such restrictions on transfer.

(B) The restrictions imposed by the Securities Act and this Indenture upon the transferability of any particular Private Security shall cease and terminate upon delivery by the Company to the Trustee of an Officers' Certificate stating that such Private Security has been sold pursuant to an effective registration statement under the Securities Act, exchanged for a corresponding aggregate principal amount of Exchange Securities of like tenor pursuant to an effective registration statement under the Securities Act, or transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto). Any Private Security as to which the Company has delivered to the Trustee an Officers' Certificate that such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon surrender of such Private Security for exchange to the Securities Registrar or any transfer agent in accordance with the provisions of this paragraph (ii)(B), be exchanged for a new Security, of like tenor and aggregate principal amount, which shall not bear the Restrictive Securities Legend. The Company shall inform the Trustee in writing of the effective date of any registration statement registering the Private Securities or the Exchange Securities under the Securities Act. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned Officers' Certificate.

As used in paragraphs (A) and (B) of this paragraph (ii), the term "transfer" encompasses any sale, pledge, transfer, or other disposition of any Private Security.

(b) CERTAIN TRANSFERS AND EXCHANGES. Notwithstanding any other provision of this Indenture, transfers and exchanges of Securities and beneficial interests in a Global Security shall be made only in accordance with this Indenture.

(i) RESTRICTED NON-GLOBAL SECURITY TO GLOBAL SECURITY. If the Holder of a Restricted Security (other than a Global Security) wishes at any time to transfer all or any portion of such Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Global Security, such transfer may be effected only in accordance with the provisions of this clause (b)(i) and subject to the Applicable Procedures. Upon receipt by the Securities Registrar of (A) such Security as provided in Section 3.6(a) and instructions satisfactory to the Securities Registrar directing that a beneficial interest in the Global Security in a specified principal amount not greater than the principal amount of such Security be credited to a specified Agent Member's account and (B) a Restricted Securities Certificate duly executed by such Holder or such Holder's attorney duly authorized in writing accompanied by a certification that such transfer is being affected in accordance with Rule 144A, then the Securities Registrar shall cancel such Security (and issue a new Security in respect of any untransferred portion thereof) as provided in Section 3.6(a) and increase the aggregate principal amount of the Global Security by the specified principal amount as provided in Section 3.5(c).

(ii) NON-GLOBAL SECURITY TO NON-GLOBAL SECURITY. A Security that is not a Global Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Security that is not a Global Security as provided in Section 3.6(a), PROVIDED that if the Security to be transferred in whole or in part is a Restricted Security, the Securities Registrar shall have received a Restricted Securities Certificate duly executed by the transferor Holder or such Holder's attorney duly authorized in writing.

(iii) EXCHANGES BETWEEN GLOBAL SECURITY AND NON-GLOBAL SECURITY. A beneficial interest in a Global Security may be exchanged for a Security that is not a Global Security as provided in Section 3.5.

(iv) CERTAIN INITIAL TRANSFERS OF NON-GLOBAL SECURITIES. In the case of Securities initially issued other than in global form, an initial transfer or exchange of such Securities that does not involve any change in beneficial ownership may be made to an Institutional Accredited Investor or Investors as if such transfer or exchange were not an initial transfer or exchange; PROVIDED that written certification shall be provided by the transferee and transferor of such Securities to the Securities Registrar that such transfer or exchange does not involve a change in beneficial ownership.

(v) LIMITATIONS RELATING TO PRINCIPAL AMOUNT. Notwithstanding any other provision of this Indenture and unless otherwise specified as permitted by Section 3.1; Securities or portions thereof may be transferred or exchanged only in principal amounts of not less than \$100,000. Any transfer, exchange or other disposition of Securities in contravention of this Section 3.6(b)(v) shall be deemed to be void and of no legal effect whatsoever, any such transferee shall be deemed not to be the Holder or owner of any beneficial interest in such Securities for any purpose, including but not limited to the receipt of interest payable on such Securities, and such transferee shall be deemed to have no interest whatsoever in such Securities.

(c) RESTRICTED SECURITIES LEGEND. Except as set forth below and in Section 3.6(a)(ii)(B), all Securities shall bear a Restricted Securities Legend:

(i) subject to the following clauses of this Section 3.6(c), a Security or any portion thereof that is exchanged, upon transfer or otherwise, for a Global Security or any portion thereof shall bear the Restricted Securities Legend while represented thereby;

(ii) subject to the following clauses of this Section 3.6(c), a new Security which is not a Global Security and is issued in exchange for another Security (including a Global Security) or any portion thereof, upon transfer or otherwise, shall, if such new Security is required pursuant to Section 3.6(b)(ii) or (iii) to be issued in the form of a Restricted Security, bear a Restricted Securities Legend;

(iii) a new Security (other than a Global Security) that does not bear a Restricted Securities Legend may be issued in exchange for or in lieu of a Restricted

Security or any portion thereof that bears such a legend if, in the Company's judgment, placing such a legend upon such new Security is not necessary to ensure compliance with the registration requirements of the Securities Act, and the Trustee, at the written direction of the Company in the form of an Officers' Certificate, shall authenticate and deliver such a new Security as provided in this Article III;

(iv) notwithstanding the foregoing provisions of this Section 3.6(c), a Successor Security of a Security that does not bear a Restricted Securities Legend shall not bear such form of legend unless the Company has reasonable cause to believe that such Successor Security is a "restricted security" within the meaning of Rule 144, in which case the Trustee, at the written direction of the Company in the form of an Officers' Certificate, shall authenticate and deliver a new Security bearing a Restricted Securities Legend in exchange for such Successor Security as provided in this Article III; and

(v) Securities distributed to a holder of Capital Securities upon dissolution of an Issuer Trust shall bear a Restricted Securities Legend if the Capital Securities so held bear a similar legend.

(d) EXCHANGE OF SECURITIES. The Securities may be exchanged for Exchange Securities pursuant to the terms of the Exchange Offer. In such an exchange, the Trustee shall make the exchange as follows:

The Company shall present the Trustee with an Officer's Certificate certifying as follows:

(i) Upon issuance of the Exchange Securities, the transactions contemplated by the Exchange Offer have been consummated; and

(ii) (A) the principal amount Securities that are represented by a Global Security properly tendered in the Exchange Offer by persons that certify in a Letter of Transmittal that they are not a broker-dealer, they are not participating in a distribution and they are not an affiliate of the Company and (B) the principal amount of Securities that are represented by definitive certificated Securities properly tendered in the Exchange Offer by persons that certify in a Letter of Transmittal that they are not a broker-dealer, they are not participating in a distribution and they are not an affiliate of the Company, the name of each Holder of such definitive certificated Securities, and the name and address to which definitive certificated Securities for Exchange Securities shall be registered and sent for each such Holder.

The Trustee, upon receipt of such Officers' Certificate with respect to the preceding paragraph and to the effect that the Exchange Securities have been registered under the Securities Act and the Trust Agreement has been qualified under the Trust Indenture Act and with respect to the matters set forth in the Registration Rights Agreement, shall



authenticate (A) a Global Security representing the Exchange Securities in aggregate principal amount equal to the aggregate principal amount of the Securities so exchanged represented by a Global Security indicated in such Officers' Certificate and (B) definitive Securities representing the Exchange Securities registered in the names of, and in the principal amounts indicated in such Officers' Certificate.

If, upon consummation of the Exchange Offer, less than all the then outstanding Securities shall have properly tendered and not withdrawn, the Trustee shall make an endorsement on the Global Security representing such untendered Securities indicating the reduction in the number and aggregate principal amount represented thereby as a result of the Exchange Offer.

#### SECTION 3.7. MUTILATED, LOST AND STOLEN SECURITIES.

If any mutilated Security is surrendered to the Trustee together with such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series, of like tenor and aggregate principal amount, bearing the same legends, and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a BONA FIDE purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series, of like tenor and aggregate principal amount and bearing the same legends as such destroyed, lost or stolen Security, and bearing a number not contemporaneously Outstanding.

If any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section 3.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.8. PAYMENT OF INTEREST AND ADDITIONAL INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise provided in the Securities of such series, interest and Additional Interest on any Security of any series that is payable, and is punctually paid or duly provided for, on any Interest Payment Date, shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest in respect of Securities of such series, except that, unless otherwise provided in the Securities of such series, interest payable on the Stated Maturity of the principal of a Security shall be paid to the Person to whom principal is paid. The initial payment of interest on any Security of any series that is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Security or in the Board Resolution pursuant to Section 3.1 with respect to the related series of Securities.

Any interest on any Security that is due and payable, but is not timely paid or duly provided for, on any Interest Payment Date for Securities of such series (herein called "DEFAULTED INTEREST"), shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series in respect of which interest is in default (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Holder of a Security of such series at the address of such Holder as it appears in the Securities Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least

once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of the series in respect of which interest is in default may be listed and, upon such notice as may be required by such exchange (or by the Trustee if the Securities are not listed), if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause 2, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue interest, that were carried by such other Security.

#### SECTION 3.9. PERSONS DEEMED OWNERS.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee shall treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 3.8) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

No holder of any beneficial interest in any Global Security held on its behalf by a Depositary shall have any rights under this Indenture with respect to such Global Security, and such Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by a Depositary or impair, as between a Depositary and such holders of beneficial interests, the operation of customary practices governing the exercise of the rights of the Depositary (or its nominee) as Holder of any Security.

SECTION 3.10. CANCELLATION.

All Securities surrendered for payment, redemption, transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Securities surrendered directly to the Trustee for any such purpose shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities shall be disposed of by the Trustee in accordance with its customary procedures and the Trustee shall deliver to the Company a certificate of such disposition.

SECTION 3.11. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 3.1 for Securities of any series, interest on the Securities of each series for any period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in any partial month in such period, and interest on the Securities of each series for a full period shall be computed by dividing the rate per annum by the number of interest periods that together constitute a full twelve months.

SECTION 3.12. DEFERRALS OF INTEREST PAYMENT DATES.

If specified as contemplated by Section 2.1 or Section 3.1 with respect to the Securities of a particular series, so long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time during the term of such series, from time to time to defer the payment of interest on such Securities for such period or periods (each an "EXTENSION PERIOD") not to exceed the number of consecutive quarterly, semi-annual or other periods that equal five years with respect to each Extension Period, during which Extension Periods the Company shall, if so specified as contemplated by Section 3.1, have the right to make partial payments of interest on any Interest Payment Date. No Extension Period shall end on a date other than an Interest Payment Date. At the end of any such Extension Period, the Company shall pay all interest then accrued and unpaid on the Securities (together with Additional Interest thereon, if any, at the rate specified for the Securities of such series to the extent permitted by applicable law); PROVIDED, HOWEVER, that no Extension Period shall extend beyond the Stated Maturity of the principal of the Securities of such series; and PROVIDED FURTHER, HOWEVER, that, during any such Extension Period, the Company shall not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to the Securities of such series (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more

employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a Subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any Rights Plan, or the issuance of rights, stock or other property under any Rights Plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, PROVIDED that no Event of Default has occurred and is continuing and PROVIDED FURTHER, that no Extension Period shall exceed the period or periods specified in such Securities, extend beyond the Stated Maturity of the principal of such Securities or end on a date other than an Interest Payment Date. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due on any Interest Payment Date, the Company may elect to begin a new Extension Period, subject to the above conditions. No interest or Additional Interest shall be due and payable during an Extension Period, except at the end thereof, but each installment of interest that would otherwise have been due and payable during such Extension Period shall bear Additional Interest as and to the extent as may be specified as contemplated by Section 3.1. The Company shall give the Holders of the Securities of such series and the Trustee notice of its election to begin any such Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on Securities of such series would be payable but for such deferral or, with respect to any Securities of a series issued to an Issuer Trust, so long as any such Securities are held by such Issuer Trust, at least one Business Day prior to the earlier of (i) the next succeeding date on which Distributions on the Capital Securities of such Issuer Trust would be payable but for such deferral, and (ii) the date on which the Property Trustee of such Issuer Trust is required to give notice to holders of such Capital Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

The Trustee shall promptly give notice of the Company's election to begin any such Extension Period to the Holders of the Outstanding Securities of such series.

#### SECTION 3.13. RIGHT OF SET-OFF.

With respect to the Securities of a series initially issued to an Issuer Trust, notwithstanding anything to the contrary herein, the Company shall have the right to set off any payment it is otherwise required to make in respect of any such Security to the extent the

Company has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee relating to such Security or to a holder of Capital Securities pursuant to an action undertaken under Section 5.8 of this Indenture.

SECTION 3.14. AGREED TAX TREATMENT.

Each Security issued hereunder shall provide that the Company and, by its acceptance of a Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, such Security agree that for United States Federal, state and local tax purposes it is intended that such Security constitutes indebtedness.

SECTION 3.15. SHORTENING OR EXTENSION OF STATED MATURITY.

If specified as contemplated by Section 2.1 or Section 3.1 with respect to the Securities of a particular series, the Company shall have the right to (i) shorten the Stated Maturity of the principal of the Securities of such series at any time to any date and (ii) extend the Stated Maturity of the principal of the Securities of such series at any time at its election for one or more periods, PROVIDED that, if the Company elects to exercise its right to extend the Stated Maturity of the principal of the Securities of such series pursuant to clause (ii) above, at the time such election is made and at the time of extension, such conditions as may be specified in such Securities shall have been satisfied.

SECTION 3.16. CUSIP NUMBERS.

The Company, in issuing the Securities, may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notice of redemption and other similar or related materials as a convenience to Holders; PROVIDED that any such notice or other materials may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or other materials and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE IV  
SATISFACTION AND DISCHARGE

SECTION 4.1. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall, upon Company Request, cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and as otherwise provided in this Section 4.1) and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 3.7 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year of the date of deposit, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of subclause (B)(i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in the currency or currencies in which the Securities of such series are payable sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for the principal (and premium, if any) and interest (including any Additional Interest) to the date of such deposit (in the case of Securities that have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.7, and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 10.3 shall survive.

Notwithstanding the foregoing, in any case where the Securities are not due and payable and have not been called for redemption, such Securities shall remain recourse obligations of the Company.

#### SECTION 4.2 APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph of Section 10.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by the Trustee, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest and Additional Interest for the payment of which such money or obligations have been deposited with or received by the Trustee. Money held by the Trustee under this Section shall not be subject to the claims of the holders of Senior Indebtedness under Article XIII.

### ARTICLE V REMEDIES

#### SECTION 5.1. EVENTS OF DEFAULT.

"EVENT OF DEFAULT", wherever used herein with respect to the Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of Article XIII or by law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series, including any Additional Interest in respect thereof, when it becomes due and payable, and continuance of such default for a period of 30 days (subject to the deferral of any due date in the case of any Extension Period); or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Securities of that series or in this Indenture for a period of 90 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee by registered or certified mail or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series; or



(4) entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(5) (A) the commencement by the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or (B) the consent by the Company or the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or (C) the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law or (D) the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of all or substantially all of the property of the Company, or (E) the making by the Company of an assignment for the benefit of creditors; or

(6) any other Event of Default provided with respect to Securities of that series.

#### SECTION 5.2. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default (other than an Event of Default specified in Section 5.1(4) or 5.1(5)) with respect to Securities of any series at the time Outstanding occurs and is continuing, then, and in every such case, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), PROVIDED that, in the case of the Securities of a series issued to an Issuer Trust, if, upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series fail to declare the principal of all the Outstanding Securities of such series to be immediately due and payable, the holders of at least 25% in aggregate Liquidation Amount of the related series of Capital Securities issued by such Issuer Trust then outstanding shall have the right to make such declaration by a notice in writing to the Company

and the Trustee; and upon any such declaration such principal amount (or specified portion thereof) of and the accrued interest (including any Additional Interest) on all the Securities of such series shall become immediately due and payable. If an Event of Default specified in Section 5.1(4) or 5.1(5) with respect to Securities of any series at the time Outstanding occurs, the principal amount of all the Securities of such series (or, if the Securities of such series are Discount Securities, such portion of the principal amount of such Securities as may be specified by the terms of that series) shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable. Payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII notwithstanding that such amount shall become immediately due and payable as herein provided.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest on all Securities of such series;

(B) any accrued Additional Interest on all Securities of such series;

(C) the principal of (and premium, if any, on) any Securities of such series that have become due otherwise than by such declaration of acceleration and interest and Additional Interest thereon at the rate borne by the Securities; and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series that has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

In the case of Securities of a series initially issued to an Issuer Trust, if the Holders of such Securities fail to annul such declaration and waive such default, the holders of a majority in aggregate Liquidation Amount of the related series of Capital Securities issued by such Issuer Trust then outstanding shall also have the right to rescind and annul such declaration and its consequences by written notice to the Company and the Trustee, subject to the satisfaction of the conditions set forth in clauses (1) and (2) above of this Section 5.2.

No such rescission shall affect any subsequent default or Event of Default or impair any right consequent thereon.

SECTION 5.3. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if:

(1) default is made in the payment of any installment of interest (including any Additional Interest) on any Security of any series when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (and premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest (including any Additional Interest), and, in addition thereto, all amounts owing the Trustee under Section 6.7.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Securities and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.4. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial or administrative proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors,

(a) the Trustee (irrespective of whether the principal of the Securities of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue

principal (and premium, if any) or interest (including any Additional Interest)) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest (including any Additional Interest) owing and unpaid in respect to the Securities and to file such other papers or documents as may be necessary or advisable and to take any and all actions as are authorized under the Trust Indenture Act in order to have the claims of the Holders and the Trustee and any predecessor to the Trustee under Section 6.7 allowed in any such judicial or administrative proceedings; and

(ii) in particular, the Trustee shall be authorized to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same in accordance with Section 5.6; and

(b) any custodian, receiver, assignee, trustee, liquidator, sequestrator, conservator (or other similar official) in any such judicial or administrative proceeding is hereby authorized by each Holder to make such payments to the Trustee for distribution in accordance with Section 5.6, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it and any predecessor Trustee under Section 6.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; PROVIDED, HOWEVER, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

#### SECTION 5.5. TRUSTEE MAY ENFORCE CLAIM WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, subject to Article XIII and after provision for the payment of all the amounts owing the Trustee and any predecessor Trustee under Section 6.7, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

#### SECTION 5.6 APPLICATION OF MONEY COLLECTED.

Any money or property collected or to be applied by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money or property on account of principal (or premium, if any) or interest (including any Additional Interest), upon presentation

of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 6.7;

SECOND: Subject to Article XIII, to the payment of the amounts then due and unpaid upon Securities of such series for principal (and premium, if any) and interest (including any Additional Interest) in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such series of Securities for principal (and premium, if any) and interest (including any Additional Interest), respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

#### SECTION 5.7 LIMITATION ON SUITS.

Subject to Section 5.8, no Holder of any Securities of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver, assignee, trustee, liquidator, sequestrator (or other similar official) or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other of such Holders or to

enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 5.8. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST; DIRECT ACTION BY HOLDERS OF CAPITAL SECURITIES.

Notwithstanding any other provision in this Indenture, the Holder of any Security of any series shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Sections 3.8 and 3.12) interest (including any Additional Interest) on such Security on the respective Stated Maturities expressed in such Security (or in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. In the case of Securities of a series issued to an Issuer Trust, any registered holder of the series of Capital Securities issued by such Issuer Trust shall have the right, upon the occurrence of an Event of Default described in Section 5.1(1) or 5.1(2), to institute a suit directly against the Company for enforcement of payment to such holder of principal of (premium, if any) and (subject to Sections 3.8 and 3.12) interest (including any Additional Interest) on the Securities having a principal amount equal to the aggregate Liquidation Amount of such Capital Securities held by such holder.

SECTION 5.9. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee, any Holder or any holder of Capital Securities issued by any Issuer Trust has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, such Holder or such holder of Capital Securities, then, and in every such case, the Company, the Trustee, such Holders and such holder of Capital Securities shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, such Holder and such holder of Capital Securities shall continue as though no such proceeding had been instituted.

SECTION 5.10. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided in the last paragraph of Section 3.7, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee, any Holder of any Security with respect to the Securities of the related series or any holder of any Capital Security to exercise any right or remedy accruing upon any Event of Default with respect to the Securities of the related series shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein.

Every right and remedy given by this Article or by law to the Trustee or to the Holders and the right and remedy given to the holders of Capital Securities by Section 5.8 may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Holders or the holders of Capital Securities, as the case may be.

SECTION 5.12. CONTROL BY HOLDERS.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, PROVIDED that:

(1) such direction shall not be in conflict with any rule of law or with this Indenture;

(2) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction; and

(3) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow such direction if a Responsible Officer or Officers of the Trustee shall, in good faith, determine that the proceeding so directed would be unjustly prejudicial to the Holders not joining in any such direction or would involve the Trustee in personal liability.

SECTION 5.13. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series affected thereby and, in the case of any Securities of a series initially issued to an Issuer Trust, the holders of a majority in aggregate Liquidation Amount of the Capital Securities issued by such Issuer Trust may waive any past default hereunder and its consequences with respect to such series except a default:

(1) in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security of such series (unless such default has been cured and the Company has paid to or deposited with the Trustee a sum sufficient to pay all matured installments of interest (including Additional Interest) and all principal of

(and premium, if any, on) all Securities of that series due otherwise than by acceleration); or

(2) in respect of a covenant or provision hereof that under Article IX cannot be modified or amended without the consent of each Holder of any Outstanding Security of such series affected.

Any such waiver shall be deemed to be on behalf of the Holders of all the Securities of such series, or in the case of waiver by holders of Capital Securities issued by such Issuer Trust, by all holders of Capital Securities issued by such Issuer Trust.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

#### SECTION 5.14. UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may, in its discretion, assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security on or after the respective Stated Maturities expressed in such Security.

#### SECTION 5.15. WAIVER OF USURY, STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.



ARTICLE VI  
THE TRUSTEE

SECTION 6.1. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, but in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct except that

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of Holders pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of a series.

(4) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be

reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

#### SECTION 6.2. NOTICE OF DEFAULTS.

Within 90 days after actual knowledge by a Responsible Officer of the Trustee of the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders of Securities of such series, as their names and addresses appear in the Securities Register, notice of such default, unless such default shall have been cured or waived; PROVIDED, HOWEVER, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of Securities of such series; and PROVIDED FURTHER, that, in the case of any default of the character specified in Section 5.1(3), no such notice to Holders of Securities of such series shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "DEFAULT" means any event that is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

#### SECTION 6.3. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 6.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, indenture, Security or other paper or document, but the Trustee in its discretion may make such inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

#### SECTION 6.4. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of the Securities or the proceeds thereof.

#### SECTION 6.5. MAY HOLD SECURITIES.

The Trustee, any Authenticating Agent, any Paying Agent, any Securities Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.8 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Securities Registrar or such other agent.

SECTION 6.6. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.7. COMPENSATION AND REIMBURSEMENT.

(a) The Company agrees to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder in such amounts as the Company and the Trustee shall agree from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) The Company agrees to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith.

(c) Since the Issuer Trust is being formed solely to facilitate an investment in the Trust Securities, the Company, as Holder of the Common Securities, hereby covenants to pay all debts and obligations (other than with respect to the Capital Securities and the Common Securities) and all reasonable costs and expenses of the Issuer Trust (including without limitation all reasonable costs and expenses relating to the organization of the Issuer Trust, the fees and expenses of the trustees and all costs and expenses relating to the operation of the Issuer Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Issuer Trust by the United States, or any taxing authority, so that the net amounts received and retained by the Issuer Trust and the Property Trustee after paying such expenses will be equal to the amounts the Issuer Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Issuer Trust. The foregoing obligations of the Company are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "CREDITOR") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations directly against the Company, and the Company irrevocably waives any right or remedy to require that any such Creditor take any action against the Issuer Trust or any other person before proceeding against the Company. The Company shall execute such additional agreements as may be necessary or desirable to give full effect to the foregoing.

(d) The Company shall indemnify the Trustee for, and hold it harmless against, any loss, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) incurred without negligence or bad faith, arising out of or in connection with the acceptance or administration of this trust or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any

claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. This indemnification shall survive the termination of this Indenture or the resignation or removal of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.1(4) or 5.1(5) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Reform Act of 1978 or any successor statute.

SECTION 6.8. DISQUALIFICATION; CONFLICTING INTERESTS.

The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of said Section 310(b). Each Guarantee with respect to an Issuer Trust shall be deemed to be sufficiently described in this Indenture for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

SECTION 6.9. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be:

(a) an entity organized and doing business under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, state, territorial or District of Columbia authority; or

(b) an entity or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees;

in either case having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal or state authority. If such entity publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article. Neither the Company nor any Person directly

or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee for the Securities of any series issued hereunder.

SECTION 6.10. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.8 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months; or

(2) the Trustee shall cease to be eligible under Section 6.9 and shall fail to resign after written request therefor by the Company or by any such Holder; or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, (i) the Company, acting pursuant to the authority of a Board Resolution, may remove the Trustee with respect to the Securities of all series issued hereunder, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to the Securities of all series issued hereunder and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series. If, within one year after such resignation,

removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities of such series and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, subject to Section 5.14, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of such series as their names and addresses appear in the Securities Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

#### SECTION 6.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be

necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees or co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless, at the time of such acceptance, such successor Trustee shall be qualified and eligible under this Article.

#### SECTION 6.12. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any entity into which the Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such entity shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated, and in case any Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor Trustee or in the name of such successor Trustee, and in all cases the certificate of authentication shall have the full force which it is provided anywhere in the Securities or in this Indenture that the certificate of the Trustee shall have.

#### SECTION 6.13. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).



SECTION 6.14. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.6, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be an entity organized and doing business under the laws of the United States of America, or of any state or territory thereof or of the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any entity into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of an Authenticating Agent shall be the successor Authenticating Agent hereunder, provided such entity shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent, which shall be acceptable to the Company and shall give notice of such appointment in the manner provided in Section 1.6 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. Any successor Authenticating Agent upon acceptance hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provision of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: \_\_\_\_\_

THE CHASE MANHATTAN BANK,  
as Trustee

By: \_\_\_\_\_

As Authenticating Agent

Name:

Title:

By: \_\_\_\_\_

Authorized Signatory

Name:

Title:

ARTICLE VII  
HOLDER'S LISTS AND REPORTS BY TRUSTEE,  
PAYING AGENT AND COMPANY

SECTION 7.1. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee:

(a) semi-annually, not more than 15 days after December 31 and June 30 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such date; and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, EXCLUDING from any such list names and addresses received by the Trustee in its capacity as Securities Registrar.

SECTION 7.2. PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.1 and the names and addresses of Holders received by the Trustee in its capacity as Securities Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided in the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of information as to the names and addresses of the Holders made pursuant to the Trust Indenture Act.

SECTION 7.3. REPORTS BY TRUSTEE AND PAYING AGENT.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act, at the times and in the manner provided pursuant thereto.

(b) Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted no later than July 15 in each calendar year, commencing with the first July 15 after the first issuance of Securities under this Indenture, such reports to be dated as of the preceding May 15.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each securities exchange upon which any Securities are listed and also with the Commission. The Company will notify the Trustee when any Securities are listed on any securities exchange.

(d) The Paying Agent shall comply with all withholding, backup withholding, tax and information reporting requirements under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder with respect to payments on, or with respect to, the Securities.

#### SECTION 7.4. REPORTS BY COMPANY.

The Company shall file or cause to be filed with the Trustee and with the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided in the Trust Indenture Act. In the case of information, documents or reports required to be filed with the Commission pursuant to Section 13(a) or Section 15(d) of the Exchange Act, the Company shall file or cause the filing of such information documents or reports with the Trustee within 15 days after the same are required to be filed with the Commission.

#### ARTICLE VIII CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

##### SECTION 8.1. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) If the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the entity formed by such consolidation or into which the Company is merged or the Person that acquires by conveyance or transfer, or that leases, the properties and assets of the Company substantially as an entirety shall be an entity organized and existing under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any), and interest (including any Additional Interest) on all the Securities of every series and the performance of every covenant of this Indenture on the part of the Company to be performed or observed; provided, however, that nothing herein shall be deemed to restrict or prohibit, and no supplemental

indenture shall be required in the case of, the merger of a Principal Subsidiary Bank with and into a Principal Subsidiary Bank or the Company, the consolidation of Principal Subsidiary Banks into a Principal Subsidiary Bank or the Company, or the sale or other disposition of all or substantially all of the assets of any Principal Subsidiary Bank to another Principal Subsidiary Bank or the Company, if, in any such case in which the surviving, resulting or acquiring entity is not the Company, the Company would own, directly or indirectly, at least 80% of the voting securities of the Principal Subsidiary Bank (and of any other Principal Subsidiary Bank any voting securities of which are owned, directly or indirectly, by such Principal Subsidiary Bank) surviving such merger, resulting from such consolidation or acquiring such assets;

(2) immediately after giving effect to such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would constitute an Event of Default, shall have occurred and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of a transaction subject to this Section 8.1 but not requiring a supplemental indenture under paragraph (1) of this Section 8.1, an Officer's Certificate or Opinion of Counsel to the effect that the surviving, resulting or successor entity is legally bound by the Indenture and the Securities; and the Trustee, subject to Section 6.1, may rely upon such Officers' Certificates and Opinions of Counsel as conclusive evidence that such transaction complies with this Section 8.1.

#### SECTION 8.2. SUCCESSOR COMPANY SUBSTITUTED.

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 8.1, the successor entity formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and in the event of any such conveyance or transfer (but not in the case of any such lease) the Company shall be discharged from all obligations and covenants under the Indenture and the Securities.

Such successor Person may cause to be executed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder that theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities that previously shall have been signed and delivered by the officers of the Company to the Trustee for

authentication pursuant to such provisions and any Securities that such successor Person thereafter shall cause to be executed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture.

In case of any such consolidation, merger, sale, conveyance or lease, such changes in phraseology and form may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE IX  
SUPPLEMENTAL INDENTURES

SECTION 9.1. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may amend any provision of this Indenture or may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or to surrender any right or power herein conferred upon the Company; or

(3) to establish the form or terms of Securities of any series as permitted by Sections 2.1 or 3.1; or

(4) to facilitate the issuance of Securities of any series in certificated or other definitive form; or

(5) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of the series specified) or to surrender any right or power herein conferred upon the Company; or

(6) to add any additional Events of Default for the benefit of the Holders of all or any series of Securities (and if such additional Events of Defaults are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of the series specified); or

(7) to change or eliminate any of the provisions of this Indenture, PROVIDED that any such change or elimination shall (a) become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision or (b) not apply to any Outstanding Securities; or

(8) to cure any ambiguity, to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, PROVIDED that such action pursuant to this clause (8) shall not adversely affect the interest of the Holders of Securities of any series in any material respect or, in the case of the Securities of a series issued to an Issuer Trust and for so long as any of the corresponding series of Capital Securities issued by such Issuer Trust shall remain outstanding, the holders of such Capital Securities; or

(9) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11(b); or

(10) to comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act.

#### SECTION 9.2. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security of each series affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of interest (including any Additional Interest) on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the

enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in aggregate principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 5.13 or Section 10.5, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby;

PROVIDED, FURTHER, that, in the case of the Securities of a series issued to an Issuer Trust, so long as any of the corresponding series of Capital Securities issued by such Issuer Trust remains outstanding, (i) no such amendment shall be made that adversely affects the holders of such Capital Securities in any material respect, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate Liquidation Amount of such Capital Securities then outstanding unless and until the principal of (and premium, if any, on) the Securities of such series and all accrued and (subject to Section 3.8) unpaid interest (including any Additional Interest) thereon have been paid in full or provision therefor shall have been made in accordance with Article IV, and (ii) no amendment shall be made to Section 5.8 of this Indenture that would impair the rights of the holders of Capital Securities issued by an Issuer Trust provided therein without the prior consent of the holders of each such Capital Security then outstanding unless and until the principal of (and premium, if any, on) the Securities of such series and all accrued and (subject to Section 3.8) unpaid interest (including any Additional Interest) thereon have been paid in full or provision therefor shall have been made in accordance with Article IV.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture that has expressly been included solely for the benefit of one or more particular series of Securities or any corresponding series of Capital Securities of an Issuer Trust that holds the Securities of any series, or that modifies the rights of the Holders of Securities of such series or holders of such Capital Securities of such corresponding series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series or holders of Capital Securities of any other such corresponding series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.



SECTION 9.3. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, and that all conditions precedent herein provided for relating to such action have been complied with. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.4. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.5. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 9.6. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Company, bear a notation in form approved by the Company as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE X COVENANTS

SECTION 10.1. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of (and premium, if any) and interest (including any Additional Interest) on the Securities of that series in accordance with the terms of such Securities and this Indenture.

SECTION 10.2. MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company initially appoints the Trustee, acting through its Corporate Trust Office, as its agent for said purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands. Unless otherwise provided in the Securities of a series, the Place of Payment for the Securities of each series shall be the Borough of Manhattan, The City of New York, State of New York.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such office or agency.

SECTION 10.3. MONEY FOR SECURITY PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest (including Additional Interest) on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest (including Additional Interest) so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to 10:00 a.m., New York City time, on each due date of the principal of (or premium, if any) or interest, including Additional Interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest, including Additional Interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal (and premium, if any) or interest, including Additional Interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest (including Additional Interest) on the Securities of a series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon such Securities) in the making of any payment of principal (and premium, if any) or interest (or Additional Interest) in respect of any Security of any Series;

(3) at any time during the continuance of any default with respect to a series of Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent with respect to such series; and

(4) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent.

The Company may, at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company in trust for the payment of the principal of (and premium, if any) or interest (including Additional Interest) on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest (including Additional Interest) has become due and payable shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be paid on Company Request to the Company, or (if then held by the Company) shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, the City of New York, notice that such money remains unclaimed and that, after a

date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

#### SECTION 10.4. STATEMENT AS TO COMPLIANCE.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate covering the preceding calendar year, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance, observance or fulfillment of any, or is in compliance with, the terms, provisions, covenants and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge. For the purpose of this Section 10.4, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture. One of the signatories to such Officers' Certificate shall be the Company's principal executive officer, principal financial officer or principal accounting officer.

#### SECTION 10.5. WAIVER OF CERTAIN COVENANTS.

Subject to the rights of holders of Capital Securities specified in Section 9.2, if any, the Company may omit in any particular instance to comply with any covenant or condition provided pursuant to Section 3.1 with respect to the Securities of any series, if before or after the time for such compliance the Holders of at least a majority in aggregate principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company in respect of any such covenant or condition shall remain in full force and effect.

#### SECTION 10.6. ADDITIONAL SUMS.

In the case of the Securities of a series initially issued to an Issuer Trust, so long as no Event of Default has occurred and is continuing and except as otherwise specified as contemplated by Section 2.1 or Section 3.1, if (i) an Issuer Trust is the Holder of all of the Outstanding Securities of such series, and (ii) a Tax Event has occurred and is continuing in respect of such Issuer Trust, the Company shall pay to such Issuer Trust (and its permitted successors or assigns under the related Trust Agreement) for so long as such Issuer Trust (or its permitted successor or assignee) is the registered holder of the Outstanding Securities of such series, such additional sums as may be necessary in order that the amount of Distributions (including any Additional Amounts (as defined in such Trust Agreement)) then due and payable by such Issuer Trust on the related Capital Securities and Common Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of such Additional Taxes (the "ADDITIONAL SUMS"). Whenever in this Indenture or the Securities there is a reference in any context to the payment of principal of or interest on the Securities, such mention shall be deemed to include mention of the payments of the Additional Sums provided

for in this paragraph to the extent that, in such context, Additional Sums are, were or would be payable in respect thereof pursuant to the provisions of this paragraph and express mention of the payment of Additional Sums (if applicable) in any provisions hereof shall not be construed as excluding Additional Sums in those provisions hereof where such express mention is not made; PROVIDED, HOWEVER, that the deferral of the payment of interest pursuant to Section 3.12 on the Securities shall not defer the payment of any Additional Sums that may be due and payable.

#### SECTION 10.7. ADDITIONAL COVENANTS.

The Company covenants and agrees with each Holder of Securities of each series that it shall not (x) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of the Company's capital stock, or (y) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU in all respects with or junior in interest to the Securities of such series (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period or other event referred to below, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a Subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any Rights Plan, or the issuance of rights, stock or other property under any Rights Plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks PARI PASSU with or junior to such stock) if at such time (i) there shall have occurred any event (A) of which the Company has actual knowledge that with the giving of notice or the lapse of time, or both, would constitute an Event of Default with respect to the Securities of such series, and (B) which the Company shall not have taken reasonable steps to cure, (ii) if the Securities of such series are held by an Issuer Trust, the Company shall be in default with respect to its payment of any obligations under the Guarantee relating to the Capital Securities issued by such Issuer Trust, or (iii) the Company shall have given notice of its election to begin an Extension Period with respect to the Securities of such series as provided herein and shall not have rescinded such notice, or such Extension Period, or any extension thereof, shall be continuing.

The Company also covenants with each Holder of Securities of a series issued to an Issuer Trust (i) to hold, directly or indirectly, 100% of the Common Securities of such Issuer

Trust, PROVIDED that any permitted successor of the Company as provided under Section 8.2 may succeed to the Company's ownership of such Common Securities, (ii) as holder of such Common Securities, not to voluntarily terminate, windup or liquidate such Issuer Trust, other than (a) in connection with a distribution of the Securities of such series to the holders of the related Capital Securities in liquidation of such Issuer Trust, or (b) in connection with certain mergers, consolidations or amalgamations permitted by the related Trust Agreement, and (iii) to use its reasonable efforts, consistent with the terms and provisions of such Trust Agreement, to cause such Issuer Trust to continue to be taxable as a grantor trust for United States Federal income tax purposes.

SECTION 10.8. FURNISHING ANNUAL INFORMATION.

On or before December 15 of each year during which any Securities are outstanding, the Company shall furnish to each Paying Agent such information as may be reasonably requested by each Paying Agent in order that each Paying Agent may prepare the information which it is required to report for such year on Internal Revenue Service Forms 1096 and 1099 pursuant to Section 6049 of the Internal Revenue Code of 1986, as amended. Such information shall include the amount of original issue discount includible in income for each authorized minimum denomination of principal amount at Stated Maturity of outstanding Securities during such year.

ARTICLE XI  
REDEMPTION OF SECURITIES

SECTION 11.1. APPLICABILITY OF THIS ARTICLE.

Redemption of Securities of any series as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; PROVIDED, HOWEVER, that, if any provision of any such form of Security shall conflict with any provision of this Article, the provision of such form of Security shall govern. Except as otherwise set forth in the form of Security for such series, each Security of a series shall be subject to partial redemption only in the amount of \$100,000 or any integral multiples of \$1,000 in excess thereof.

SECTION 11.2. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company, the Company shall, not less than 45 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee and, in the case of Securities of a series held by an Issuer Trust, the Property Trustee under the related Trust Agreement, of such date and of the principal amount of Securities of the applicable series to be redeemed and provide the additional information required to be included in the notice or notices contemplated by Section 11.4; PROVIDED that, in the case of any series of Securities initially issued to an Issuer

Trust, for so long as such Securities are held by such Issuer Trust, such notice shall be given not less than 45 nor more than 75 days prior to such Redemption Date (unless a shorter notice shall be satisfactory to the Property Trustee under the related Trust Agreement). In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or subject to compliance with any conditions precedent provided in such terms, the Company shall furnish the Trustee with an Officers' Certificate and an Opinion of Counsel evidencing compliance with such restriction or conditions.

#### SECTION 11.3. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, PROVIDED that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

The Trustee shall promptly notify the Company in writing of the Securities selected for partial redemption and the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security that has been or is to be redeemed.

#### SECTION 11.4. NOTICE OF REDEMPTION.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not later than the thirtieth day, and not earlier than the sixtieth day, prior to the Redemption Date, to each Holder of Securities to be redeemed, at the address of such Holder as it appears in the Securities Register.

With respect to Securities of such series to be redeemed, each notice of redemption shall state:

(a) the Redemption Date;

(b) the Redemption Price or, if the Redemption Price cannot be calculated prior to the time the notice is required to be sent, the manner of calculation thereof, or if the terms of such Securities provides for an estimate of the Redemption Price, the estimate of the Redemption Price provided pursuant to such terms together with a statement that it is an estimate and that the actual Redemption Price will be calculated on the third Business Day prior to the Redemption Date (if such an estimate of the Redemption Price is given, a subsequent notice shall be given as set forth above setting forth the Redemption Price promptly following the calculation thereof);

(c) if less than all Outstanding Securities of such particular series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed;

(d) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest thereon, if any, shall cease to accrue on and after said date;

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price;

(f) such other provisions as may be required in respect of the terms of a particular series of Securities; and

(g) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company and shall be irrevocable. The notice, if mailed in the manner provided above, shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

With respect to any redemption, the Redemption Price for which cannot be calculated prior to the giving of the notice of redemption, the Company shall notify the Trustee of the Redemption Price promptly after the calculation thereof.

#### SECTION 11.5. DEPOSIT OF REDEMPTION PRICE.

Prior to 10:00 a.m., New York City time, on the Redemption Date specified in the notice of redemption given as provided in Section 11.4, the Company will deposit with the Trustee or with one or more Paying Agents (or if the Company is acting as its own Paying Agent, the Company will segregate and hold in trust as provided in Section 10.3) an amount of money sufficient to pay the Redemption Price of, and any accrued interest (including Additional Interest) on, all the Securities (or portions thereof) that are to be redeemed on that date.

#### SECTION 11.6. PAYMENT OF SECURITIES CALLED FOR REDEMPTION.

If any notice of redemption has been given as provided in Section 11.4, the Securities or portion of Securities with respect to which such notice has been given shall become due and payable on the date and at the place or places stated in such notice at the applicable Redemption Price, together with accrued interest (including any Additional Interest) to the Redemption Date.



On presentation and surrender of such Securities at a Place of Payment in said notice specified, the said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable Redemption Price, together with accrued interest (including any Additional Interest) to the Redemption Date; PROVIDED, HOWEVER, that, unless otherwise specified as contemplated by Section 3.1, installments of interest (including Additional Interest) whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant record dates according to their terms and the provisions of Section 3.8.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of the same series, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Security so presented and having the same Original Issue Date, Stated Maturity and terms.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal of and premium, if any, on such Security shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 11.7. RIGHT OF REDEMPTION OF SECURITIES INITIALLY ISSUED TO AN ISSUER TRUST.

In the case of the Securities of a series initially issued to an Issuer Trust, except as otherwise specified as contemplated by Section 3.1, the Company, at its option, may redeem such Securities (i) on or after the date specified in such Security, in whole at any time or in part from time to time, or (ii) upon the occurrence and during the continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, at any time within 90 days following the occurrence and during the continuation of such Tax Event, Investment Company Event or Capital Treatment Event, in whole (but not in part), in each case at a Redemption Price specified in such Security, together with accrued interest (including Additional Interest) to the Redemption Date.

If less than all the Securities of any such series are to be redeemed, the aggregate principal amount of such Securities remaining Outstanding after giving effect to such redemption shall be sufficient to satisfy any provisions of the Trust Agreement related to the Issuer Trust to which such Securities were issued.

ARTICLE XII  
SINKING FUNDS

Except as may be provided in any supplemental or amended indenture, no sinking fund shall be established or maintained for the retirement of Securities of any series.

ARTICLE XIII  
SUBORDINATION OF SECURITIES

SECTION 13.1. SECURITIES SUBORDINATE TO SENIOR INDEBTEDNESS.

The Company covenants and agrees, and each Holder of a Security, by its acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the payment of the principal of (and premium, if any) and interest (including any Additional Interest) on each and all of the Securities of each and every series are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness.

SECTION 13.2. NO PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT; PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC.

If the Company shall default in the payment of any principal of (or premium, if any) or interest on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration of acceleration or otherwise, then, upon written notice of such default to the Company by the holders of Senior Indebtedness or any trustee therefor, unless and until such default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash, property, securities, by set-off or otherwise) shall be made or agreed to be made on account of the principal of (or premium, if any) or interest (including Additional Interest) on any of the Securities, or in respect of any redemption, repayment, retirement, purchase or other acquisition of any of the Securities.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Company, its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by the Company for the benefit of creditors or (iv) any other marshalling of the assets of the Company (each such event, if any, herein sometimes referred to as a "PROCEEDING"), all Senior Indebtedness (including any interest thereon accruing after the commencement of any such proceedings) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made to any Holder of any of the Securities on account thereof. Any payment or distribution, whether in cash, securities or other property (other than securities of the Company or any other entity provided for by a plan of reorganization or readjustment, the payment of which is subordinate, at least to the extent provided in these subordination provisions with respect to the indebtedness evidenced by the Securities, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for these subordination provisions) be payable or deliverable in respect of the Securities of any series shall be paid or delivered directly to the holders of Senior Indebtedness in accordance with the priorities then existing among such holders until all Senior Indebtedness

(including any interest thereon accruing after the commencement of any Proceeding) shall have been paid in full.

In the event of any Proceeding, after payment in full of all sums owing with respect to Senior Indebtedness, the Holders of the Securities, together with the holders of any obligations of the Company ranking on a parity with the Securities, shall be entitled to be paid from the remaining assets of the Company the amounts at the time due and owing on account of unpaid principal of (and premium, if any) and interest on the Securities and such other obligations before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Company ranking junior to the Securities, and such other obligations. If, notwithstanding the foregoing, any payment or distribution of any character or any security, whether in cash, securities or other property (other than securities of the Company or any other entity provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in these subordination provisions with respect to the indebtedness evidenced by the Securities, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any plan of reorganization or readjustment), shall be received by the Trustee or any Holder in contravention of any of the terms hereof and before all Senior Indebtedness shall have been paid in full, such payment or distribution or security shall be received in trust for the benefit of, and shall be paid over or delivered and transferred to, the holders of the Senior Indebtedness at the time outstanding in accordance with the priorities then existing among such holders for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all such Senior Indebtedness in full. In the event of the failure of the Trustee or any Holder to endorse or assign any such payment, distribution or security, each holder of Senior Indebtedness is hereby irrevocably authorized to endorse or assign the same.

The Trustee and the Holders shall take such action (including, without limitation, the delivery of this Indenture to an agent for the holders of Senior Indebtedness or consent to the filing of a financing statement with respect hereto) as may, in the opinion of counsel designated by the holders of a majority in principal amount of the Senior Indebtedness at the time outstanding, be necessary or appropriate to assure the effectiveness of the subordination effected by these provisions.

The provisions of this Section 13.2 shall not impair any rights, interests, remedies or powers of any secured creditor of the Company in respect of any security interest the creation of which is not prohibited by the provisions of this Indenture.

The securing of any obligations of the Company, otherwise ranking on a parity with the Securities or ranking junior to the Securities shall not be deemed to prevent such obligations from constituting, respectively, obligations ranking on a parity with the Securities or ranking junior to the Securities.

SECTION 13.3. PAYMENT PERMITTED IF NO DEFAULT.

Nothing contained in this Article or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time, except during the pendency of the conditions described in the first paragraph of Section 13.2 or of any Proceeding referred to in Section 13.2, from making payments at any time of principal of (and premium, if any) or interest (including Additional Interest) on the Securities, or (b) the application by the Trustee of any monies deposited with it hereunder to the payment of or on account of the principal of (and premium, if any) or interest (including any Additional Interest) on the Securities or the retention of such payment by the Holders, if, two Business Days prior to the time of such application by the Trustee, it did not have knowledge that such payment would have been prohibited by the provisions of this Article.

SECTION 13.4. SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS.

Subject to the payment in full of all amounts due or to become due on all Senior Indebtedness, or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Indebtedness, the Holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article (equally and ratably with the holders of all indebtedness of the Company that by its express terms is subordinated to Senior Indebtedness of the Company to substantially the same extent as the Securities are subordinated to the Senior Indebtedness and is entitled to like rights of subrogation by reason of any payments or distributions made to holders of such Senior Indebtedness) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness until the principal of (and premium if any) and interest (including Additional Interest) on the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to the holders of Senior Indebtedness by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness, and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

SECTION 13.5. PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS.

The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall: (a) impair, as between the Company and the Holders of the Securities, the obligations of the Company, which are absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest (including any Additional Interest) on the Securities as and when the same shall become due and payable in

accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than their rights in relation to the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Security (or to the extent expressly provided herein, the holder of any Capital Security) from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, including filing and voting claims in any Proceeding, subject to the rights, if any, under this Article of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 13.6. TRUSTEE TO EFFECTUATE SUBORDINATION.

Each Holder of a Security by his or her acceptance thereof authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination provided in this Article and appoints the Trustee his or her attorney-in-fact for any and all such purposes.

SECTION 13.7. NO WAIVER OF SUBORDINATION PROVISIONS.

No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the immediately preceding paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities of any series, without incurring responsibility to such Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of such Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the collection of Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 13.8. NOTICE TO TRUSTEE.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article or any other

provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof in accordance with Section 1.5 from the Company or a holder of Senior Indebtedness or from any trustee, agent or representative therefor; PROVIDED, HOWEVER, that if the Trustee shall not have received the notice provided for in this Section at least two Business Days prior to the date upon which by the terms hereof any monies may become payable for any purpose (including, the payment of the principal of (and premium, if any, on) or interest (including any Additional Interest) on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 6.1, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing itself to be a holder of Senior Indebtedness (or a trustee, agent or representative therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee, agent or representative therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 13.9. RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 6.1, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, conservator, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

SECTION 13.10. TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR INDEBTEDNESS.

The Trustee, in its capacity as trustee under this Indenture, shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the

Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 13.11. RIGHTS OF TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS;  
PRESERVATION OF TRUSTEE'S RIGHTS.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness that may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

The rights of the Trustee under Section 6.7 shall not be subject to the claims of the holders of Senior Indebtedness under this Article XIII.

SECTION 13.12. ARTICLE APPLICABLE TO PAYING AGENTS.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee (unless such Paying Agent shall be the Company or an Affiliate thereof).

SECTION 13.13. CERTAIN CONVERSIONS OR EXCHANGES DEEMED PAYMENT.

For purposes of this Article only, (a) the issuance and delivery of junior securities upon conversion or exchange of Securities of any series shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any, on) or interest (including any Additional Interest) on such Securities or on account of the purchase or other acquisition of such Securities, and (b) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion or exchange of a Security of any series shall be deemed to constitute payment on account of the principal of such security. For the purposes of this Section, the term "JUNIOR SECURITIES" means (i) shares of any stock of any class of the Company, and (ii) securities of the Company that are subordinated in right of payment to all Senior Indebtedness that may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article.

\* \* \* \*

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[Remainder of page left intentionally blank; signatures appear on following page.]



IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy C. Tallent

-----  
Jimmy C. Tallent  
President

Attest: /s/ Billy M. Decker

-----  
Billy M. Decker

THE CHASE MANHATTAN BANK,  
as Trustee, and not in its individual capacity

By: /s/ William G. Keenan

-----  
Name: William G. Keenan  
Title: Trust Officer

Attest: \_\_\_\_\_



(1) Rule 144A Transfers. If the transfer is being effected in accordance with Rule 144A:

(A) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a "QUALIFIED INSTITUTIONAL BUYER" within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer; and

(B) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Rule 144A in connection with the transfer.

(2) Regulation S Transfers. If the transfer is being effected in accordance with Regulation S:

(A) the Owner is not a distributor of the Securities, an affiliate of the Company or any such distributor or a person acting in behalf of any of the foregoing;

(B) the offer of the Specified Securities was not made to a person in the United States;

(C) either;

(i) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States, or

(ii) the transaction is being executed in, on or through the facilities of the Eurobond market, as regulated by the Association of International Bond Dealers, or another designated offshore securities market and neither the Owner nor any person acting on its behalf know that the transaction has been prearranged with a buyer in the United States;

(D) no directed selling efforts within the meaning of Regulation S have been made in the United States by or on behalf of the Owner or any affiliate thereof; and

(E) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

(3) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(A) the transfer is occurring after a holding period of at least two years (computed in accordance with paragraph (d) of Rule 144) has elapsed since the date the Specified Securities were acquired from the Company or from an affiliate (as such term is defined in Rule 144), or such shorter period as Rule 144 may hereinafter require, of the Company, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of paragraphs (e), (f) and (h) of Rule 144;

(B) the transfer is occurring after a holding period of at least three years has elapsed since the date the Specified Securities were acquired from the Company or from an affiliate (as such term is defined in Rule 144) of the Company, whichever is later, and the Owner is not, and during the preceding three months has not been, an affiliate of the Company; or

(C) the Owner is a Qualified Institutional Buyer under Rule 144A or has acquired the Securities otherwise in accordance with Sections (1), (2) or (3) hereof and is transferring the Securities to an institutional accredited investor in a transaction exempt from the requirements of the Securities Act, and in accordance with Section 4 hereof.

(4) Institutional Accredited Investor Transfers. If the transfer is to an Institutional Accredited Investor:

(A) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is an "INSTITUTIONAL ACCREDITED INVESTOR" within the meaning of Rule 501(a)(1), (2), (3) or (7) under Securities Act acquiring for its own account or for the account of a qualified institutional buyer;

(B) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Regulation D under the Securities Act in connection with the transfer; and

(C) no general solicitation within the meaning of Regulation D has been made by or on behalf of the Owner or any affiliate thereof.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the Initial Purchasers (as defined in the Trust Agreement relating to the Issuer Trust to which the Securities were initially issued).

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By: \_\_\_\_\_  
Name:  
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

STATE OF DELAWARE  
OFFICE OF SECRETARY OF STATE  
-----

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF  
DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT  
COPY OF THE CERTIFICATE OF BUSINESS TRUST REGISTRATION OF  
"UNITED COMMUNITY CAPITAL TRUST", FILED IN THIS OFFICE ON THE  
THIRTEENTH DAY OF JULY, A.D. 1998, AT 4:30 O'CLOCK P.M.

[SEAL]

/s/Edward J. Freel  
-----

Edward J. Freel, Secretary of  
State

2920059 8100  
981271113

AUTHENTICATION: 9192970  
DATE: 07-13-98

CERTIFICATE OF TRUST OF  
UNITED COMMUNITY CAPITAL TRUST

THIS CERTIFICATE OF TRUST of United Community Capital Trust (the "Trust"),  
dated July 13th, 1998, is being duly executed and filed by Chase Manhattan Bank  
Delaware, a Delaware banking corporation, as trustee, to create a business trust  
under the Delaware Business Trust Act (12 Del. C. ss. 3801 et seq.).

1. Name. The name of the business trust created hereby is "United  
Community Capital Trust."

2. Delaware Trustee. The name and address of the trustee of the Trust in  
the State of Delaware is:

Chase Manhattan Bank Delaware  
1201 Market Street  
Wilmington, Delaware 19801

3. Effective Date. This Certificate of Trust shall be effective on July  
13th, 1998.

IN WITNESS whereof, the undersigned trustee of the Trust has executed this  
Certificate of Trust as of the date first written above.

CHASE MANHATTAN BANK DELAWARE,  
not in its individual capacity, but solely as  
trustee

By: /s/John J. Cashin  
-----

Name: John J. Cashin  
Title: Vice-President

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 04:30 PM 07/13/1998  
981271113-2920059

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

-----  
UNITED COMMUNITY CAPITAL TRUST  
-----

UNITED COMMUNITY CAPITAL TRUST

Certain Sections of this Trust Agreement relating, to  
Sections 310 through 318 of the  
Trust Indenture Act of 1939:

Trust Indenture Act Section	Trust Agreement Section
-----	-----
Section 310(a) (1) .....	8.7
(a) (2) .....	8.7
(a) (3) .....	8.9
(a) (4) .....	2.7 (a) (ii)
(b) .....	8.8, 10.10 (b)
Section 311 (a) .....	8.13, 10.10 (b)
(b) .....	8.13, 10.10 (b)
Section 312 (a) .....	10.10 (b)
(b) .....	10.10 (b), (f)
(c) .....	5.7
Section 313 (a) .....	8.15 (a)
(a) (4) .....	10.10 (c)
(b) .....	8.15 (c), 10.10 (c)
(c) .....	10.8, 10.10 (c)
(d) .....	10.10 (c)
Section 314 (a) .....	8.16, 10.10 (d)
(b) .....	Not Applicable
(c) (1) .....	8.17, 10.10 (d), (e)
(c) (2) .....	8.17, 10.10 (d), (e)
(c) (3) .....	8.17, 10.10 (d), (e)
(e) .....	8.17, 10.10 (e)
Section 315 (a) .....	8.1 (d)
(b) .....	8.2
(c) .....	8.1 (c)
(d) .....	8.1 (d)
(e) .....	Not Applicable
Section 316 (a) .....	Not Applicable



(a) (1) (A) .....	Not Applicable
(a) (1) (B) .....	Not Applicable
(a) (2) .....	Not Applicable
(b) .....	5.13
(c) .....	6.7
Section 317 (a) (1) .....	Not Applicable
(a) (2) .....	8.14
(b) .....	5.10
Section 318 (a) .....	10.10 (a)

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Trust Agreement.

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Exhibit A Certificate of Trust

Exhibit B Form of Certificate Depositary Agreement

Exhibit C Form of Common Securities Certificate

Exhibit D Form of Capital Securities Certificate

Exhibit E Form of Restricted Securities Certificate

AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT, dated as of July 20, 1998, is by and among (i) UNITED COMMUNITY BANKS, INC., a Georgia bank holding company (including any successors or assigns, the "DEPOSITOR"), (ii) THE CHASE MANHATTAN BANK, a New York banking corporation, as property trustee, (in such capacity, the "PROPERTY TRUSTEE" and, in its separate corporate capacity and not in its capacity as Property Trustee, the "BANK"), and (iii) CHASE MANHATTAN BANK DELAWARE, a Delaware banking corporation, as Delaware trustee (the "DELAWARE TRUSTEE") (the Property Trustee and the Delaware Trustee are referred to collectively herein as the "ISSUER TRUSTEES") and (iv) the several Holders, as hereinafter defined.

W I T N E S S E T H :

-----  
WHEREAS, the Depositor and the Delaware Trustee have heretofore duly declared and established a business trust pursuant to the Delaware Business Trust Act by entering into a certain Trust Agreement, dated as of July 13, 1998 (the "ORIGINAL TRUST AGREEMENT"), and by the execution and filing by the Delaware Trustee with the Secretary of State of the State of Delaware of the Certificate of Trust, filed on July 13, 1998 (the "CERTIFICATE OF TRUST"), attached as Exhibit A; and

WHEREAS, the Depositor and the Delaware Trustee desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (i) the issuance of the Common Securities by the Issuer Trust to the Depositor, (ii) the issuance and sale of the Capital Securities by the Issuer Trust pursuant to the Purchase Agreement, (iii) the acquisition by the Issuer Trust from the Depositor of all of the right, title and interest in the Junior Subordinated Debentures, (iv) the appointment of the Administrators, (v) the mandatory exchange by the Property Trustee with the Depositor of the Private Debentures for the Exchange Debentures, and the exchange by the Issuer Trust with the Holders of the Private Capital Securities for the Exchange Capital Securities, each such exchange registered under the Securities Act; and (vi) the addition of the Property Trustee as a party to this Trust Agreement.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Holders, hereby amends and restates the Original Trust Agreement in its entirety and agrees, intending to be legally bound, as follows:

ARTICLE I  
DEFINED TERMS

SECTION 1.1. DEFINITIONS.

For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) All other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation";
- (d) All accounting terms used but not defined herein have the meanings assigned to them in accordance with United States generally accepted accounting principles as in effect at the time of computation;
- (e) Unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement;
- (f) The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision; and
- (g) All references to the date the Capital Securities were originally issued shall refer to the date the 8.125% Capital Securities were originally issued.

"ACT" has the meaning specified in Section 6.8.

"ADDITIONAL AMOUNTS" means, with respect to Trust Securities of a given Liquidation Amount and/or a given period, the amount of Additional Interest (as defined in the Indenture) paid by the Depositor on a Like Amount of Debentures for such period.

"ADDITIONAL SUMS" has the meaning specified in Section 10.6 of the Indenture.

"ADJUSTED TREASURY RATE" means, with respect to any Redemption Date, the Treasury Rate plus (i) 200 basis points if such Redemption Date occurs on or before December 31, 1998 or (ii) 150 basis points if such Redemption Date occurs after December 31, 1998.

"ADMINISTRATORS" means each Person appointed in accordance with Section 8.21 solely in such Person's capacity as Administrator of the Issuer Trust heretofore formed and continued hereunder and not in such Person's individual capacity, or any successor Administrator appointed as herein provided; with the initial Administrators being Jimmy C. Tallent and Christopher J. Bledsoe.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"APPLICABLE PROCEDURES" means, with respect to any transfer or transaction involving a Global Capital Security or beneficial interest therein, the rules and procedures of the Depository for such Capital Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"BANK" has the meaning specified in the preamble to this Trust Agreement.

"BANKRUPTCY EVENT" means, with respect to any Person:

(a) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under any applicable federal or State bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or of any substantial part of its property or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(b) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of such Person or of any substantial part of its property or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by such Person in furtherance of any such action.

"BANKRUPTCY LAWS" has the meaning specified in Section 10.9.

"BOARD OF DIRECTORS" means the board of directors of the Depositor or the Executive Committee of the board of directors of the Depositor (or any other committee of the board of directors of the Depositor performing similar functions) or a committee designated by the board of directors of the Depositor (or any such committee), comprised of two or more members of the board of directors of the Depositor or officers of the Depositor, or both.

"BOARD RESOLUTION" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors, or such committee of the Board of Directors or officers of the Depositor to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Issuer Trustees.

"BUSINESS DAY" means a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the City of New York, New York, or the City of Blairsville, Georgia are authorized or required by law or executive order to remain closed or (c) a day on which the Property Trustee's Corporate Trust Office or the Delaware Trustee's Corporate Trust Office or the Corporate Trust Office of the Debenture Trustee is closed for business.

"CAPITAL SECURITIES CERTIFICATE" means a certificate evidencing ownership of Capital Securities, substantially in the form attached as Exhibit D.

"CAPITAL SECURITY" means a preferred undivided beneficial interest in the assets of the Issuer Trust, having a Liquidation Amount of \$1,000 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"CAPITAL TREATMENT EVENT" means, in respect of the Issuer Trust, the reasonable determination by the Depositor that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement, action or decision is announced on or after the date of the issuance of the Capital Securities of the Issuer Trust, there is more than an insubstantial risk that the Depositor will not be entitled to treat an amount equal to the Liquidation Amount of such Capital Securities as "Tier 1 Capital" (or the then equivalent thereof) for purposes of the risk-based capital adequacy guidelines of the Board of Governors of the Federal Reserve System, as then in effect and applicable to the Depositor.

"CEDE" means Cede & Co.

"CERTIFICATE DEPOSITARY AGREEMENT" means the agreement among the Issuer Trust, the Property Trustee and the Depository, as the initial Clearing Agency, dated as of the Closing Date, substantially in the form attached as Exhibit B, as the same may be amended and supplemented from time to time.



"CERTIFICATE OF TRUST" has the meaning specified in the preamble to this Trust Agreement.

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act. The Depository shall be the initial Clearing Agency.

"CLEARING AGENCY PARTICIPANT" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"CLOSING DATE" means the Closing Time, which date is also the date of execution and delivery of this Trust Agreement.

"CLOSING TIME" has the meaning specified in the Purchase Agreement.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"COMMON SECURITIES CERTIFICATE" means a certificate evidencing ownership of Common Securities, substantially in the form attached as Exhibit C.

"COMMON SECURITY" means an undivided beneficial interest in the assets of the Issuer Trust, having a Liquidation Amount of \$1,000 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"COMPARABLE TREASURY ISSUE" means with respect to any Redemption Date the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after July 15, 2008, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"COMPARABLE TREASURY PRICE" means (A) the average of five Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Debenture Trustee obtains fewer than five

such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"CORPORATE TRUST OFFICE" means the principal corporate trust office of the Property Trustee located in the City of New York which at the time of the execution of this Trust Agreement is located at 450 West 33rd Street, 15th Floor, New York, New York 10001.

"DEBENTURE EVENT OF DEFAULT" means an "Event of Default" as defined in the Indenture.

"DEBENTURE REDEMPTION DATE" means, with respect to any Junior Subordinated Debentures to be redeemed under the Junior Subordinated Indenture, the date fixed for redemption of such Debentures under the Indenture.

"DEBENTURE TRUSTEE" means The Chase Manhattan Bank, a New York banking corporation and any successor.

"DELAWARE BUSINESS TRUST ACT" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. ss. 3801, ET SEQ., as it may be amended from time to time.

"DELAWARE TRUSTEE" means the corporation identified as the "Delaware Trustee" in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Issuer Trust continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"DEPOSITARY" means The Depository Trust Company or any successor thereto.

"DEPOSITOR" has the meaning specified in the preamble to this Trust Agreement.

"DISTRIBUTION DATE" has the meaning specified in Section 4.1(a).

"DISTRIBUTIONS" means amounts payable in respect of the Trust Securities as provided in Section 4.1.

"EARLY TERMINATION EVENT" has the meaning specified in Section 9.2.

"EVENT OF DEFAULT" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of a Debenture Event of Default; or

(b) default by the Issuer Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days; or

(c) default by the Issuer Trust in the payment of any Redemption Price of any Trust Security when it becomes due and payable; or

(d) default in the performance, or breach, in any material respect, of any covenant or warranty of the Issuer Trustees in this Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (b) or (c) above) and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Issuer Trustees and the Depositor by the Holders of at least 25% in aggregate Liquidation Amount of the Outstanding Capital Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "NOTICE OF DEFAULT" hereunder; or

(e) the occurrence of any Bankruptcy Event with respect to the Property Trustee or all or substantially all of its property if a successor Property Trustee has not been appointed within a period of 90 days thereof.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and any successor statute thereto, as amended from time to time.

"EXCHANGE CAPITAL SECURITIES" means Capital Securities representing preferred undivided beneficial interests in the assets of the Issuer Trust, issued by the Issuer Trust in an exchange offer for the Private Capital Securities, such exchange offer being registered under the Securities Act, all pursuant to the Registration Rights Agreement; PROVIDED HOWEVER that the aggregate Liquidation Amount of the Private Capital Securities and the Exchange Capital Securities at any one time outstanding shall not exceed \$21,000,000.

"EXCHANGE DEBENTURES" means a new series of junior subordinated debentures issued by the Depositor in a mandatory exchange offer for the Private Debentures, such exchange offer being registered under the Securities Act, all pursuant to the Debenture Exchange and Registration Rights Agreement.

"EXCHANGE GUARANTEE" means the Exchange Guarantee extended by the Depositor for the benefit of the Holders of Capital Securities pursuant to the Exchange Guarantee Agreement, and registered under the Securities Act pursuant to the Registration Rights Agreement.

"EXCHANGE GUARANTEE AGREEMENT" means the Guarantee Agreement to be entered into by the Depositor, as Guarantor and The Chase Manhattan Bank, as Guarantee Trustee, pursuant to the Registration Rights Agreement.

"EXCHANGE OFFER" means an exchange offer of the Exchange Securities for the Securities, which is registered under the Securities Act pursuant to the Registration Rights Agreement.

"EXPIRATION DATE" has the meaning specified in Section 9.1.

"GLOBAL CAPITAL SECURITIES CERTIFICATE" means a Capital Securities Certificate evidencing ownership of Global Capital Securities.

"GLOBAL CAPITAL SECURITY" means a Capital Security, the ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 5.4.

"GUARANTEE" means (i) prior to the exchange in connection with the Exchange Offer, the Private Guarantee and (ii) following the exchange in connection with the Exchange Offer, the Exchange Guarantee.

"GUARANTEE AGREEMENT" means the Guarantee Agreement dated as of July 20, 1998, between the Depositor, as Guarantor, and The Chase Manhattan Bank, as Guarantee Trustee.

"HOLDER" means a Person in whose name a Trust Security or Trust Securities is registered in the Securities Register; any such Person shall be deemed to be a beneficial owner within the meaning of the Delaware Business Trust Act.

"INDENTURE" means the Junior Subordinated Indenture, dated as of July 20, 1998, between the Depositor and the Debenture Trustee (as amended or supplemented from time to time) relating to the issuance of the Junior Subordinated Debentures.

"INITIAL PURCHASER" has the meaning specified in the Purchase Agreement.

"INSTITUTIONAL ACCREDITED INVESTOR" means an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"INVESTMENT COMPANY ACT" means the Investment Company Act of 1940, as amended.

"INVESTMENT COMPANY EVENT" means the receipt by the Issuer Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change (including any announced prospective change) in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Issuer Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Capital Securities.

"ISSUER TRUST" means United Community Capital Trust.

"ISSUER TRUSTEES" means, collectively, the Property Trustee and the Delaware Trustee.

"JUNIOR SUBORDINATED DEBENTURES" means the aggregate principal amount of the Depositor's 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028, issued pursuant to the Indenture.

"LIEN" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"LIKE AMOUNT" means (a) with respect to a redemption of Trust Securities, Trust Securities having a Liquidation Amount equal to that portion of the principal amount of Junior Subordinated Debentures to be contemporaneously redeemed in accordance with the Indenture, allocated to the Common Securities and to the Capital Securities based upon the relative Liquidation Amounts of such classes and (b) with respect to a distribution of Junior Subordinated Debentures to Holders of Trust Securities in connection with a dissolution or liquidation of the Issuer Trust, Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Junior Subordinated Debentures are distributed.

"LIQUIDATION AMOUNT" means the stated amount of \$1,000 per Trust Security.

"LIQUIDATION DATE" means the date on which Junior Subordinated Debentures are to be distributed to Holders of Trust Securities in connection with a dissolution and liquidation of the Issuer Trust pursuant to Section 9.4.

"LIQUIDATION DISTRIBUTION" has the meaning specified in Section 9.4(d).

"MAJORITY IN LIQUIDATION AMOUNT OF THE CAPITAL SECURITIES" or "MAJORITY IN LIQUIDATION AMOUNT OF THE COMMON SECURITIES" means, except as provided by the Trust Indenture Act, Capital Securities or Common Securities, as the case may be, representing more than 50% of the aggregate Liquidation Amount of all then Outstanding Capital Securities or Common Securities, as the case may be.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chief Executive Officer, President or an Executive Vice President, a Senior Vice President or Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Depositor, and delivered to the party provided herein. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement (other than pursuant to Section 8.17) shall include:

(a) a statement by each officer signing the Officers' Certificate that such officer has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by such officer in rendering the Officers' Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be counsel for or an employee of the Depositor or any Affiliate of the Depositor or any Issuer Trustee.

"ORIGINAL TRUST AGREEMENT" has the meaning specified in the preamble to this Trust Agreement.

"OTHER CAPITAL SECURITIES" means the Capital Securities sold by the Initial Purchaser in the initial offering contemplated by the Purchase Agreement to Institutional Accredited Investors in reliance on an exemption from the registration requirement of the Securities Act other than Rule 144A.

"OUTSTANDING," with respect to Trust Securities, means, as of the date of determination, all Trust Securities theretofore executed, authenticated and delivered under this Trust Agreement, EXCEPT:

(a) Trust Securities theretofore canceled by the Property Trustee or delivered to the Property Trustee for cancellation;

(b) Trust Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Capital Securities, PROVIDED that if such Trust Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(c) Trust Securities which have been paid, or in exchange for, or in lieu of which, other Trust Securities have been executed and delivered pursuant to Sections 5.4, 5.5 and 5.6 PROVIDED, HOWEVER, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Capital Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Capital Securities owned by the Depositor, any Issuer Trustee, any Administrator or any Affiliate of the Depositor, shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Issuer Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Capital Securities that such Issuer Trustee knows to be so owned shall be so disregarded and (b) the foregoing shall not apply at any time when all of the Outstanding Capital Securities are owned by the Depositor, one or more of the Issuer Trustees, one or more of the Administrators and/or any such Affiliate. Capital Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrators the pledgee's right so to act with respect to such Capital Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"OWNER" means each Person who is the beneficial owner of Global Capital Securities as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with such Clearing Agency (directly or indirectly), in accordance with the rules of such Clearing Agency.

"PAYING AGENT" means any paying agent or co-paying agent appointed pursuant to Section 5.10 and shall initially be the Property Trustee.

"PAYMENT ACCOUNT" means a segregated non-interest-bearing corporate trust account maintained with the Property Trustee in its corporate trust department for the benefit of the Holders in which all amounts paid in respect of the Junior Subordinated Debentures will be held and from which the Property Trustee, through the Paying Agent, shall make payments to the Holders in accordance with Sections 4.1 and 4.2.

"PERSON" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"PORTAL MARKET" means the Private Offering, Resales and Trading through Automated Linkages Market operated by the National Association of Securities Dealers, Inc. (or any successor thereto).

"PRIVATE CAPITAL SECURITIES" means the \$21,000,000 aggregate Liquidation Amount of the Issuer Trust's 8.125% Capital Securities representing preferred undivided beneficial interests in the assets of the Issuer Trust, having a Liquidation Amount of \$1,000 per Capital Security and having the rights provided therefor in this Trust Agreement, and the certificates of which initially shall bear legends indicating that they have not been registered under the Securities Act and restricting transfers thereof.

"PRIVATE DEBENTURES" means the \$21,650,000 aggregate principal amount of the Depositor's 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028, issued pursuant to the Indenture on the Closing Date.

"PRIVATE GUARANTEE" means the Guarantee extended by the Depositor for the benefit of the Holders of Private Capital Securities pursuant to the Guarantee Agreement.

"PROPERTY TRUSTEE" means the Person identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Issuer Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as herein provided.

"PURCHASE AGREEMENT" means the Purchase Agreement, dated as of July 15, 1998, among the Issuer Trust, the Depositor and the Initial Purchaser, as the same may be amended from time to time.

"QUOTATION AGENT" means Wheat First Securities, Inc. and its successors; PROVIDED, HOWEVER, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Depositor shall substitute therefor another Primary Treasury Dealer.

"REDEMPTION DATE" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; PROVIDED that each Junior Subordinated Debenture redemption date and the stated maturity of the Junior Subordinated Debentures shall be a Redemption Date for a Like Amount of Trust Securities, including but not limited to any date of redemption pursuant to the occurrence of any Special Event.

"REDEMPTION PRICE" means:

(a) in the case of a redemption, other than as provided in paragraph (b) below, the following prices expressed in percentages of the Liquidation Amount, together with accumulated Distributions to but excluding the date fixed for redemption, if redeemed during the 12-month period beginning January 1:

YEAR	REDEMPTION PRICE
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2008	104.06 %
2009	103.66
2010	103.25
2011	102.84
2012	102.44
2013	102.03
2014	101.63
2015	101.22
2016	100.81
2017	100.41

and 100% on or after January 1, 2018.

(b) in the case of a redemption prior to July 15, 2008 following a Tax Event, Investment Company Event or Capital Treatment Event, an amount equal to for each Capital Security the Make-Whole Amount for a corresponding \$1,000 principal amount of Junior Subordinated Debentures together with accumulated Distributions to but excluding the date fixed for redemption. The "MAKE-WHOLE AMOUNT" will be equal to the greater of (i) 100% of the principal amount of such Junior Subordinated Debentures, or (ii) as determined by a Quotation Agent, the sum of the present values of the principal amount and premium payable as part of the Redemption Price with respect to an optional redemption of such Junior Subordinated Debentures



on July 15, 2008, together with the present values of scheduled payments of interest (not including the portion of any such payments of interest accrued as of the Redemption Date) from the Redemption Date to July 15, 2008 (the "REMAINING LIFE"), in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate. The Redemption Price in the case of a redemption on or after July 15, 2008 following a Tax Event, Investment Company Event or Capital Treatment Event shall equal the Redemption Price then applicable to a redemption under paragraph (a) above.

"REFERENCE TREASURY DEALER" means (i) the Quotation Agent and (ii) any other Primary Treasury Dealer selected by the Debenture Trustee after consultation with the Depositor.

"REFERENCE TREASURY DEALER QUOTATIONS" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Debenture Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Debenture Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

"REGISTRATION RIGHTS AGREEMENT" means an agreement dated July 20, 1998, among the Depositor, the Trust and the Initial Purchaser.

"REGULATION D" means Regulation D under the Securities Act (or any successor provision), as it may be amended from time to time.

"RULE 144" means Rule 144 as promulgated under the Securities Act, or any successor rule.

"RELEVANT TRUSTEE" has the meaning specified in Section 8.11.

"RESPONSIBLE OFFICER" when used with respect to the Property Trustee means any officer assigned to the Corporate Trust Office, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary, trust officer, senior trust officer or any other officer of the Property Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"RESTRICTED CAPITAL SECURITIES" means all Capital Securities, the Capital Securities Certificate for which is required pursuant to Section 5.5(c) to bear a Restricted Capital Securities Legend. Such term includes the Global Capital Securities Certificate.

"RESTRICTED CAPITAL SECURITIES LEGEND" means a legend substantially in the form of the legend required in the form of a Capital Securities Certificate set forth in Exhibit D to be placed upon a Restricted Capital Security.

"RESTRICTED SECURITIES CERTIFICATE" means a certificate substantially in the form set forth in Exhibit E.

"REGULATION S" means Regulation S under the Securities Act or any successor provision.

"RULE 144A" means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

"RULE 144A CAPITAL SECURITIES" means the Capital Securities purchased by the Initial Purchaser from the Issuer Trust pursuant to the Purchase Agreement, other than the Other Capital Securities.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and any successor statute thereto, in each case as amended from time to time.

"SENIOR INDEBTEDNESS" has the meaning specified in the Indenture.

"SECURITIES REGISTER" AND "SECURITIES REGISTRAR" have the respective meanings specified in Section 5.5.

"SPECIAL EVENT" means any Tax Event, Capital Treatment Event or Investment Company Event.

"SUCCESSOR CAPITAL SECURITIES CERTIFICATE" of any particular Capital Securities Certificate means every Capital Securities Certificate issued after, and evidencing all or a portion of the same beneficial interest in the Issuer Trust as that evidenced by, such particular Capital Securities Certificate; and, for the purposes of this definition, any Capital Securities Certificate executed and delivered under Section 5.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Capital Securities Certificate shall be deemed to evidence the same beneficial interest in the Issuer Trust as the mutilated, destroyed, lost or stolen Capital Securities Certificate.

"SUCCESSOR CAPITAL SECURITY" has the meaning specified in Section 9.5.

"TAX EVENT" means the receipt by the Issuer Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of issuance of the Capital Securities, there is more than an insubstantial risk that (i) the Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to United States Federal income tax with respect to income received or accrued on the Junior Subordinated Debentures, (ii) interest

payable by the Depositor on the Junior Subordinated Debentures is not, or within 90 days of the delivery of such Opinion of Counsel will not be, deductible by the Depositor, in whole or in part, for United States federal income tax purposes, or (iii) the Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to more than a DE MINIMIS amount of other taxes, duties or other governmental charges.

"TREASURY RATE" means (i) the yield, under the heading which represents the average for the week immediately prior to the calculation date, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

"TRUST AGREEMENT" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including (i) all exhibits hereto, and (ii) for all purposes of this Amended and Restated Trust Agreement and any such modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Amended and Restated Trust Agreement and any modification, amendment or supplement, respectively.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939 or any successor statute, in each case as amended from time to time.

"TRUST PROPERTY" means (a) the Junior Subordinated Debentures, (b) any cash on deposit in, or owing to, the Payment Account, (c) all proceeds and rights in respect of the foregoing and (d) any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to the trusts of this Trust Agreement.

"TRUST SECURITIES CERTIFICATE" means any one of the Common Securities Certificates or the Capital Securities Certificates.

"TRUST SECURITY" means any one of the Common Securities or the Capital Securities.

ARTICLE II

CONTINUATION OF THE ISSUER TRUST

SECTION 2.1. NAME.

The Issuer Trust continued hereby shall be known as "United Community Capital Trust", as such name may be modified from time to time by the Administrators following written notice to the Holders of Trust Securities and the Issuer Trustees, in which name the Administrators and the Issuer Trustees may engage in the transactions contemplated hereby, make and execute contracts and other instruments on behalf of the Issuer Trust and sue and be sued.

SECTION 2.2. OFFICE OF THE DELAWARE TRUSTEE; PRINCIPAL PLACE OF BUSINESS.

The address of the Delaware Trustee in the State of Delaware is Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware, 19801, Attention: Corporate Trustee Administration Department, or such other address in the State of Delaware as the Delaware Trustee may designate by written notice to the Holders and the Depositor. The principal executive office of the Issuer Trust is in care of United Community Banks, Inc., 59 Highway 515, Blairsville, Georgia 30512, Attention: Jimmy C. Tallent.

SECTION 2.3. INITIAL CONTRIBUTION OF TRUST PROPERTY; ORGANIZATIONAL EXPENSES.

The Issuer Trustees acknowledge receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of \$10, which constitutes the initial Trust Property. The Depositor shall pay all organizational expenses of the Issuer Trust as they arise or shall, upon request of any Issuer Trustee, promptly reimburse such Issuer Trustee for any such expenses paid by such Issuer Trustee. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

SECTION 2.4. ISSUANCE OF THE CAPITAL SECURITIES.

The Depositor and the Issuer Trust executed and delivered the Purchase Agreement as of July 15, 1998, pursuant to the Original Trust Agreement. Contemporaneously with the execution and delivery of this Trust Agreement, an Administrator, on behalf of the Issuer Trust, shall by manual or facsimile signature execute in accordance with Section 5.3 and the Property Trustee shall authenticate in accordance with Section 5.3 and deliver to the Initial Purchaser, Capital Securities Certificates, registered in the names requested by the Initial Purchaser, in an aggregate amount of 21,000 Capital Securities having an aggregate Liquidation Amount of \$21,000,000, against receipt of the aggregate purchase price of such Capital Securities of \$20,873,370 by the Property Trustee. The certificates of authentication to be delivered by the Property Trustee shall be substantially in the forms as set forth on Exhibits C and D attached hereto.

SECTION 2.5. ISSUANCE OF THE COMMON SECURITIES; SUBSCRIPTION AND PURCHASE OF JUNIOR SUBORDINATED DEBENTURES.

Contemporaneously with the execution and delivery of this Trust Agreement, an Administrator, on behalf of the Issuer Trust, shall by manual or facsimile signature execute or cause to be executed in accordance with Section 5.3 and the Property Trustee shall authenticate in accordance with Section 5.3 and deliver to the Depositor Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of 650 Common Securities having an aggregate Liquidation Amount of \$650,000 against receipt of the aggregate purchase price of such Common Securities of \$650,000 by the Property Trustee. Contemporaneously therewith, an Administrator, on behalf of the Issuer Trust, shall subscribe for and purchase from the Depositor the Junior Subordinated Debentures, registered in the name of the Property Trustee and having an aggregate principal amount equal to \$21,650,000, and, in satisfaction of the purchase price for such Junior Subordinated Debentures, the Property Trustee, on behalf of the Issuer Trust, shall deliver to the Depositor the sum of \$21,523,370 (being the sum of the amounts delivered to the Property Trustee pursuant to (i) the second sentence of Section 2.4, and (ii) the first sentence of this Section 2.5) and receive on behalf of the Issuer Trust the Junior Subordinated Debentures.

SECTION 2.6. DECLARATION OF TRUST.

The exclusive purposes and functions of the Issuer Trust are to (a) issue and sell Trust Securities and use the proceeds from such sale to acquire the Junior Subordinated Debentures, and (b) engage in only those other activities necessary, convenient or incidental thereto. The Depositor hereby appoints the Issuer Trustees as trustees of the Issuer Trust, to have all the rights, powers and duties to the extent set forth herein, and the Issuer Trustees hereby accept such appointment. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Issuer Trust and the Holders. The Depositor hereby appoints the Administrators, with such Administrators having all rights, powers and duties set forth herein with respect to accomplishing the purposes of the Issuer Trust, and the Administrators hereby accept such appointment; PROVIDED, HOWEVER, that it is the intent of the parties hereto that such Administrators shall not be trustees or, to the fullest extent permitted by law, fiduciaries with respect to the Issuer Trust and this Trust Agreement shall be construed in a manner consistent with such intent. The Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities, of the Property Trustee or the Administrators set forth herein. The Delaware Trustee shall be one of the trustees of the Issuer Trust for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Delaware Business Trust Act and for taking such actions as are required to be taken by a Delaware trustee under the Delaware Business Trust Act.

SECTION 2.7. AUTHORIZATION TO ENTER INTO CERTAIN TRANSACTIONS.

(a) The Issuer Trustees and the Administrators shall conduct the affairs of the Issuer Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set

forth in paragraph (b) of this Section and in accordance with the following provisions (i) and (ii), the Property Trustees and the Administrators shall act as follows:

(i) Each Administrator shall:

(A) comply with the Purchase Agreement regarding the issuance and sale of the Trust Securities;

(B) assist in compliance with the Securities Act, applicable state securities or blue sky laws and the Trust Indenture Act;

(C) assist in the listing of the Capital Securities upon such securities exchange or exchanges as shall be determined by the Depositor, with the registration of the Capital Securities under the Exchange Act, if required, and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(D) execute the Trust Securities on behalf of the Issuer Trust in accordance with this Trust Agreement;

(E) execute and deliver an application for a taxpayer identification number for the Issuer Trust;

(F) unless otherwise determined by the Depositor or Holders of at least a Majority in Liquidation Amount of the Capital Securities or as otherwise required by the Delaware Business Trust Act or the Trust Indenture Act, execute on behalf of the Issuer Trust any documents that the Administrators have the power to execute pursuant to this Trust Agreement, including without limitation, a Junior Subordinated Debentures Purchase Agreement and a Common Securities Purchase Agreement, both by and between the Issuer Trust and the Depositor;

(G) have the power and authority to cause the Issuer Trust to enter into, and to execute, deliver and perform on behalf of the Issuer Trust, the Registration Rights Agreements, and such other agreements as may be necessary or desirable in connection with the purposes and function of the Issuer Trust;

(H) assist in the registration of the Exchange Offer and the Exchange Capital Securities under the Securities Act, and under the state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act, all in accordance with the Capital Securities Exchange and Registration Rights Agreement;

(I) send notices (other than notices of default) and other information regarding the Trust Securities and the Junior Subordinated Debentures to the Holders in accordance with this Trust Agreement;

(J) take any action incidental to the foregoing as necessary or advisable to give effect to the terms of this Trust Agreement.

(ii) The Property Trustee shall have the power and authority to act on behalf of the Issuer Trust with respect to the following matters:

(A) the establishment of the Payment Account;

(B) the receipt of the Junior Subordinated Debentures;

(C) the receipt and collection of interest, principal and any other payments made in respect of the Junior Subordinated Debentures in the Payment Account;

(D) the distribution, through the Paying Agent, of amounts owed to the Holders in respect of the Trust Securities;

(E) the exercise of all of the rights, powers and privileges of a holder of the Junior Subordinated Debentures (subject to the terms of this Trust Agreement);

(F) the sending of notices of default and other information regarding the Trust Securities and the Junior Subordinated Debentures to the Holders in accordance with this Trust Agreement;

(G) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;

(H) to the extent provided in this Trust Agreement, the winding-up of the affairs of and liquidation of the Issuer Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of the State of Delaware;

(I) after an Event of Default (other than under paragraph (b), (c), (d), or (e) of the definition of such term if such Event of Default is by or with respect to the Property Trustee), comply with the provisions of this Trust Agreement and take any action to give effect to the terms of this Trust Agreement and protect and conserve the Trust Property for the benefit of the Holders (without consideration of the effect of any such action on any particular Holder);

(J) the exchange of the Private Guarantee for the Exchange Guarantee in an exchange in connection with the Exchange Offer pursuant to the Registration Rights Agreement; and

(K) the exchange of the Private Debentures for the Exchange Debentures in an exchange in connection with the Exchange Offer pursuant to the Registration Rights Agreement;

provided, however, that nothing in this Section 2.7(a)(ii) shall require the Property Trustee to take any action that is not otherwise required in this Trust Agreement and the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Administrators set forth in Section 2.7(a)(i).

(b) So long as this Trust Agreement remains in effect, the Issuer Trust (or the Issuer Trustees or Administrators acting on behalf of the Issuer Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, neither the Issuer Trustees nor the Administrators shall (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, mortgage, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Holders, except as expressly provided herein, (iii) take any action that would cause the Issuer Trust to become taxable other than as a grantor trust for United States Federal income tax purposes, (iv) incur any indebtedness for borrowed money or issue any other debt, or (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property. The Property Trustee shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Issuer Trust or the Holders in their capacity as Holders.

(c) In connection with the issue and sale of the Capital Securities, the Depositor shall have the right and responsibility to assist the Issuer Trust with respect to, or effect on behalf of the Issuer Trust, the following (and any actions taken by the Depositor in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects):

(i) the preparation by the Issuer Trust of an offering memorandum in relation to the Capital Securities, including any amendments thereto and the taking of any action necessary or desirable to sell the Capital Securities in a transaction or a series of transactions exempt from the registration requirements of the Securities Act;

(ii) the determination of the states in which to take appropriate action to qualify or register for sale all or part of the Capital Securities and the determination of any and all such acts, other than actions that must be taken by or on behalf of the Issuer Trust, and the advice to the Administrators of actions they must take on behalf of the Issuer Trust, and the preparation for execution and filing of any documents to be executed and filed by the Issuer Trust or on behalf of the Issuer Trust, as the Depositor



deems necessary or advisable in order to comply with the applicable laws of any such States in connection with the sale of the Capital Securities;

(iii) the negotiation of the terms of, and the execution and delivery of, the Purchase Agreement providing for the sale of the Capital Securities;

(iv) the preparation and filing by the Issuer Trust with the Commission and the execution on behalf of the Issuer Trust of a registration statement on the appropriate form in relation to the Exchange Offer, including any amendments thereto and/or a "shelf" registration statement to register the Private Capital Securities, the Private Guarantee and the Private Debentures, in each case in accordance with the provisions of the Registration Rights Agreement; and

(v) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Administrators are authorized and directed to conduct the affairs of the Issuer Trust and to operate the Issuer Trust so that the Issuer Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act, and will not be taxable other than as a grantor trust for the United States Federal income tax purposes and so that the Junior Subordinated Debentures will be treated as indebtedness of the Depositor for United States Federal income tax purposes. In this connection, the Administrators and the Holders of Common Securities are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or this Trust Agreement, that the Administrators and Holders of Common Securities determine in their discretion to be necessary or desirable for such purposes, as long as such action does not adversely affect in any material respect the interests of the Holders of the Outstanding Capital Securities. In no event shall the Administrators or the Issuer Trustees be liable to the Issuer Trust or the Holders for any failure to comply with this section that results from a change in law or regulations or in the interpretation thereof.

#### SECTION 2.8. ASSETS OF TRUST.

The assets of the Issuer Trust shall consist solely of the Trust Property.

#### SECTION 2.9. TITLE TO TRUST PROPERTY.

Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee for the benefit of the Issuer Trust and the Holders in accordance with this Trust Agreement.

ARTICLE III

PAYMENT ACCOUNT

SECTION 3.1. PAYMENT ACCOUNT.

(a) On or prior to the Closing Date, the Property Trustee shall establish the Payment Account. The Property Trustee and its agents shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Holders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal of or interest on, and any other payments or proceeds with respect to, the Junior Subordinated Debentures. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV

DISTRIBUTIONS; REDEMPTION

SECTION 4.1. DISTRIBUTIONS.

(a) The Trust Securities represent undivided beneficial interests in the Trust Property, and Distributions (including of Additional Amounts) will be made on the Trust Securities at the rate and on the dates that payments of interest (including of Additional Interest, as defined in the Indenture) are made on the Junior Subordinated Debentures. Accordingly:

(i) Distributions on the Trust Securities shall be cumulative and will accumulate whether or not there are funds of the Issuer Trust available for the payment of Distributions. Distributions shall accumulate from July 20, 1998, and, except in the event (and to the extent) that the Depositor exercises its right to defer the payment of interest on the Junior Subordinated Debentures pursuant to the Indenture, shall be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 1999. If any date on which a Distribution is otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall be made on the next succeeding day that is a Business Day (without any additional Distributions or other payment in respect of any such delay), with the same force and effect as if made on the date on which such payment was originally payable (each date on which distributions are payable in accordance with this Section 4.1(a), a "DISTRIBUTION DATE").

(ii) The Trust Securities shall be entitled to Distributions payable at a rate of 8.125% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any period less than a full Distribution period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in a partial month in a period. Distributions payable for each full Distribution period will be computed by dividing the rate per annum by two. The amount of Distributions payable for any period shall include any Additional Amounts in respect of such period.

(iii) So long as no Debenture Event of Default has occurred and is continuing, the Depositor has the right under the Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time and from time to time for a period not exceeding 10 consecutive semi-annual periods (an "Extension Period"), provided that no Extension Period may extend beyond July 15, 2028 or end on a day other than an Interest Payment Date (as defined in the Indenture). As a consequence of any such deferral, semi-annual Distributions on the Trust Securities by the Trust will also be deferred (and the amount of Distributions to which Holders of the Trust Securities are entitled will accumulate additional Distributions thereon at a rate of 8.125% per annum, compounded semi-annually) from the relevant payment date for such Distributions, computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. Additional Distributions payable for each full Distribution period will be computed by dividing the rate per annum by two. The term "Distributions" as used in Section 4.1 shall include any such additional Distributions provided pursuant to this Section 4.1(a)(iii).

(iv) Distributions on the Trust Securities shall be made by the Property Trustee from the Payment Account and shall be payable on each Distribution Date only to the extent that the Issuer Trust has funds then on hand and available in the Payment Account for the payment of such Distributions.

(b) Distributions on the Trust Securities with respect to a Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities at the close of business on the relevant record date, which shall be at the close of business on December 31 or June 30 (whether or not a Business Day).

#### SECTION 4.2. REDEMPTION.

(a) On each Junior Subordinated Debenture Redemption Date and on the stated maturity of the Junior Subordinated Debentures, the Issuer Trust will be required to redeem a Like Amount of Trust Securities at the applicable Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to

each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Security Register. All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price, or if the Redemption Price cannot be calculated prior to the time the notice is required to be sent, the manner of calculation thereof;

(iii) the CUSIP number or CUSIP numbers of the Capital Securities affected;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the identification and the total Liquidation Amount of the particular Trust Securities to be redeemed;

(v) that on the Redemption Date the Redemption Price will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accumulate on and after said date, except as provided in Section 4.2(d) below; and

(vi) the place or places where Trust Securities are to be surrendered for the payment of the Redemption Price.

The Issuer Trust in issuing the Trust Securities may use "CUSIP" or "private placement" numbers (if then generally in use), and, if so, the Property Trustee shall indicate the "CUSIP" or "private placement" numbers of the Trust Securities in notices of redemption and related materials as a convenience to Holders; PROVIDED, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Trust Securities or as contained in any notice of redemption and related material.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the applicable proceeds from the contemporaneous redemption of Junior Subordinated Debentures. Redemptions of the Trust Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Issuer Trust has funds then on hand and available in the Payment Account for the payment of such Redemption Price.

(d) If the Issuer Trust gives a notice of redemption in respect of any Capital Securities, then, by 10:00 a.m., New York City time, on the Redemption Date, the Depositor shall deposit sufficient funds with the Property Trustee to pay the Redemption Price. If such deposit has been made, then by 12:00 noon, New York City time, on the Redemption Date, subject to Section 4.2(c), the Property Trustee will, with respect to Capital Securities held in global form, irrevocably deposit with the Clearing Agency for such Capital Securities, to the extent available therefor, funds sufficient to pay the applicable Redemption Price and will give such Clearing Agency irrevocable instructions and authority to pay the Redemption Price to the Holders of the Capital Securities. With respect to Capital Securities that are not held in global

form, the Property Trustee, subject to Section 4.2(c), will irrevocably deposit with the Paying Agent, to the extent available therefor, funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price to the Holders of the Capital Securities upon surrender of their Capital Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then, upon the date of such deposit, all rights of Holders holding Trust Securities so called for redemption will cease, except the right of such Holders to receive the Redemption Price and any Distribution payable in respect of the Trust Securities on or prior to the Redemption Date, but without interest, and such Securities will cease to be Outstanding. In the event that any date on which any applicable Redemption Price is payable is not a Business Day, then payment of the applicable Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date. In the event that payment of the Redemption Price in respect of any Trust Securities called for redemption is improperly withheld or refused and not paid either by the Issuer Trust or by the Depositor pursuant to the Guarantee, Distributions on such Trust Securities will continue to accumulate, as set forth in Section 4.1 and in accordance with the continued accrual of interest on the Junior Subordinated Debentures, from the Redemption Date originally established by the Issuer Trust for such Trust Securities to the date such applicable Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the applicable Redemption Price.

(e) Subject to Section 4.3(a), if less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of such Trust Securities to be redeemed shall be allocated PRO RATA to the Common Securities and the Capital Securities based on the relative Liquidation Amounts of such classes, subject to the requirement that no Holder shall hold Capital Securities with an aggregate Liquidation Amount of less than \$100,000 after such redemption. The particular Capital Securities to be redeemed shall be selected by the Property Trustee by such method (including, without limitation, on a PRO RATA basis based on their respective Liquidation Amounts or by lot) as the Property Trustee shall deem fair and appropriate, which may provide for the selection for redemption of portions (equal to \$1,000 or integral multiples thereof) of the Liquidation Amount of Capital Securities of a denomination larger than \$1,000, not more than 60 days prior to the Redemption Date from the Outstanding Capital Securities not previously called for redemption, or if the Capital Securities are then held in the form of a Global Capital Security, by the Clearing Agency in accordance with the customary procedures for the Clearing Agency, PROVIDED that, after giving effect to such redemption, no Holder shall hold Capital Securities with an aggregate Liquidation Amount of less than \$100,000, PROVIDED, however, that with respect to Holders that would be required to hold less than 100 but more than zero Capital Securities as a result of any such pro rata redemption, the Property Trustee shall redeem each such Holder to either 100 Capital Securities or zero Capital Securities. In any such proration, the Property Trustee shall make such

adjustments so that any Capital Security to be redeemed shall, after such redemption, be in an authorized denomination. The Property Trustee shall promptly notify the Securities Registrar in writing of the Capital Securities selected for redemption and, in the case of any Capital Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Capital Securities shall relate, in the case of any Capital Securities redeemed or to be redeemed only in part, to the portion of the aggregate Liquidation Amount of Capital Securities that has been or is to be redeemed.

#### SECTION 4.3. SUBORDINATION OF COMMON SECURITIES.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, the Redemption Price of, and the Liquidation Distribution in respect of, the Trust Securities, as applicable, shall be made, subject to Section 4.2(e), PRO RATA among the Common Securities and the Capital Securities based on the Liquidation Amount of such Trust Securities; PROVIDED, HOWEVER, that if on any Distribution Date or Redemption Date any Event of Default resulting from a Debenture Event of Default in Section 5.1(1) or 5.1(2) of the Indenture shall have occurred and be continuing, no payment of any Distribution (including any Additional Amounts) on, Redemption Price of, or Liquidation Distribution in respect of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including any Additional Amounts) on all Outstanding Capital Securities for all Distribution periods terminating on or prior thereto, or, in the case of payment of the Redemption Price, the full amount of such Redemption Price on all Outstanding Capital Securities then called for redemption, or in the case of payment of the Liquidation Distribution the full amount of such Liquidation Distribution on all Outstanding Capital Securities, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including any Additional Amounts) on, or the Redemption Price of, Capital Securities then due and payable. The existence of an Event of Default does not entitle the Holders of Capital Securities to accelerate the maturity thereof.

(b) In the case of the occurrence of any Event of Default resulting from any Debenture Event of Default, the Holders of the Common Securities shall be deemed to have waived any right to act with respect to any such Event of Default under this Trust Agreement until the effects of all such Events of Default with respect to the Capital Securities have been cured, waived or otherwise eliminated. Until all such Events of Default under this Trust Agreement with respect to the Capital Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Capital Securities and not on behalf of the Holder of the Common Securities, and only the Holders of the Capital Securities will have the right to direct the Property Trustee to act on their behalf.

#### SECTION 4.4. PAYMENT PROCEDURES.

Payments of Distributions (including any Additional Amounts) in respect of the Capital Securities shall be made by check mailed to the address of the Person entitled thereto as

such address shall appear on the Securities Register or, if the Capital Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency in immediately available funds, which will credit the relevant accounts on the applicable Distribution Dates. Payments of Distributions to Holders of \$1,000,000 or more in aggregate Liquidation Amount of Capital Securities may be made by wire transfer of immediately available funds upon written request of such Holder to the Securities Registrar not later than 15 calendar days prior to the date on which the Distribution is payable. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Holder of the Common Securities.

#### SECTION 4.5. TAX RETURNS AND REPORTS.

The Administrators shall prepare (or cause to be prepared), at the Depositor's expense, and file all United States Federal, state and local tax and information returns and reports required to be filed by or in respect of the Issuer Trust. In this regard, the Administrators shall (a) prepare and file (or cause to be prepared and filed) all Internal Revenue Service forms required to be filed in respect of the Issuer Trust in each taxable year of the Issuer Trust and (b) prepare and furnish (or cause to be prepared and furnished) to each Holder all Internal Revenue Service forms required to be provided by the Issuer Trust. The Administrators shall provide the Depositor and the Property Trustee with a copy of all such returns and reports promptly after such filing or furnishing. The Property Trustee shall comply with United States Federal withholding and backup withholding tax laws and information reporting requirements with respect to any payments to Holders under the Trust Securities.

On or before December 15 of each year during which any Capital Securities are outstanding, the Administrators shall furnish to the Paying Agent such information as may be reasonably requested by the Property Trustee in order that the Property Trustee may prepare the information which it is required to report for such year on Internal Revenue Service Forms 1096 and 1099 pursuant to Section 6049 of the Internal Revenue Code of 1986, as amended. Such information shall include the amount of original issue discount includible in income for each outstanding Capital Security during such year, if any.

#### SECTION 4.6. PAYMENT OF TAXES, DUTIES, ETC. OF THE ISSUER TRUST.

Upon receipt under the Junior Subordinated Debentures of Additional Sums and the written direction of any of the Administrators, the Property Trustee shall promptly pay any taxes, duties or governmental charges of whatsoever nature (other than withholding taxes) imposed on the Issuer Trust by the United States or any other taxing authority.

#### SECTION 4.7. PAYMENTS UNDER INDENTURE OR PURSUANT TO DIRECT ACTIONS.

Any amount payable hereunder to any Holder of Capital Securities shall be reduced by the amount of any corresponding payment such Holder has directly received pursuant to Section 5.8 of the Indenture or Section 5.13 of this Trust Agreement.

SECTION 4.8. LIABILITY OF THE HOLDER OF COMMON SECURITIES.

The Holder of Common Securities shall be liable for the debts and obligations of the Issuer Trust as set forth in Section 6.7 of the Indenture regarding allocation of expenses.

ARTICLE V

TRUST SECURITIES CERTIFICATES

SECTION 5.1. INITIAL OWNERSHIP.

Upon the formation of the Issuer Trust and the contribution by the Depositor pursuant to Section 2.3 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Issuer Trust.

SECTION 5.2. THE TRUST SECURITIES CERTIFICATES.

(a) The Capital Securities Certificates shall be issued in fully registered form in minimum blocks of at least 100 (representing a minimum of \$100,000 aggregate Liquidation Amount and multiples of \$1,000 in excess thereof), and shall be at all times held in minimum blocks of 100, and the Common Securities Certificates shall be issued in minimum blocks of 100 (representing a minimum of \$100,000 aggregate Liquidation Amount). The Trust Securities Certificates shall be executed on behalf of the Issuer Trust by manual or facsimile signature of at least one Administrator. Trust Securities Certificates bearing the manual or facsimile signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Issuer Trust, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the delivery of such Trust Securities Certificates or did not hold such offices at the date of delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Holder, and shall be entitled to the rights and subject to the obligations of a Holder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Section 5.5.

(b) Upon their original issuance, Capital Securities Certificates representing Rule 144A Capital Securities shall be issued in the form of a Global Capital Securities Certificate registered in the name of Cede as DTC's nominee and deposited with or on behalf of Depository for credit by Depository to the respective accounts of the Owners thereof (or such other accounts as they may direct). Except as set forth herein, record ownership of the Global Capital Security may be transferred, in whole or in part, only to the Depository, another nominee of the Depository or to a successor Depository or its nominee.



(c) Upon their original issuance, Capital Securities Certificates representing Other Capital Securities shall be issued in definitive certificated form and may not be represented by the Global Capital Security.

(d) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

#### SECTION 5.3. EXECUTION AND DELIVERY OF TRUST SECURITIES CERTIFICATES.

At the Closing Time, an Administrator shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.4 and 2.5, to be executed on behalf of the Issuer Trust and delivered to the Property Trustee and upon such delivery the Property Trustee shall authenticate such Trust Securities Certificates and deliver such Trust Securities Certificates upon the written order of the Trust, executed by an Administrator thereof, without further corporate action by the Depositor, in authorized denominations. Only such Trust Securities Certificates as shall bear thereon a certificate of authentication substantially in the form provided for herein executed by the Property Trustee by manual signature of an authorized officer thereof shall be entitled to the benefits of this Trust Agreement or be valid or obligatory for any purpose.

#### SECTION 5.4. GLOBAL CAPITAL SECURITY.

(a) The Global Capital Security issued under this Trust Agreement shall be registered in the name of the nominee of the Clearing Agency and delivered to the Property Trustee as custodian therefor, and such Global Capital Security shall constitute a single Capital Security for all purposes of this Trust Agreement.

(b) Notwithstanding any other provision in this Trust Agreement, the Global Capital Security may not be exchanged in whole or in part for Capital Securities registered, and no transfer of the Global Capital Security in whole or in part may be registered, in the name of any Person other than the Clearing Agency for such Global Capital Security, Cede, or other nominee thereof unless (i) such Clearing Agency advises the Depositor and the Property Trustee in writing that such Clearing Agency is no longer willing or able to properly discharge its responsibilities as Clearing Agency with respect to such Global Capital Security, and the Depositor is unable to locate a qualified successor, (ii) the Issuer Trust (by an Administrator) at its option advises the Depository in writing that it elects to terminate the book-entry system through the Clearing Agency, or (iii) there shall have occurred and be continuing an Event of Default.

(c) If the Global Capital Security is to be exchanged for other Capital Securities or cancelled in whole, it shall be surrendered by or on behalf of the Clearing Agency or its nominee to the Securities Registrar for exchange or cancellation as provided in this Article V. If the Global Capital Security is to be exchanged for other Capital Securities or cancelled in part, or if another Capital Security is to be exchanged in whole or in part for a beneficial interest in the Global Capital Security, then either (i) such Global Capital Security shall be so surrendered for

exchange or cancellation as provided in this Article V or (ii) the Liquidation Amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or cancelled or equal to the Liquidation Amount of such other Capital Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Security Registrar, whereupon the Property Trustee, in accordance with the Applicable Procedures, shall instruct the Clearing Agency or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of the Global Capital Security by the Clearing Agency, accompanied by registration instructions, the Property Trustee shall, subject to Section 5.4(b) and as otherwise provided in this Article V, authenticate and deliver any Capital Securities issuable in exchange for such Global Capital Security (or any portion thereof) in accordance with the instructions of the Clearing Agency. The Property Trustee shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(d) Every Capital Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, the Global Capital Security or any portion thereof, whether pursuant to this Article V or Article IV or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Capital Security, unless such Global Capital Security is registered in the name of a Person other than the Clearing Agency for such Global Capital Security or a nominee thereof.

(e) The Clearing Agency or its nominee, as the registered owner of the Global Capital Security, shall be considered the Holder of the Capital Securities represented by the Global Capital Security for all purposes under this Trust Agreement and the Capital Securities, and owners of beneficial interests in the Global Capital Security shall hold such interests pursuant to the Applicable Procedures and, except as otherwise provided herein, shall not be entitled to have any of the individual Capital Securities represented by the Global Security registered in their names, shall not receive nor be entitled to receive physical delivery of any such Capital Securities in definitive certificated form and shall not be considered the Holders thereof under this Trust Agreement. Accordingly, any such owner's beneficial interest in the Global Capital Security shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Clearing Agency or its nominee. Neither the Property Trustee nor the Securities Registrar shall have any liability in respect of any transfers effected by the Clearing Agency.

(f) The rights of owners of beneficial interests in the Global Capital Security shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such owners and the Clearing Agency.

SECTION 5.5. REGISTRATION OF TRANSFER AND EXCHANGE GENERALLY;  
CERTAIN TRANSFERS AND EXCHANGES; CAPITAL SECURITIES CERTIFICATES; SECURITIES  
ACT LEGENDS.

(a) (i) The Property Trustee shall keep or cause to be kept at its Corporate Trust Office a register or registers for the purpose of registering Capital Securities Certificates and transfers and exchanges of Capital Securities Certificates in which the registrar and transfer agent

with respect to the Capital Securities (the "SECURITIES REGISTRAR"), subject to such reasonable regulations as it may prescribe, shall provide for the registration of Capital Securities Certificates and Common Securities Certificates (subject to Section 5.5(a) (i) in the case of Capital Securities and Section 5.5(a) (ii) in the case of Private Capital Securities and subject to Section 5.11 in the case of Common Securities Certificates) and registration of transfers and exchanges of Capital Securities Certificates as herein provided. Such register is herein sometimes referred to as the "SECURITIES REGISTER." The Property Trustee is hereby appointed Securities Registrar for the purpose of registering Capital Securities and transfers of Capital Securities as herein provided.

Upon surrender for registration of transfer of any Capital Securities Certificate at the offices or agencies of the Property Trustee designated for that purpose an Administrator shall execute, and the Property Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Capital Securities Certificates of any authorized denominations of like tenor and aggregate Liquidation Amount and bearing such restrictive legends as may be required by this Trust Agreement.

At the option of the Holder, Capital Securities Certificates may be exchanged for other Capital Securities Certificates of any authorized denominations, of like tenor and aggregate Liquidation Amount and bearing such restrictive legends as may be required by this Trust Agreement, upon surrender of the Capital Securities to be exchanged at such office or agency. Whenever any Capital Securities are so surrendered for exchange, an Administrator shall execute and the Property Trustee shall authenticate and deliver the Capital Securities that the Holder making the exchange is entitled to receive.

All Capital Securities Certificates issued upon any transfer or exchange of Capital Securities shall be the valid obligations of the Issuer Trust, evidencing the same debt, and entitled to the same benefits under this Trust Agreement, as the Capital Securities Certificates surrendered upon such transfer or exchange.

Every Capital Securities Certificate presented or surrendered for transfer or exchange shall (if so required by the Property Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Property Trustee and the Securities Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing.

No service charge shall be made to a Holder for any transfer or exchange of Capital Securities, but the Property Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Capital Securities.

Neither the Issuer Trust nor the Property Trustee shall be required, pursuant to the provisions of this Section, (x) to issue, register the transfer of or exchange any Capital Security during a period beginning at the opening of business 15 days before the day of selection for redemption of Capital Securities pursuant to Article IV and ending at the close of business on the day of mailing of the notice of redemption, or (y) to register the transfer of or exchange any

Capital Security so selected for redemption in whole or in part, except, in the case of any such Capital Security to be redeemed in part, any portion thereof not to be redeemed.

(ii) (A) In addition to the restrictions on transfer set forth in Section 5.5(a)(i) and 5.5(a)(ii)(B), beneficial ownership of every Private Capital Security is subject to the restrictions on transfer imposed by the Securities Act and rules and regulations promulgated by the Commission thereunder and each certificate representing Private Capital Securities shall bear restrictive legends (the "Securities Act Legends") substantially in the form set forth on Exhibit D hereto, unless such restrictions on transfer shall be terminated in accordance with the provisions of this Section 5.5. The Holder of each Private Capital Security, by such Holder's acceptance thereto, agrees to be bound by such restrictions on transfer.

(B) The restrictions imposed by the Securities Act and this Trust Agreement upon the transferability of any particular Private Capital Security shall cease and terminate upon delivery by at least one Administrator on behalf of the Issuer Trust to the Property Trustee of an Officers' Certificate stating that such Private Capital Security has been sold pursuant to an effective registration statement under the Securities Act, exchanged for a corresponding Liquidation Amount of Exchange Capital Securities pursuant to an effective registration statement under the Securities Act, or transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto). Any Private Capital Security as to which such Administrator has delivered to the Property Trustee an Officers' Certificate that such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon surrender of such Private Capital Security for exchange to the Securities Registrar or any transfer agent in accordance with the provisions of this paragraph (ii)(B) be exchanged for a new Capital Security, of like tenor and aggregate Liquidation Amount, which shall not bear the Securities Act Legends. The Administrator shall inform the Property Trustee in writing of the effective date of any registration statement registering the Private Capital Securities or the Exchange Capital Securities under the Securities Act. The Property Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned Officers' Certificate.

As used in paragraphs (A) and (B) of this paragraph (ii), the term "transfer" encompasses any sale, pledge, transfer or other disposition of any Private Capital Security.

(b) CERTAIN TRANSFERS AND EXCHANGES. Notwithstanding any other provision of this Trust Agreement, transfers and exchanges of Capital Securities and beneficial interests in a Global Capital Security shall be made only in accordance with this Trust Agreement.

(i) NON-GLOBAL RESTRICTED CAPITAL SECURITY TO GLOBAL CAPITAL SECURITY. If the Holder of a Restricted Capital Security (other than the Global Capital Security) wishes at any time to transfer all or any portion of such Trust Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Global Capital Security, such transfer may be effected only in accordance with the provisions of this Clause (b)(i) and subject to the Applicable Procedures. Upon receipt by the Securities Registrar of (A) such Trust Security as provided in Section 5.5(a) and instructions

satisfactory to the Securities Registrar directing that a beneficial interest in the Global Capital Security in a specified Liquidation Amount not greater than the Liquidation Amount of such Trust Security be credited to a specified Clearing Agency Participant's account and (B) a Restricted Securities Certificate duly executed by such Holder or such Holder's attorney duly authorized in writing accompanied by a certification that such transfer is being affected in accordance with Rule 144A, then the Securities Registrar shall cancel such Trust Security (and issue a new Trust Security in respect of any untransferred portion thereof) as provided in Section 5.5(a) and increase the aggregate Liquidation Amount of the Global Capital Security by the specified Liquidation Amount as provided in Section 5.4(c).

(ii) NON-GLOBAL CAPITAL SECURITY TO NON-GLOBAL CAPITAL SECURITY. A Trust Security that is not a Global Capital Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Trust Security that is not a Global Capital Security as provided in Section 5.5(a) PROVIDED that if the Trust Security to be transferred in whole or in part is a Restricted Capital Security, the Security Registrar shall have received a Restricted Securities Certificate duly executed by the transferor Holder or such Holder's attorney duly authorized in writing. The Issuer Trust or the Depositor may require from any Holder seeking to transfer any Private Capital Security an Opinion of Counsel reasonably satisfactory to the Issuer Trust or the Depositor, as the case may be, that such transfer complies with the requirements of the securities laws of the United States and any applicable laws of individual states and other jurisdictions.

(iii) EXCHANGES BETWEEN GLOBAL CAPITAL SECURITY AND NON-GLOBAL TRUST SECURITY. A beneficial interest in the Global Capital Security may be exchanged for a Trust Security that is not a Global Capital Security only as provided in Section 5.4.

(iv) CERTAIN INITIAL TRANSFERS OF NON-GLOBAL TRUST SECURITIES. In the case of Trust Securities initially issued other than in global form, a transfer or exchange of such Trust Securities that does not involve any change in beneficial ownership may be made to an Institutional Accredited Investor or Investors as if such transfer or exchange were not a transfer or exchange; PROVIDED that written certification shall be provided by the transferee and transferor of such Trust Securities to the Securities Registrar that such transfer or exchange does not involve a change in beneficial ownership.

(v) LIMITATIONS RELATING TO PRINCIPAL AMOUNT. Notwithstanding any other provision of this Trust Agreement and unless otherwise specified as permitted by this Trust Agreement, Trust Securities or portions thereof may be transferred or exchanged only in Liquidation Amounts of not less than \$100,000. Any transfer, exchange or other disposition of Trust Securities in contravention of this Section 5.5(b)(v) shall be deemed to be void and of no legal effect whatsoever, any such transferee shall be deemed not to be the Holder or owner of any beneficial interest in such Trust Securities for any purpose, including but not limited to the receipt of Distributions

payable on such Trust Securities, and such transferee shall be deemed to have no interest whatsoever in such Trust Securities.

(c) RESTRICTED SECURITIES LEGEND. Except as set forth below and in Section 5.5(a)(ii)(B), all Capital Securities shall bear a Restricted Capital Securities Legend:

(i) subject to the following Clauses of this Section 5.5(c), a Capital Security or any portion thereof that is exchanged, upon transfer or otherwise, for a Global Capital Security or any portion thereof shall bear the Restricted Capital Securities Legend while represented thereby;

(ii) subject to the following Clauses of this Section 5.5(c), a new Capital Security which is not a Global Capital Security which is issued in exchange for another Capital Security (including a Global Capital Security) or any portion thereof, upon transfer or otherwise, shall, if such new Capital Security is required to be issued in the form of a Restricted Capital Security, bear a Restricted Capital Securities Legend;

(iii) a new Capital Security (other than a Global Capital Security) that does not bear a Restricted Capital Securities Legend may be issued in exchange for or in lieu of a Restricted Capital Security or any portion thereof that bears such a legend if, in the Depositor's judgment, placing such a legend upon such new Capital Security is not necessary to ensure compliance with the registration requirements of the Securities Act, and the Property Trustee, at the written direction of the Issuer Trust in the form of an Officers' Certificate, shall authenticate and deliver such new Capital Security as provided in this Article V;

(iv) notwithstanding the foregoing provisions of this Section 5.5(c), a Successor Capital Security Certificate of a Capital Security that does not bear a Restricted Capital Securities Legend shall not bear such form of legend unless the Depositor has reasonable cause to believe that such Successor Capital Security Certificate is a "restricted security" within the meaning of Rule 144 under the Securities Act, in which case the Property Trustee, at the written direction of the Issuer Trust in the form of an Officers' Certificate, shall authenticate and deliver a new Capital Security bearing a Restricted Capital Securities Legend in exchange for such Successor Capital Security Certificate as provided in this Article V; and

(v) Junior Subordinate Debentures distributed to a holder of Capital Securities upon dissolution of the Issuer Trust shall bear a Restricted Capital Securities Legend if the Capital Securities so held bear a similar legend.

(d) EXCHANGE OF CAPITAL SECURITIES. The Capital Securities may be exchanged for Exchange Capital Securities pursuant to the terms of the Exchange Offer. In such an exchange, the Property Trustee shall make the exchange as follows:

The Depositor shall present the Property Trustee with an Officer's Certificate certifying as follows:

(i) Upon issuance of the Exchange Capital Securities, the transactions contemplated by the Exchange Offer have been consummated; and

(ii) (A) the number of Capital Securities that are represented by a Global Capital Security properly tendered in the Exchange Offer by persons that certify in a Letter of Transmittal that they are not a broker-dealer, they are not participating in a distribution and they are not an affiliate of the Company and (B) the number of Capital Securities that are represented by definitive certificated Capital Securities properly tendered in the Exchange Offer by persons that certify in a Letter of Transmittal that they are not a broker-dealer, they are not participating in a distribution and they are not an affiliate of the Company, the name of each Holder of such definitive certificated Capital Securities, and the name and address to which definitive certificated Capital Securities for Exchange Capital Securities shall be registered and sent for each such Holder.

The Property Trustee, upon receipt of such Officers' Certificate with respect to the preceding paragraph and to the effect that the Exchange Capital Securities have been registered under the Securities Act and the Trust Agreement has been qualified under the Trust Indenture Act and with respect to the matters set forth in the Registration Rights Agreement, shall authenticate (A) a Global Capital Security representing the Exchange Capital Securities in aggregate Liquidation Amount equal to the aggregate Liquidation Amount of the Capital Securities so exchanged represented by a Global Capital Security indicated in such Officers' Certificate and (B) definitive Capital Securities representing the Exchange Capital Securities registered in the names of, and in the Liquidation Amounts indicated in such Officers' Certificate.

If, upon consummation of the Exchange Offer, less than all the then outstanding Capital Securities shall have properly tendered and not withdrawn, the Property Trustee shall make an endorsement on the Global Capital Security representing such untendered Capital Securities indicating the reduction in the number and aggregate Liquidation Amount represented thereby as a result of the Exchange Offer.

(e) All Trust Securities shall be dated their date of authentication.

SECTION 5.6. MUTILATED, DESTROYED, LOST OR STOLEN TRUST SECURITIES CERTIFICATES.

If (a) any mutilated Trust Securities Certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Trust Securities Certificate and (b) there shall be delivered to the Securities Registrar and the Administrators such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrators, or any one of them, on behalf

of the Issuer Trust shall execute and make available for delivery, and the Property Trustee shall authenticate, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrators or the Securities Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an undivided beneficial interest in the assets of the Issuer Trust corresponding to that evidenced by the lost, stolen or destroyed Trust Certificate, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

The provisions of this Section 5.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement of mutilated, destroyed, lost or stolen Trust Securities Certificates.

SECTION 5.7. PERSONS DEEMED HOLDERS.

The Issuer Trustees, the Administrators or the Securities Registrar shall treat the Person in whose name any Trust Securities are issued as the owner of such Trust Securities for the purpose of receiving Distributions and for all other purposes whatsoever (subject to the record date provisions hereof), and none of the Issuer Trustees, the Administrators nor the Securities Registrar shall be bound by any notice to the contrary.

SECTION 5.8. ACCESS TO LIST OF HOLDERS' NAMES AND ADDRESSES.

At any time when the Property Trustee is not also acting as the Securities Registrar, the Depositor shall furnish or cause to be furnished to the Property Trustee, semiannually not more than 15 days after December 31 and June 30, of each year beginning with December 31, 1998, and at such other times as the Property Trustee may request in writing within 30 days after receipt by the Depositor of any such request, a list, in such form as the Property Trustee may reasonably require containing all information in the possession or control of the Depositor, or any Paying Agent or any registrar of the Trust Securities other than the Property Trustee, as to the names and addresses of the Holders obtained (in the case of each list other than the first list) since the date as of which the next previous list was furnished. Any such list may be dated as of a date not more than fifteen days prior to the time such information is furnished or caused to be furnished, and need not include information received after such date. The rights of Holders to communicate with other Holders with respect to their rights under this Trust Agreement or under the Trust Securities, and the corresponding obligations and rights of the Property Trustee, shall be as provided in the Trust Indenture Act. Each Holder and each Owner shall be deemed to have agreed not to hold the Depositor, the Property Trustee, or the Administrators accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.



SECTION 5.9. MAINTENANCE OF OFFICE OR AGENCY.

The Property Trustee shall designate, with the consent of the Administrators, which consent shall not be unreasonably withheld, an office or offices or agency or agencies where Capital Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer Trustees in respect of the Trust Securities Certificates may be served. The Property Trustee initially designates its Corporate Trust Office at 450 West 33rd Street, 15th Floor, New York, New York 10001, Attention: Corporate Trustee Administration Department, as its corporate trust office for such purposes. The Property Trustee shall give prompt written notice to the Depositor, the Administrators and to the Holders of any change in the location of the Securities Register or any such office or agency.

SECTION 5.10. APPOINTMENT OF PAYING AGENT.

The Paying Agent shall make Distributions to Holders from the Payment Account and shall report the amounts of such Distributions to the Property Trustee and the Administrators. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account solely for the purpose of making the Distributions referred to above. The Property Trustee may revoke such power and remove any Paying Agent in its sole discretion. The Paying Agent shall initially be the Property Trustee. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrators, and the Property Trustee. In the event that the Property Trustee shall no longer be the Paying Agent or a successor Paying Agent shall resign or its authority to act be revoked, the Property Trustee shall appoint a successor (which shall be a bank or trust company) that is reasonably acceptable to the Administrators to act as Paying Agent. Such successor Paying Agent or any additional Paying Agent appointed by the Property Trustee shall execute and deliver to the Issuer Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Issuer Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Holders in trust for the benefit of the Holders entitled thereto until such sums shall be paid to such Holders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.1, 8.3 and 8.6 herein shall apply to the Bank also in its role as Paying Agent, for so long as the Bank shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Trust Agreement to the Paying Agent shall include any co-paying agent chosen by the Property Trustee unless the context requires otherwise.

SECTION 5.11. OWNERSHIP OF COMMON SECURITIES BY DEPOSITOR.

At the Closing Time, the Depositor shall acquire and retain beneficial and record ownership of the Common Securities. Neither the Depositor nor any successor Holder of the Common Securities may transfer less than all the Common Securities, and the Depositor or any such successor Holder may transfer the Common Securities only (i) in connection with a consolidation or merger of the Depositor into another entity or any conveyance, transfer or lease

by the Depositor of its properties and assets substantially as an entirety to any Person, pursuant to Section 8.1 of the Indenture, or (ii) to an Affiliate of the Depositor in compliance with applicable law (including the Securities Act and applicable state securities and blue sky laws). To the fullest extent permitted by law, any attempted transfer of the Common Securities, other than as set forth in the immediately preceding sentence, shall be void. The Administrators shall cause each Common Securities Certificate issued to the Depositor to contain a legend stating "THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO THE DEPOSITOR OR AN AFFILIATE OF THE DEPOSITOR IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.11 OF THE TRUST AGREEMENT."

SECTION 5.12. NOTICES TO CLEARING AGENCY.

To the extent that a notice or other communication to the Holders is required under this Trust Agreement, for so long as Capital Securities are represented by a Global Capital Securities Certificate, the Administrators and the Issuer Trustees shall give all such notices and communications specified herein to be given to the Clearing Agency, and shall have no obligations to the Owners.

SECTION 5.13. RIGHTS OF HOLDERS.

(a) The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 2.9, and the Holders shall not have any right or title therein other than the undivided beneficial ownership interest in the assets of the Issuer Trust conferred by their Trust Securities and they shall have no right to call for any partition or division of property, profits or rights of the Issuer Trust except as described below. The Trust Securities shall be personal property giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or similar rights and when issued and delivered to Holders against payment of the purchase price therefor, as provided herein, will be fully paid and nonassessable by the Issuer Trust. Except as otherwise provided in Section 4.8, the Holders of the Trust Securities, in their capacities as such, shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

(b) For so long as any Capital Securities remain Outstanding, if, upon a Debenture Event of Default, the Debenture Trustee fails or the holders of not less than 25% in principal amount of the outstanding Junior Subordinated Debentures fail to declare the principal of all of the Junior Subordinated Debentures to be immediately due and payable, the Holders of at least 25% in Liquidation Amount of the Capital Securities then Outstanding shall have such right to make such declaration by a notice in writing to the Property Trustee, the Depositor and the Debenture Trustee.

At any time after such a declaration of acceleration with respect to the Junior Subordinated Debentures has been made and before a judgment or decree for payment of the money due has been obtained by the Debenture Trustee as provided in the Indenture, the Holders of a Majority in Liquidation Amount of the Capital Securities, by written notice to the Property

Trustee, the Depositor and the Debenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Depositor has paid or deposited with the Debenture Trustee a sum sufficient to pay

(A) all overdue installments of interest on all of the Junior Subordinated Debentures,

(B) any accrued Additional Interest on all of the Junior Subordinated Debentures,

(C) the principal of (and premium, if any, on) any Junior Subordinated Debentures which have become due otherwise than by such declaration of acceleration and interest and Additional Interest thereon at the rate borne by the Junior Subordinated Debentures, and

(D) all sums paid or advanced by the Debenture Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Debenture Trustee and the Property Trustee, their agents and counsel; and

(ii) all Debenture Events of Default other than the non-payment of the principal of the Junior Subordinated Debentures which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13 of the Indenture.

The Holders of at least a Majority in Liquidation Amount of the Capital Securities may, on behalf of the Holders of all the Capital Securities, waive any past default under the Indenture, except a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee) or a default in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Junior Subordinated Debentures. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Property Trustee of written notice declaring such an acceleration, or rescission and annulment thereof, by Holders of the Capital Securities all or part of which is represented by Global Capital Securities, a record date shall be established for determining Holders of Outstanding Capital Securities entitled to join in such notice, which record date shall be at the close of business on the day the Property Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; PROVIDED, that, unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day which is 90 days after such record date, such notice of declaration of acceleration, or

rescission and annulment, as the case may be, shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90-day period, a new written notice of declaration of acceleration, or rescission and annulment thereof, as the case may be, that is identical to a written notice which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 5.13(b).

(c) For so long as any Capital Securities remain Outstanding, to the fullest extent permitted by law and subject to the terms of this Trust Agreement and the Indenture, upon a Debenture Event of Default specified in Section 5.1(1) or 5.1(2) of the Indenture, any Holder of Capital Securities shall have the right to institute a proceeding directly against the Depositor, pursuant to Section 5.9 of the Indenture, for enforcement of payment to such Holder of the principal amount of or interest on Junior Subordinated Debentures having an aggregate principal amount equal to the aggregate Liquidation Amount of the Capital Securities of such Holder (a "DIRECT ACTION"). Except as set forth in Sections 5.13(b) and 5.13(c), the Holders of Capital Securities shall have no right to exercise directly any right or remedy available to the holders of, or in respect of, the Junior Subordinated Debentures.

The holders of a Majority in Liquidation Amount of the Capital Securities at the time Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred on the Property Trustee with respect to the Capital Securities; PROVIDED, HOWEVER, that, the Property Trustee shall have the right to decline to follow any such direction if the Property Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if the Property Trustee in good faith shall determine that the proceedings so directed would be illegal or involve it in personal liability or be unduly prejudicial to the rights of Holders of Capital Securities not parties to such direction, and PROVIDED FURTHER that nothing in this Trust Agreement shall impair the right of the Property Trustee to take any action deemed proper by the Property Trustee and which is not inconsistent with such direction by such Holders.

#### ARTICLE VI

##### ACTS OF HOLDERS; MEETINGS; VOTING

###### SECTION 6.1. LIMITATIONS ON HOLDER'S VOTING RIGHTS.

(a) Except as provided in this Trust Agreement and in the Indenture and as otherwise required by law, no Holder of Capital Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Issuer Trust or the obligations of the parties hereto, nor shall anything herein set forth or contained in the terms of the Trust Securities Certificates be construed so as to constitute the Holders from time to time as members of an association.

(b) So long as any Junior Subordinated Debentures are held by the Property Trustee on behalf of the Issuer Trust, the Property Trustee shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or executing any trust or power conferred on the Property Trustee with respect to such Junior Subordinated Debentures, (ii) waive any past default that may be waived under Section 5.13 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Junior Subordinated Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Junior Subordinated Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the Holders of at least a Majority in Liquidation Amount of the Capital Securities, PROVIDED, HOWEVER, that where a consent under the Indenture would require the consent of each Holder of Junior Subordinated Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior written consent of each Holder of Capital Securities. The Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of Capital Securities, except by a subsequent vote of the Holders of Capital Securities. Subject to Section 8.2, the Property Trustee shall notify all Holders of the Capital Securities of any notice of default received with respect to the Junior Subordinated Debentures. In addition to obtaining the foregoing approvals of the Holders of the Capital Securities, prior to taking any of the foregoing actions, the Property Trustee shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that such action will not cause the Issuer Trust to be taxable other than as a grantor trust for United States Federal income tax purposes.

(c) If any proposed amendment to the Trust Agreement provides for, or the Issuer Trust otherwise proposes to effect, (i) any action that would adversely affect in any material respect the interests, powers, preferences or special rights of the Capital Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Issuer Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Trust Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in Liquidation Amount of the Capital Securities, except as otherwise provided in Section 10.2(c). Notwithstanding any other provision of this Trust Agreement, no amendment to this Trust Agreement may be made if, as a result of such amendment, it would cause the Issuer Trust to be taxable other than as a grantor trust for United States Federal income tax purposes.

#### SECTION 6.2. NOTICE OF MEETINGS.

Notice of all meetings of the Holders, stating the time, place and purpose of the meeting, shall be given by the Property Trustee pursuant to Section 10.8 to each Holder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

SECTION 6.3. MEETINGS OF HOLDERS.

No annual meeting of Holders is required to be held. The Property Trustee, however, shall call a meeting of Holders to vote on any matter upon the written request of the Holders of record of 25% of the aggregate Liquidation Amount of the Capital Securities and the Administrators or the Property Trustee may, at any time in their discretion, call a meeting of Holders of Capital Securities to vote on any matters as to which Holders are entitled to vote.

Holders of at least a Majority in Liquidation Amount of the Capital Securities, present in person or represented by proxy, shall constitute a quorum at any meeting of Holders of the Capital Securities.

If a quorum is present at a meeting, an affirmative vote by the Holders of record present, in person or by proxy, holding Capital Securities representing at least a Majority in Liquidation Amount of the Capital Securities held by the Holders present, either in person or by proxy, at such meeting shall constitute the action of the Holders of Capital Securities, unless this Trust Agreement requires a greater number of affirmative votes.

SECTION 6.4. VOTING RIGHTS.

Holders shall be entitled to one vote for each \$1,000 of Liquidation Amount represented by their Outstanding Trust Securities in respect of any matter as to which such Holders are entitled to vote.

SECTION 6.5. PROXIES, ETC.

At any meeting of Holders, any Holder entitled to vote thereat may vote by proxy, PROVIDED that no proxy shall be voted at any meeting unless it shall have been placed on file with the Property Trustee, or with such other officer or agent of the Issuer Trust as the Property Trustee may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of the Property Trustee, proxies may be solicited in the name of the Property Trustee or one or more officers of the Property Trustee. Only Holders of record shall be entitled to vote. When Trust Securities are held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Holder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

SECTION 6.6. HOLDER ACTION BY WRITTEN CONSENT.

Any action which may be taken by Holders at a meeting may be taken without a meeting if Holders holding at least a Majority in Liquidation Amount of all Trust Securities

entitled to vote in respect of such action (or such larger proportion thereof as shall be required by any other provision of this Trust Agreement) shall consent to the action in writing.

SECTION 6.7. RECORD DATE FOR VOTING AND OTHER PURPOSES.

For the purposes of determining the Holders who are entitled to notice of and to vote at any meeting or by written consent, or to participate in any distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrators or Property Trustee may from time to time fix a date, not more than 90 days prior to the date of any meeting of Holders or the payment of a distribution or other action, as the case may be, as a record date for the determination of the identity of the Holders of record for such purposes.

SECTION 6.8. ACTS OF HOLDERS.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to the Property Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "ACT" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 8.1) conclusive in favor of the Issuer Trustees, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which any Issuer Trustee or Administrator receiving the same deems sufficient.

The ownership of Trust Securities shall be proved by the Securities Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Trust Security shall bind every future Holder of the same Trust Security and the Holder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Issuer Trustees, the Administrators or the Issuer Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

If any dispute shall arise among the Holders, the Administrators or the Issuer Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Holder or Issuer Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

A Holder may institute a legal proceeding directly against the Depositor under the Guarantee to enforce its rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee (as defined in the Guarantee), the Issuer Trust, any Issuer Trustee, any Administrator or any person or entity.

#### SECTION 6.9. INSPECTION OF RECORDS.

Upon reasonable notice to the Administrators and the Property Trustee, the records of the Issuer Trust shall be open to inspection by Holders during normal business hours for any purpose reasonably related to such Holder's interest as a Holder.

### ARTICLE VII

#### REPRESENTATIONS AND WARRANTIES

##### SECTION 7.1. REPRESENTATIONS AND WARRANTIES OF THE PROPERTY TRUSTEE AND THE DELAWARE TRUSTEE.

The Property Trustee and the Delaware Trustee, each severally on behalf of and as to itself, hereby represents and warrants for the benefit of the Depositor and the Holders that:

(a) The Property Trustee is a banking corporation with corporate trust powers, duly organized, validly existing and in good standing under the laws of New York, with corporate trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of this Trust Agreement.

(b) The execution, delivery and performance by the Property Trustee of this Trust Agreement has been duly authorized by all necessary corporate action on the part of the Property Trustee; and this Trust Agreement has been duly executed and delivered by the Property Trustee, and constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium,



insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance of this Trust Agreement by the Property Trustee does not conflict with or constitute a breach of the certificate of incorporation or by-laws of the Property Trustee.

(d) At the Closing Time, the Property Trustee has not knowingly created any liens or encumbrances on the Trust Securities.

(e) No consent, approval or authorization of, or registration with or notice to, any New York State or federal banking authority governing the banking or trust powers of the Property Trustee is required for the execution, delivery or performance by the Property Trustee, of this Trust Agreement.

(f) The Delaware Trustee is duly organized, validly existing and in good standing under the laws of the State of Delaware, with corporate trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Trust Agreement.

(g) The execution, delivery and performance by the Delaware Trustee of this Trust Agreement has been duly authorized by all necessary corporate action on the part of the Delaware Trustee; and this Trust Agreement has been duly executed and delivered by the Delaware Trustee, and constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' right generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(h) The execution, delivery and performance of this Trust Agreement by the Delaware Trustee does not conflict with or constitute a breach of the certificate of incorporation or by-laws of the Delaware Trustee.

(i) No consent, approval or authorization of, or registration with or notice to any Delaware or federal banking authority governing the trust powers of the Delaware Trustee is required for the execution, delivery or performance by the Delaware Trustee, of this Trust Agreement.

(j) The Delaware Trustee is an entity which has its principal place of business in the State of Delaware.

#### SECTION 7.2. REPRESENTATIONS AND WARRANTIES OF DEPOSITOR.

The Depositor hereby represents and warrants for the benefit of the Holders that:

(a) the Trust Securities Certificates issued at the Closing Time on behalf of the Issuer Trust have been duly authorized and will have been duly and validly executed, and, subject to payment therefor, issued and delivered by the Issuer Trust pursuant to the terms and provisions of, and in accordance with the requirements of, this Trust Agreement, and the Holders will be, as of each such date, entitled to the benefits of this Trust Agreement; and

(b) there are no taxes, fees or other governmental charges payable by the Issuer Trust (or the Administrators or Issuer Trustees on behalf of the Issuer Trust) under the laws of the State of Delaware or any political subdivision thereof in connection with the execution, delivery and performance by either the Property Trustee or the Delaware Trustee, as the case may be, of this Trust Agreement.

## ARTICLE VIII

### THE ISSUER TRUSTEES; THE ADMINISTRATORS

#### SECTION 8.1. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) The duties and responsibilities of the Issuer Trustees and the Administrators shall be as provided by this Trust Agreement and, in the case of the Property Trustee, by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Trust Agreement shall require the Issuer Trustees or the Administrators to expend or risk their own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of their rights or powers, if they shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Issuer Trustees or the Administrators shall be subject to the provisions of this Section. Nothing in this Trust Agreement shall be construed to release an Administrator or an Issuer Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. To the extent that, at law or in equity, an Issuer Trustee or Administrator has duties and liabilities relating to the Issuer Trust or to the Holders, such Issuer Trustee or Administrator shall not be liable to the Issuer Trust or to any Holder for such Issuer Trustee's or Administrator's good faith reliance on the provisions of this Trust Agreement. The provisions of this Trust Agreement, to the extent that they restrict the duties and liabilities of the Issuer Trustees and Administrators otherwise existing at law or in equity, are agreed by the Depositor and the Holders to replace such other duties and liabilities of the Issuer Trustees and Administrators.

(b) All payments made by the Property Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the revenue and proceeds from the Trust Property and only to the extent that there shall be sufficient revenue or proceeds from the Trust Property to enable the Property Trustee or a Paying Agent to make payments in accordance with the terms hereof. Each Holder, by its acceptance of a Trust Security, agrees that it will look solely to the

revenue and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that neither the Issuer Trustees nor the Administrators are personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.1(b) does not limit the liability of the Issuer Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

(c) The Property Trustee, before the occurrence of any Event of Default and after the curing or waiving of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Trust Agreement (including pursuant to Section 10.10), and no implied covenants shall be read into this Trust Agreement against the Property Trustee. If an Event of Default has occurred (that has not been cured or waived pursuant to this Trust Agreement or Section 5.13 of the Indenture), the Property Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Trust Agreement shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Trust Agreement (including pursuant to Section 10.10), and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement (including pursuant to Section 10.10); and

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Trust Agreement; but in the case of any such certificates or opinions that by any provision hereof or of the Trust Indenture Act are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Trust Agreement;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of at least a Majority in Liquidation Amount of the Capital Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Trust Agreement;

(iv) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Junior Subordinated Debentures and the Payment Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Trust Agreement and the Trust Indenture Act;

(v) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Depositor; and money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Payment Account maintained by the Property Trustee pursuant to Section 3.1 and except to the extent otherwise required by law;

(vi) the Property Trustee shall not be responsible for monitoring the compliance by the Administrators or the Depositor with their respective duties under this Trust Agreement, nor shall the Property Trustee be liable for the default or misconduct of any other Issuer Trustee, the Administrators or the Depositor; and

(vii) no provision of this Trust Agreement shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Property Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Trust Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) The Administrators shall not be responsible for monitoring the compliance by the Issuer Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall either Administrator be liable for the default or misconduct of any other Administrator, the Issuer Trustees or the Depositor.

#### SECTION 8.2. EVENTS OF DEFAULT; WAIVER.

The Holders of a Majority in Liquidation Amount of the Capital Securities may, on behalf of the Holders of all the Capital Securities, waive any past Event of Default and its consequences, except a default described in clause (b) or (c) of the definition of "Event of Default" contained in Section 1.1, a default in respect of a covenant or provision which under this Trust Agreement cannot be modified or amended without the consent of the Holder of each

Outstanding Capital Security or a Debenture Event of Default that the Holders of a Majority in Liquidation Amount of the Capital Securities would not be entitled to waive pursuant to Section 5.13(b). Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Trust Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent therefrom.

SECTION 8.3. CERTAIN NOTICES.

(a) Within five Business Days after the occurrence of any Event of Default actually known to a Responsible Officer of the Property Trustee assigned to its Corporate Trust Office, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.8, notice of such Event of Default to the Holders and the Administrators, unless such Event of Default shall have been cured or waived.

(b) Within five Business Days after the receipt of notice of the Depositor's exercise of its right to defer the payment of interest on the Junior Subordinated Debentures pursuant to the Indenture, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.8, notice of such exercise to the Holders and the Administrators, unless such exercise shall have been revoked.

SECTION 8.4. CERTAIN RIGHTS OF PROPERTY TRUSTEE.

Subject to the provisions of Section 8.1:

(a) the Property Trustee may conclusively rely and shall be fully protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any direction or act of the Depositor contemplated by this Trust Agreement shall be sufficiently evidenced by an Officers' Certificate;

(c) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any re-recording, refiling or reregistration thereof;

(d) the Property Trustee may consult with counsel of its own choosing (which counsel may be counsel to the Property Trustee, the Depositor or any of its Affiliates, and may include any of its employees) and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice; the Property Trustee shall

have the right at any time to seek instructions concerning the administration of this Trust Agreement from any court of competent jurisdiction;

(e) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Holders pursuant to this Trust Agreement, unless such Holders shall have offered to the Property Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction; PROVIDED that, nothing contained in this Section 8.4(e) shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Agreement in accordance with the standard specified in Section 8.1(c);

(f) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other evidence of indebtedness or other paper or document, unless requested in writing to do so by one or more Holders, but the Property Trustee may make such further inquiry or investigation into such facts or matters as it may see fit;

(g) the Property Trustee may execute any of the trusts or powers hereunder or perform any of its duties hereunder either directly or by or through its agents or attorneys, PROVIDED that the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders (which instructions may only be given by the Holders of the same proportion in Liquidation Amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action), (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be fully protected in acting in accordance with such instructions;

(i) except as otherwise expressly provided by this Trust Agreement, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Trust Agreement;

(j) whenever in the administration of this Trust Agreement, the Property Trustee shall deem it desirable that a matter be established before undertaking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Depositor or the Administrators; and

(k) the Property Trustee shall not be charged with knowledge of an Event of Default unless an officer of the Property Trustee assigned to its Corporate Trust Office obtains actual knowledge of such event or the Property Trustee receives written notice of such event from the Depositor, any Administrator or Holders holding a Majority in Liquidation Amount of the Capital Securities.

No provision of this Trust Agreement shall be deemed to impose any duty or obligation on any Issuer Trustee or Administrator to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to any Issuer Trustee or Administrator shall be construed to be a duty.

SECTION 8.5. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Issuer Trust, and the Issuer Trustees and the Administrators do not assume any responsibility for their correctness. The Issuer Trustees and the Administrators shall not be accountable for the use or application by the Depositor of the proceeds of the Junior Subordinated Debentures.

SECTION 8.6. MAY HOLD SECURITIES.

Except as provided in the definition of the term "OUTSTANDING" in Article I, the Administrators, any Issuer Trustee or any other agent of any Issuer Trustee or the Issuer Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and, subject to Sections 8.9 and 8.14, may otherwise deal with the Issuer Trust with the same rights it would have if it were not an Administrator, Issuer Trustee or such other agent.

SECTION 8.7. COMPENSATION; INDEMNITY; FEES.

The Depositor, as borrower, agrees:

(a) to pay to the Issuer Trustees from time to time reasonable compensation for all services rendered by them hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) to reimburse the Issuer Trustees upon request for all reasonable expenses, disbursements and advances incurred or made by the Issuer Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to their negligence or willful misconduct; and

(c) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) each Issuer Trustee, (ii) each Administrator, (iii) any Affiliate of any Issuer Trustee, (iv) any officer, director, shareholder, employee, representative or agent of any Issuer Trustee, and (v) any employee or agent of the Issuer Trust, (referred to herein as an "INDEMNIFIED PERSON") from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The provisions of this Section 8.7 shall survive the termination of this Trust Agreement.

No Issuer Trustee may claim any lien or charge on any Trust Property as a result of any amount due pursuant to this Section 8.7.

The Depositor, any Administrator and any Issuer Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Issuer Trust, and the Issuer Trust and the Holders of Trust Securities shall have no rights by virtue of this Trust Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Issuer Trust, shall not be deemed wrongful or improper. Neither the Depositor, any Administrator, nor any Issuer Trustee shall be obligated to present any particular investment or other opportunity to the Issuer Trust even if such opportunity is of a character that, if presented to the Issuer Trust, could be taken by the Issuer Trust, and the Depositor, any Administrator or any Issuer Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Issuer Trustee may engage or be interested in any financial or other transaction with the Depositor or any Affiliate of the Depositor, or may act as depository for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Depositor or its Affiliates.

SECTION 8.8. CORPORATE PROPERTY TRUSTEE REQUIRED; ELIGIBILITY OF TRUSTEES AND ADMINISTRATORS.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that is a national or state chartered bank and eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VIII. At the time of appointment,



the Property Trustee must have securities rated in one of the three highest rating categories by a nationally recognized statistical rating organization.

(b) There shall at all times be one or more Administrators hereunder. Each Administrator shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind that entity. An employee, officer or Affiliate of the Depositor may serve as an Administrator.

(c) There shall at all times be a Delaware Trustee. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware or (ii) a legal entity with its principal place of business in the State of Delaware and that otherwise meets the requirements of applicable Delaware law that shall act through one or more persons authorized to bind such entity.

#### SECTION 8.9. CONFLICTING INTERESTS.

(a) If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement.

(b) The Guarantee and the Indenture shall be deemed to be sufficiently described in this Trust Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

#### SECTION 8.10. CO-TRUSTEES AND SEPARATE TRUSTEE.

At any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Depositor and the Administrators shall for such purpose join with the Property Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to the extent required by law to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Depositor or the Administrators do not join in such appointment within 15 days after the receipt by them of a request to do so, or in case a Debenture Event of Default has occurred and is continuing, the Property Trustee alone shall have the power to make such appointment. Any co-trustee or separate trustee appointed pursuant to this Section shall either be (i) a natural person who is at least 21 years of age and a resident of the United States or (ii) a legal entity with its principal place of business in the United States that shall act through one or more persons authorized to bind such entity.

Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Depositor, provided, that, if a Debenture Event of Default shall have occurred and be continuing the Property Trustee may execute any such instrument on behalf of the Depositor as its agent and attorney-in-fact therefor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) The Trust Securities Certificates shall be authenticated by the Property Trustee, and the Trust Securities Certificates shall be authenticated and delivered and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Property Trustees specified hereunder, shall be exercised, solely by the Property Trustee and not by such co-trustee or separate trustee.

(b) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case a Debenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal, provided, that, if a Debenture Event of Default shall have occurred and be continuing the Property Trustee may execute any such instruments or agreements on behalf of the Depositor as its agent and attorney-in-fact therefor. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 8.10.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee or any other trustee hereunder.

(e) The Property Trustee shall not be liable by reason of any act of a co-trustee or separate trustee.

(f) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 8.11. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

No resignation or removal of any Issuer Trustee (the "Relevant Trustee") and no appointment of a successor Issuer Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Issuer Trustee in accordance with the applicable requirements of Section 8.12.

Subject to the immediately preceding paragraph, an Issuer Trustee may resign at any time by giving written notice thereof to the Holders and the Depositor. If the instrument of acceptance by the successor Issuer Trustee required by Section 8.12 shall not have been delivered to the Relevant Trustee within 60 days after the giving of such notice of resignation, the Relevant Trustee may petition, at the expense of the Issuer Trust, any competent court of the State of Delaware for the appointment of a successor Issuer Trustee.

The Property Trustee or the Delaware Trustee may be removed at any time by Act of the Holders of at least a Majority in Liquidation Amount of the Capital Securities, delivered to the Relevant Trustee (in its individual capacity and on behalf of the Issuer Trust) (i) for cause (including upon the occurrence of an Event of Default described in subparagraph (e) of the definition thereof with respect to the Relevant Trustee), or (ii) if a Debenture Event of Default shall have occurred and be continuing at any time.

If a Relevant Trustee shall resign, be removed or become incapable of acting as Issuer Trustee, or if any vacancy shall occur in the office of any Issuer Trustee for any cause, the Depositor shall appoint a successor Relevant Trustee. Within one year after the appointment by the Depositor of a successor Relevant Trustee, the Holders of the Capital Securities, by Act of the Holders of record of not less than 25% in aggregate Liquidation Amount of the Capital Securities then Outstanding delivered to such Relevant Trustee, may appoint a successor Relevant Trustee, and such successor Relevant Trustee shall comply with the applicable requirements of Section 8.12 and the successor Relevant Trustee appointed by the Depositor shall be superseded. If no successor Trustee shall have been so appointed by the Depositor or the Holders of the Capital Securities and accepted appointment in the manner required by Section 8.12, any Holder, on behalf of himself and all others similarly situated, or any other Issuer Trustee, may petition any court in the State of Delaware for the appointment of a successor Trustee.

The Property Trustee shall give notice of each resignation and each removal of a Relevant Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 10.8 and shall give notice to the Depositor and to the Administrators. Each notice shall include the name of the Relevant Trustee and the address of its Corporate Trust Office if it is the Property Trustee.

Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Delaware Trustee who is a natural person dies or becomes, in the opinion of the Holders of the Common Securities, incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (a) the unanimous act of the remaining Administrators if there are at least two of them or (b) otherwise by the Depositor (with the successor in each case being a Person who satisfies the eligibility requirement for Delaware Trustee, set forth in Section 8.8).

SECTION 8.12. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

In case of the appointment hereunder of a successor Relevant Trustee, the retiring Relevant Trustee and each such successor Relevant Trustee with respect to the Trust Securities shall execute, acknowledge and deliver an amendment hereto wherein each successor Relevant Trustee shall accept such appointment and which shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Relevant Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Trust Securities and the Issuer Trust, and upon the execution and delivery of such amendment the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on request of the Issuer Trust or any successor Relevant Trustee such retiring Relevant Trustee shall, upon payment of its charges, duly assign, transfer and deliver to such successor Relevant Trustee all Trust Property, all proceeds thereof and money held by such retiring Relevant Trustee hereunder with respect to the Trust Securities and the Trust.

Upon request of any such successor Relevant Trustee, the Issuer Trust and the Depositor shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to above.

No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be eligible under this Article VIII.

SECTION 8.13. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any Person into which the Property Trustee or the Delaware Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee hereunder, PROVIDED that such Person shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 8.14. PREFERENTIAL COLLECTION OF CLAIMS AGAINST DEPOSITOR OR ISSUER TRUST.

If and when the Property Trustee shall be or become a creditor of the Depositor (or any other obligor upon the Trust Securities), the Property Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor (or any such other obligor) only if this Trust Agreement is subject to the Trust Indenture Act.

SECTION 8.15. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Issuer Trust or any other obligor upon the Trust Securities or the property of the Issuer Trust or of such other obligor, the Property Trustee (irrespective of whether any Distributions on the Trust Securities shall then be due and payable and irrespective of whether the Property Trustee shall have made any demand on the Issuer Trust for the payment of any past due Distributions) shall be entitled and empowered, to the fullest extent permitted by law, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of any Distributions owing and unpaid in respect of the Trust Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Property Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Property Trustee and, in the event the Property Trustee shall consent to the making of such payments directly to the Holders, to pay to the Property Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel, and any other amounts due the Property Trustee.

Nothing herein contained shall be deemed to authorize the Property Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or compensation affecting the Trust Securities or the rights of any Holder thereof or to authorize the Property Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 8.16. REPORTS BY PROPERTY TRUSTEE.

(a) Not later than July 15 of each year commencing with July 15, 1999, the Property Trustee shall transmit to all Holders in accordance with Section 10.8, and to the Depositor, a brief report dated as of the immediately preceding May 15 concerning the Property

Trustee and its actions under this Trust Agreement if and as may be required pursuant to Section 313(a) of the Trust Indenture Act.

(b) In addition the Property Trustee shall transmit to Holders such other reports concerning the Property Trustee and its actions under this Trust Agreement as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with the Depositor.

SECTION 8.17. REPORTS TO THE PROPERTY TRUSTEE.

The Depositor and the Administrators on behalf of the Issuer Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314(a)(4) of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act. The Depositor and the Administrators shall annually file with the Property Trustee a certificate specifying whether such Person is in compliance with all the terms and covenants applicable to such Person hereunder, such compliance certificate to be delivered annually within 120 days after the end of each fiscal year of the Depositor ending after the date hereof.

SECTION 8.18. EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT.

Each of the Depositor and the Administrators on behalf of the Issuer Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act shall be given in the form of an Officers' Certificate.

SECTION 8.19. NUMBER OF ISSUER TRUSTEES.

(a) The number of Issuer Trustees shall be two. The Property Trustee and the Delaware Trustee may be the same Person, in which case, the number of Issuer Trustees may be one.

(b) If an Issuer Trustee ceases to hold office for any reason, a vacancy shall occur. The vacancy shall be filled with an Issuer Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of an Issuer Trustee shall not operate to annul, dissolve or terminate the Issuer Trust.

SECTION 8.20. DELEGATION OF POWER.

(a) Any Administrator may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 2.7(a) or making any governmental filing; and

(b) The Administrators shall have power to delegate from time to time to such of their number the doing of such things and the execution of such instruments either in the name of the Issuer Trust or the names of the Administrators or otherwise as the Administrators may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of this Trust Agreement.

SECTION 8.21. APPOINTMENT OF ADMINISTRATORS.

(a) The Administrators shall be appointed by the Holders of a Majority in Liquidation Amount of the Common Securities and may be removed by the Holders of a Majority in Liquidation Amount of the Common Securities or may resign at any time. Upon any resignation or removal, the Depositor shall appoint a successor Administrator. Each Administrator shall execute this Trust Agreement thereby agreeing to comply with, and be legally bound by, all of the terms, conditions and provisions of this Trust Agreement. If at any time there is no Administrator, the Property Trustee or any Holder who has been a Holder of Trust Securities for at least six months may petition any court of competent jurisdiction for the appointment of one or more Administrators.

(b) Whenever a vacancy in the number of Administrators shall occur, until such vacancy is filled by the appointment of an Administrator in accordance with this Section 8.21, the Administrators in office, regardless of their number (and notwithstanding any other provision of this Agreement), shall have all the powers granted to the Administrators and shall discharge all the duties imposed upon the Administrators by this Trust Agreement.

(c) Notwithstanding the foregoing, or any other provision of this Trust Agreement, in the event any Administrator who is a natural person dies or becomes, in the opinion of the Holders of a Majority in Liquidation Amount of the Common Securities, incompetent, or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by the remaining Administrators, if there were at least two of them prior to such vacancy, and by the Depositor, if there were not two such Administrators immediately prior to such vacancy (with the successor in each case being a Person who satisfies the eligibility requirement for Administrators set forth in Section 8.8).

Except as otherwise provided in this Trust Agreement, or by applicable law, any one Administrator may execute any document or otherwise take any action which the Administrators are authorized to take under this Trust Agreement.

SECTION 8.22. DELAWARE TRUSTEE.

(a) Notwithstanding any other provision of this Trust Agreement other than Section 8.8, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Administrators or the Property Trustee described in this Trust Agreement. Except as set forth in Section 8.8, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of ss. 3807 of the Business Trust Act.

(b) It is expressly understood and agreed by the parties hereto that in fulfilling its obligations as Delaware Trustee hereunder on behalf of the Issuer Trust, (i) any agreements or instruments executed or delivered by Chase Manhattan Bank Delaware are executed and delivered not in its individual capacity but solely as Delaware Trustee under this Trust Agreement in the exercise of the powers and authority conferred and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Issuer Trust is made and intended not as representations, warranties, covenants, undertakings and agreements by Chase Manhattan Bank Delaware in its individual capacity but is made and intended for the purpose of binding only the Issuer Trust, and (iii) under no circumstances shall Chase Manhattan Bank Delaware in its individual capacity be personally liable for the payment of any indebtedness or expenses of the Issuer Trust or be liable for the breach or failure of any obligation, representation, warranty, or covenant made or undertaken by the Issuer Trust under this Trust Agreement except if such breach or failure is due to any gross negligence or willful misconduct of the Delaware Trustee.

#### ARTICLE IX

##### DISSOLUTION, LIQUIDATION AND MERGER

###### SECTION 9.1. DISSOLUTION UPON EXPIRATION DATE.

Unless earlier dissolved pursuant to an Early Termination Event, the Issuer Trust shall automatically dissolve on July 15, 2029 (the "EXPIRATION DATE"), and thereafter the Trust Property shall be distributed in accordance with Section 9.4.

###### SECTION 9.2. EARLY DISSOLUTION.

The first to occur of any of the following events is an "EARLY TERMINATION EVENT" and shall cause dissolution of the Issuer Trust.

(a) the occurrence of the appointment of a receiver or other similar official in any liquidation, insolvency or similar proceeding with respect to the Depositor or all or substantially all of its property, or a court or other governmental agency shall enter a decree or order relating to the Depositor for relief in a voluntary or involuntary case under Chapter 7 or Chapter 11 of the United States Bankruptcy Code or any other similar state or federal law now or hereafter in effect and such decree or order shall remain unstayed and undischarged for a period of 60 days, unless the Depositor shall transfer the Common Securities as provided by Section 5.11, in which case this provision shall refer instead to any such successor Holder of the Common Securities;



(b) the written direction to the Property Trustee from the Holder of the Common Securities at any time to dissolve the Issuer Trust and to distribute the Junior Subordinated Debentures to Holders in exchange for the Capital Securities (which direction, subject to Section 9.4(a), is optional and wholly within the discretion of the Holders of the Common Securities);

(c) the repayment of all of the Capital Securities in connection with the redemption of all the Junior Subordinated Debentures; and

(d) the entry of an order for dissolution of the Issuer Trust by a court of competent jurisdiction.

#### SECTION 9.3. TERMINATION.

As soon as is practicable after the occurrence of an event referred to in Section 9.1 or 9.2, and upon the completion of the winding-up and liquidation of the Issuer Trust, the Administrators and the Issuer Trustees (each of whom is hereby authorized to take such action) shall file a certificate of cancellation with the Secretary of State of the State of Delaware terminating the Issuer Trust and, upon such filing, the respective obligations and responsibilities of the Issuer Trustees, the Administrators and the Issuer Trust created and continued hereby shall terminate, except as otherwise required by law or this Trust Agreement.

#### SECTION 9.4. LIQUIDATION.

(a) If an Early Termination Event specified in clause (a), (b) or (d) of Section 9.2 occurs or upon the Expiration Date, the Issuer Trust shall be wound-up and liquidated by the Property Trustee as expeditiously as the Property Trustee determines to be possible by distributing, after paying or making reasonable provision to pay all claims and obligations of the Issuer Trust in accordance with Section 3808(e) of the Delaware Business Trust Act, to each Holder a Like Amount of Junior Subordinated Debentures, subject to Section 9.4(d). Notice of liquidation shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not later than 15 nor more than 45 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All notices of liquidation shall:

(i) state the Liquidation Date;

(ii) state that, from and after the Liquidation Date, the Trust Securities will no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Junior Subordinated Debentures; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Junior Subordinated

Debentures, or if Section 9.4(d) applies receive a Liquidation Distribution, as the Administrators or the Property Trustee shall deem appropriate.

(b) Except where Section 9.2(c) or 9.4(d) applies, in order to effect the liquidation of the Issuer Trust and distribution of the Junior Subordinated Debentures to Holders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 30 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Junior Subordinated Debentures in exchange for the Outstanding Trust Securities Certificates.

(c) Except where Section 9.2(c) or 9.4(d) applies, after the Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) the Clearing Agency for the Capital Securities or its nominee, as the registered holder of the Global Capital Securities Certificate, shall receive a registered global certificate or certificates representing the Junior Subordinated Debentures to be delivered upon such distribution with respect to Capital Securities held by the Clearing Agency or its nominee, and, (iii) any Trust Securities Certificates not held by the Clearing Agency for the Capital Securities or its nominee as specified in clause (ii) above will be deemed to represent Junior Subordinated Debentures having a principal amount equal to the stated Liquidation Amount of the Trust Securities represented thereby and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on such Trust Securities until such certificates are presented to the Securities Registrar for transfer or reissuance.

(d) If, notwithstanding the other provisions of this Section 9.4, whether because of an order for dissolution entered by a court of competent jurisdiction or otherwise, distribution of the Junior Subordinated Debentures is not practical, or if any Early Termination Event specified in clause (c) of Section 9.2 occurs, the Issuer Trust shall be dissolved, and the Trust Property shall be liquidated, by the Property Trustee in such manner as the Property Trustee determines. In such event, on the date of the dissolution of the Issuer Trust, Holders will be entitled to receive out of the assets of the Issuer Trust available for distribution to Holders, after paying or making reasonable provision to pay all claims and obligations of the Issuer Trust in accordance with Section 3808(e) of the Delaware Business Trust Act, an amount equal to the aggregate of Liquidation Amount per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "LIQUIDATION DISTRIBUTION"). If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Issuer Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Issuer Trust on the Trust Securities shall be paid on a PRO RATA basis (based upon Liquidation Amounts). The Holders of the Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution, PRO RATA (determined as aforesaid) with Holders of Capital Securities, except that, if a Debenture Event of Default has occurred and is continuing, the Capital Securities shall have a priority over the Common Securities as provided in Section 4.3.

SECTION 9.5. MERGERS, CONSOLIDATIONS, AMALGAMATIONS OR REPLACEMENTS OF THE ISSUER TRUST.

The Issuer Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any entity, except pursuant to this Section 9.5. At the request of the Holders of the Common Securities, and with the consent of the Holders of at least a Majority in Liquidation Amount of the Capital Securities, but without the consent of the Issuer Trustees, the Issuer Trust may merge with or into, consolidate, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any state; PROVIDED, HOWEVER, that (i) such successor entity either (a) expressly assumes all of the obligations of the Issuer Trust with respect to the Capital Securities or (b) substitutes for the Capital Securities other securities having substantially the same terms as the Capital Securities (the "SUCCESSOR CAPITAL SECURITIES") so long as the Successor Capital Securities have the same priority as the Capital Securities with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) a trustee of such successor entity possessing the same powers and duties as the Property Trustee is appointed to hold the Junior Subordinated Debentures, (iii) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Capital Securities (including any Successor Capital Securities) to be downgraded by any nationally recognized statistical rating organization, (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Capital Securities (including any Successor Capital Securities) in any material respect, (v) such successor entity has a purpose substantially identical to that of the Issuer Trust, (vi) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Property Trustee has received an Opinion of Counsel from independent counsel experienced in such matters to the effect that (a) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights preferences and privileges of the Holders of the Capital Securities (including any Successor Capital Securities) in any material respect, and (b) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Issuer Trust nor such successor entity will be required to register as an "investment company" under the Investment Company Act and (vii) the Depositor or any permitted transferee to whom it has transferred the Common Securities hereunder owns all of the securities of such successor entity that are equivalent to the Common Securities and guarantees the obligations of such successor under the Successor Capital Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Issuer Trust shall not, except with the consent of holders of 100% in Liquidation Amount of the Capital Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Issuer Trust or the successor entity to be taxable other than as a grantor trust for United States Federal income tax purposes. Any merger agreement or similar agreement shall be executed by the Administrators on behalf of the Trust.

ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.1. LIMITATION OF RIGHTS OF HOLDERS.

Except as set forth in Section 9.2, the death or incapacity of any person having an interest, beneficial or otherwise, in Trust Securities shall not operate to terminate this Trust Agreement, nor entitle the legal representatives or heirs of such person or any Holder for such person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding-up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

SECTION 10.2. AMENDMENT.

(a) This Trust Agreement may be amended from time to time by the Property Trustee and the Holders of a Majority in Liquidation Amount of the Common Securities, without the consent of any Holder of the Capital Securities (i) to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, PROVIDED, HOWEVER, that such amendment shall not adversely affect in any material respect the interests of any Holder, (ii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Issuer Trust will not be taxable other than as a grantor trust for United States Federal income tax purposes at any time that any Trust Securities are Outstanding or to ensure that the Issuer Trust will not be required to register as an investment company under the Investment Company Act or (iii) in accordance with the requirements of Section 8.12.

(b) Except as provided in Section 10.2(c) hereof, any provision of this Trust Agreement may be amended by the Property Trustee and the Holders of a Majority in Liquidation Amount of the Common Securities with (i) the consent of Holders of at least a Majority in Liquidation Amount of the Capital Securities and (ii) receipt by the Issuer Trustees of an Opinion of Counsel to the effect that such amendment or the exercise of any power granted to the Issuer Trustees in accordance with such amendment will not affect the Issuer Trust's being taxable as a grantor trust for United States Federal income tax purposes or cause the Issuer Trust to lose its exemption from status as an "investment company" under the Investment Company Act.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Holder (such consent being obtained in accordance with Section 6.3 or 6.6 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date or (ii) restrict the right of a Holder to institute suit for the enforcement of any such payment on or after such date.

(d) Notwithstanding any other provisions of this Trust Agreement, no Issuer Trustee shall enter into or consent to any amendment to this Trust Agreement which would cause the Issuer Trust to fail or cease to qualify for the exemption from status as an "investment company" under the Investment Company Act or be taxable other than as a grantor trust for United States Federal income tax purposes.

(e) Notwithstanding anything in this Trust Agreement to the contrary, without the consent of the Depositor and the Administrators, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor or the Administrators.

(f) In the event that any amendment to this Trust Agreement is made, the Administrators or the Property Trustee shall promptly provide to the Depositor a copy of such amendment.

(g) Neither the Property Trustee nor the Delaware Trustee shall be required to enter into any amendment to this Trust Agreement which affects its own rights, duties or immunities under this Trust Agreement or otherwise. The Property Trustee shall be entitled to receive an Opinion of Counsel and an Officers' Certificate stating that any amendment to this Trust Agreement is in compliance with this Trust Agreement.

(h) The Administrators shall give notice to the Holders of each amendment to this Trust Agreement, provided, however, that any failure by the Administrators to deliver, or any defect in, such notice, shall not affect the validity or effectiveness of any such amendment.

#### SECTION 10.3. SEPARABILITY.

In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

#### SECTION 10.4. GOVERNING LAW.

THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE HOLDERS, THE ISSUER TRUST, THE DEPOSITOR, THE ISSUER TRUSTEES AND THE ADMINISTRATORS SHALL GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION THAT WOULD CALL FOR THE APPLICATION OF THE LAW OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE; PROVIDED, HOWEVER, THAT THERE SHALL NOT BE APPLICABLE TO THE HOLDERS, THE ISSUER TRUST, THE DEPOSITOR, THE ISSUER TRUSTEES, THE ADMINISTRATORS OR THIS TRUST AGREEMENT ANY PROVISION OF THE LAWS (STATUTORY OR COMMON) OF THE STATE OF DELAWARE PERTAINING TO TRUSTS OTHER THAN THE DELAWARE

BUSINESS TRUST ACT THAT RELATE TO OR REGULATE, IN A MANNER INCONSISTENT WITH THE TERMS HEREOF (A) THE FILING WITH ANY COURT OR GOVERNMENTAL BODY OR AGENCY OF TRUSTEE ACCOUNTS OR SCHEDULES OF TRUSTEE FEES AND CHARGES, (B) AFFIRMATIVE REQUIREMENTS TO POST BONDS FOR TRUSTEES, OFFICERS, AGENTS OR EMPLOYEES OF A TRUST, (C) THE NECESSITY FOR OBTAINING COURT OR OTHER GOVERNMENTAL APPROVAL CONCERNING THE ACQUISITION, HOLDING OR DISPOSITION OF REAL OR PERSONAL PROPERTY, (D) FEES OR OTHER SUMS PAYABLE TO TRUSTEES, OFFICERS, AGENTS OR EMPLOYEES OF A TRUST, (E) THE ALLOCATION OF RECEIPTS AND EXPENDITURES TO INCOME OR PRINCIPAL, (F) RESTRICTIONS OR LIMITATIONS ON THE PERMISSIBLE NATURE, AMOUNT OR CONCENTRATION OF TRUST INVESTMENTS OR REQUIREMENTS RELATING TO THE TITLING, STORAGE OR OTHER MANNER OF HOLDING OR INVESTING TRUST ASSETS OR (G) THE ESTABLISHMENT OF FIDUCIARY OR OTHER STANDARDS OF RESPONSIBILITY OR LIMITATIONS ON THE ACTS OR POWERS OF TRUSTEES THAT ARE INCONSISTENT WITH THE LIMITATIONS OR LIABILITIES OR AUTHORITIES AND POWERS OF THE ISSUER TRUSTEES OR THE ADMINISTRATOR AS SET FORTH OR REFERENCED IN THIS TRUST AGREEMENT. SECTION 3540 OF TITLE 12 OF THE DELAWARE CODE SHALL NOT APPLY TO THE ISSUER TRUST. NOTWITHSTANDING THE FOREGOING, THE IMMUNITIES AND STANDARD OF CARE OF THE PROPERTY TRUSTEE IN CONNECTION WITH THE ADMINISTRATION OF ITS TRUSTS AND DUTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 10.5. PAYMENTS DUE ON NON-BUSINESS DAY.

If the date fixed for any payment on any Trust Security shall be a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding day that is a Business Day (except as otherwise provided in Sections 4.2(d)), with the same force and effect as though made on the date fixed for such payment, and no Distributions shall accumulate on such unpaid amount for the period after such date.

SECTION 10.6. SUCCESSORS.

This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to the Depositor, the Issuer Trust, the Administrators and any Issuer Trustee, including any successor by operation of law. Except in connection with a consolidation, merger or sale involving the Depositor that is permitted under Article VIII of the Indenture and pursuant to which the assignee agrees in writing to perform the Depositor's obligations hereunder, the Depositor shall not assign its obligations hereunder.

SECTION 10.7. HEADINGS.

The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

SECTION 10.8. REPORTS, NOTICES AND DEMANDS.

Any report, notice, demand or other communication that by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Holder or the Depositor may be given or served in writing by deposit thereof, first class postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (a) in the case of a Holder of Capital Securities, to such Holder as such Holder's name and address may appear on the Securities Register; and (b) in the case of the Holder of Common Securities or the Depositor, to United Community Banks, Inc., 59 Highway 515, Blairsville, Georgia 30512, Attention: Christopher J. Bledsoe, facsimile no.: (706)745-8619 or to such other address as may be specified in a written notice by the Depositor to the Property Trustee. Such notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission. Such notice, demand or other communication to or upon the Depositor shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Depositor.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Issuer Trust, the Property Trustee, the Delaware Trustee or the Administrators shall be given in writing addressed (until another address is published by the Issuer Trust) as follows: (a) with respect to the Property Trustee to The Chase Manhattan Bank, 450 West 33rd Street, 15th Floor, New York, New York, 10001, Attention: Corporate Trustee Administration Department; (b) with respect to the Delaware Trustee to Chase Manhattan Bank Delaware, 1201 Market Street, Wilmington, Delaware 19801, Attention: Corporate Trustee Administration Department; (c) with respect to the Administrators, to them at the address above for notices to the Depositor, marked "Attention: Office of the Chief Financial Officer" and (d) with respect to the Issuer Trust to United Community Capital Trust C/O United Community Banks, Inc., 59 Highway 515, Blairsville, Georgia 30512, attention: Christopher J. Bledsoe. Such notice, demand or other communication to or upon the Issuer Trust or the Property Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Issuer Trust, the Property Trustee, or such Administrator.

SECTION 10.9 AGREEMENT NOT TO PETITION.

Each of the Issuer Trustees, the Administrators and the Depositor agree for the benefit of the Holders that, until at least one year and one day after the Issuer Trust has been terminated in accordance with Article IX, they shall not file, or join in the filing of, a petition against the Issuer Trust under any bankruptcy, insolvency, reorganization or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "BANKRUPTCY LAWS") or otherwise join in the commencement of any proceeding against the Issuer Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.9, the Property Trustee agrees, for the benefit of Holders, that at the expense of the Depositor, it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Issuer Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as counsel for the Issuer Trustee or the Issuer Trust may assert. If any Issuer Trustee or Administrator takes action in violation of this Section 10.9, the Depositor agrees, for the benefit of the Holders, that at the expense of the Depositor, it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by such Person against the Issuer Trust or the commencement of such action and raise the

defense that such Person has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as counsel for the Depositor may assert. The provisions of this Section 10.9 shall survive the termination of this Trust Agreement.

SECTION 10.10. TRUST INDENTURE ACT; CONFLICT WITH TRUST INDENTURE ACT.

(a) TRUST INDENTURE ACT; APPLICATION. (i) This Trust Agreement is intended to be in conformity with the provisions of the Trust Indenture Act that would be required to be part of this Trust Agreement were this Trust Agreement to be qualified under the Trust Indenture Act and shall, to the extent applicable, be governed by such provisions; (ii) if and to the extent that any provision of this Trust Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control; (iii) if any provision of this Trust Agreement modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Trust Agreement as so modified or excluded, as the case may be, (iv) for purposes of this Trust Agreement, the Property Trustee, to the extent permitted by applicable law and/or the rules and regulations of the Commission, shall be the only Issuer Trustee which is a trustee for the purposes of the Trust Indenture Act; and (v) the application of the Trust Indenture Act to this Trust Agreement shall not affect the nature of the Capital Securities and the Common Securities as equity securities representing undivided beneficial interests in the assets of the Issuer Trust.

(b) DISCLOSURE INFORMATION. The disclosure of information as to the names and addresses of the Holders of Trust Securities in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law or any law hereafter enacted which does not specifically refer to Section 312 of the Trust Indenture Act, nor shall the Property Trustee be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

SECTION 10.11. ACCEPTANCE OF TERMS OF TRUST AGREEMENT, GUARANTEE AND INDENTURE.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A HOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT, THE GUARANTEE



AND THE INDENTURE, AND THE AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AND THE INDENTURE, AND SHALL CONSTITUTE THE AGREEMENT OF THE ISSUER TRUST, SUCH HOLDER AND SUCH OTHERS THAT THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN THE ISSUER TRUST AND SUCH HOLDER AND SUCH OTHERS.

\* \* \* \*

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Trust Agreement to be duly executed, all as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.,  
as Depositor

By:/s/Jimmy C. Tallent

-----  
Name: Jimmy C. Tallent  
Title: President

THE CHASE MANHATTAN BANK,  
as Property Trustee, and not in its  
individual capacity

By:/s/William G. Keenan

-----  
Name: William G. Keenan  
Title: Trust Officer

CHASE MANHATTAN BANK DELAWARE,  
as Delaware Trustee, and not  
in its individual capacity

By:/s/Denis Kelly

-----  
Name: Denis Kelly  
Title: Trust Officer

Agreed to and Accepted by,

/s/Jimmy C. Tallent

-----  
Name: Jimmy C. Tallent  
Title: Administrator

/s/Christopher J. Bledsoe

-----  
Name: Christopher J. Bledsoe  
Title: Administrator

EXHIBIT A

[INSERT CERTIFICATE OF TRUST FILED WITH DELAWARE]

EXHIBIT B

[INSERT FORM OF CERTIFICATE DEPOSITARY AGREEMENT]



IN WITNESS WHEREOF, one of the Administrators of the Issuer Trust has executed this certificate this \_\_\_\_ day of \_\_\_\_\_, 199\_\_.

UNITED COMMUNITY CAPITAL TRUST

By: \_\_\_\_\_  
ADMINISTRATOR

Certificate of Authentication:

This is one of the Common Securities referred to in the within-mentioned Trust Agreement.

THE CHASE MANHATTAN BANK,  
as Property Trustee

By: \_\_\_\_\_  
Name:  
Authorized Officer

## CAPITAL SECURITIES CERTIFICATE

[IF THE CAPITAL SECURITIES CERTIFICATE IS TO BE A GLOBAL CAPITAL SECURITIES CERTIFICATE, INSERT -- This Capital Securities Certificate is a Global Capital Securities Certificate within the meaning of the Trust Agreement hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This Capital Securities Certificate is exchangeable for Capital Securities Certificates registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Trust Agreement and may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary, except in the limited circumstances described in the Trust Agreement.

Unless this Capital Securities Certificate is presented by an authorized representative of The Depositary Trust Company, a New York Corporation ("DTC"), to United Community Capital Trust or its agent for registration of transfer, exchange or payment, and any Capital Securities Certificate issued is registered in the name of such nominee as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO A PERSON IS WRONGFUL inasmuch as the registered owner hereof, has an interest herein.]

[If the Capital Security is to be a Restricted Capital Security, {Insert}]

THE CAPITAL SECURITIES EVIDENCED HEREBY AND ANY JUNIOR SUBORDINATED DEBENTURES ISSUABLE IN CONNECTION THEREWITH HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATIONS UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) TO AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT IN A TRANSACTION THAT IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES. THE HOLDER OF THIS SECURITY AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS. THE HOLDER OF THIS CAPITAL SECURITY AGREES FOR THE BENEFIT OF THE ISSUER THAT THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS CAPITAL SECURITY

FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE CAPITAL SECURITIES OR ANY JUNIOR SUBORDINATED DEBENTURES DISTRIBUTABLE TO HOLDERS OF THE CAPITAL SECURITIES.

THE CAPITAL SECURITIES WILL BE ISSUED AND MAY BE TRANSFERRED ONLY IN BLOCKS HAVING A LIQUIDATION AMOUNT OF NOT LESS THAN \$100,000 (100 CAPITAL SECURITIES). ANY SUCH TRANSFER OF CAPITAL SECURITIES IN A BLOCK HAVING A LIQUIDATION AMOUNT OF LESS THAN \$100,000 SHALL BE DEEMED TO BE VOID AND OF NO LEGAL EFFECT WHATSOEVER. ANY SUCH TRANSFEREE SHALL BE DEEMED NOT TO BE THE HOLDER OF SUCH CAPITAL SECURITIES FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO THE RECEIPT OF DISTRIBUTIONS ON SUCH CAPITAL SECURITIES, AND SUCH TRANSFEREE SHALL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN SUCH CAPITAL SECURITIES.



CERTIFICATE NUMBER

[INITIAL]\*  
AGGREGATE LIQUIDATION AMOUNT

P- \_\_\_\_\_

(CAPITAL SECURITIES)

CUSIP NO. \_\_\_\_\_

CERTIFICATE EVIDENCING CAPITAL SECURITIES

OF

UNITED COMMUNITY CAPITAL TRUST

8.125% CAPITAL SECURITIES

(LIQUIDATION AMOUNT \$1,000 PER CAPITAL SECURITY)

United Community Capital Trust, a statutory business trust formed under the laws of the State of Delaware (the "Issuer Trust"), hereby certifies that \_\_\_\_\_ (the "Holder") is the registered owner of [the aggregate Liquidation Amount of Capital Securities of the Issuer Trust specified in Schedule I hereto]\* [\_\_\_\_\_ Dollars (\$\_\_\_\_\_) aggregate Liquidation Amount of capital securities of the Issuer Trust]\*\* representing a preferred undivided beneficial interest in the assets of the Issuer Trust and designated the United Community Capital Trust 8.125% Capital Securities (liquidation amount \$1,000 per Capital Security) (the "Capital Securities"). The Capital Securities are transferable on the books and records of the Issuer Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in Section 5.5 of the Trust Agreement (as defined below). The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities are set forth in, and this certificate and the Capital Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Issuer Trust, dated as of July 20, 1998, as the same may be amended from time to time (the "Trust Agreement"), among United Community Banks, Inc., as Depositor, The Chase Manhattan Bank, as Property Trustee, Chase Manhattan Bank Delaware, as Delaware Trustee, and the Holders of Trust Securities, including the designation of the terms of the Capital Securities as set forth therein. The Holder is entitled to the benefits of the Guarantee Agreement entered into by United Community Banks, Inc., a Georgia bank holding company, and The Chase Manhattan Bank, as Guarantee Trustee, dated as of July 20, 1998 (the "Guarantee Agreement"), to the extent provided therein. The Issuer Trust will furnish a copy of the Trust Agreement and the Guarantee Agreement to the Holder without charge upon written request to the Issuer Trust at its principal place of business or registered office.

- -----

\* Insert in Global Capital Security Certificate

\*\*Insert in Non-Global Capital Security Certificate

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

Terms used but not defined herein have the meanings set forth in the Trust Agreement.

IN WITNESS WHEREOF, one of the Administrators of the Issuer Trust has executed this certificate this \_\_\_\_ day of \_\_\_\_\_, 199\_\_.

UNITED COMMUNITY CAPITAL TRUST

By: \_\_\_\_\_  
ADMINISTRATOR

Certificate of Authentication

This is one of the Capital Securities referred to in the within-mentioned Trust Agreement.

THE CHASE MANHATTAN BANK,  
as Property Trustee

By: \_\_\_\_\_  
Name:  
Authorized Officer

Schedule I\*

The initial Liquidation Amount of Capital Securities evidenced by this Global Capital Securities Certificate is \$\_\_\_\_\_.

Changes in Liquidation Amount of Global Capital Securities Certificate

Date	Liquidation Amount by which Global Capital Securities Certificate is Being Increased or Decreased	Liquidation Amount of Global Capital Securities Certificate After Increase or Decrease	Notation Made by
------	---	--	------------------

\*Insert in Global Capital Security Certificate

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Capital Security to:

-----  
(Insert assignee's social security or tax  
identification number)  
-----

-----  
(Insert address and zip code of assignee)  
-----

and irrevocably appoints \_\_\_\_\_  
-----

agent to transfer this Capital Securities Certificate on the books of the Issuer Trust. The agent may substitute another to act for him or her.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
(Sign exactly as your name appears  
on the other side of this Capital  
Securities Certificate)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

[Form of Restricted Securities Certificate]

RESTRICTED SECURITIES CERTIFICATE

(For transfers pursuant to ss. 5.5(b)  
of the Trust Agreement)

[-----],  
as Security Registrar  
[address]

Re: 8.125% Capital Securities of United Community Capital Trust  
(the "Issuer Trust") (the "Capital Securities")  
-----

Reference is made to the Amended and Restated Trust Agreement, dated as of July 20, 1998 (the "Trust Agreement"), among United Community Banks, Inc., as Depositor (the "Company"), The Chase Manhattan Bank, as Property Trustee and Chase Manhattan Bank Delaware, as Delaware Trustee, and the Holders (as defined therein) from time to time. Terms used herein and defined in the Trust Agreement or in Regulation D, Rule 144A or Rule 144 under the U.S. Securities Act of 1933, as amended, (the "Securities Act"), are used herein as so defined.

This certificate relates to \$\_\_\_\_\_ aggregate Liquidation Amount of Capital Securities, which are evidenced by the following certificate(s) (the "Specified Securities"):

CUSIP No(s): \_\_\_\_\_

CERTIFICATE No(s): \_\_\_\_\_

The person in whose name this certificate is executed below (the "UNDERSIGNED") hereby certifies that either (i) it is the sole beneficial owner of the Specified Securities or (ii) it is acting on behalf of all the beneficial owners of the Specified Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "OWNER." The Specified Securities are registered in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Securities be transferred to a person (the "TRANSFEREE") who will take delivery in the form of a Restricted Capital Security. In connection with such transfer, the Owner hereby certifies that, unless such transfer is

being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 144A, Regulation D, Regulation S or Rule 144 under the Securities Act and all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies that

(1) Rule 144A Transfers. If the transfer is being effected in accordance with Rule 144A:

(A) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a "QUALIFIED INSTITUTIONAL BUYER" within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer; and

(B) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Rule 144A in connection with the transfer.

(2) Regulation S Transfers. If the transfer is being effected in accordance with Regulation S:

(A) the Owner is not a distributor of the Securities, an affiliate of the Company or the Issuer Trust or any such distributor or a person acting on behalf of any of the foregoing;

(B) the offer of the Specified Securities was not made to a person in the United States;

(C) either;

(i) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States, or

(ii) the transaction is being executed in, on or through the facilities of the Eurobond market, as regulated by the Association of International Bond Dealers, or another designated offshore securities market and neither the Owner nor any person acting on its behalf know that the transaction has been prearranged with a buyer in the United States;

(D) no directed selling efforts within the meaning of Regulation S have been made in the United States by or on behalf of the Owner or any affiliate thereof; and

(E) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

(3) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(A) the transfer is occurring after a holding period of at least one year (computed in accordance with paragraph (d) of Rule 144) has elapsed since the date the Specified Securities were acquired from the Company or the Issuer Trust or from an affiliate (as such term is defined in Rule 144) of the Company or the Issuer Trust, or such shorter period as Rule 144 may hereinafter require, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of paragraphs (e), (f) and (h) of Rule 144;

(B) the transfer is occurring after a holding period of at least two years has elapsed since the date the Specified Securities were acquired from the Company or the Issuer Trust or from an affiliate (as such term is defined in Rule 144) of the Company or the Issuer Trust, whichever is later, and the Owner is not, and during the preceding three months has not been, an affiliate of the Company or the Issuer Trust; or

(C) the Owner is a Qualified Institutional Buyer under Rule 144A or has acquired the Securities otherwise in accordance with Sections (1), (2) or (3) hereof and is transferring the Securities to an institutional accredited investor in a transaction exempt from the requirements of the Securities Act, and in accordance with Section 4 hereof.

(4) Institutional Accredited Investor Transfers. If the transfer is to an Institutional Accredited Investor:

(A) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is an "INSTITUTIONAL ACCREDITED INVESTOR" within the meaning of Rule 501(a)(1), (2), (3) or (7) under Securities Act acquiring for its own account or for the account of a qualified institutional buyer;

(B) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Regulation D under the Securities Act in connection with the transfer; and

(C) no general solicitation within the meaning of Regulation D has been made by or on behalf of the Owner or any affiliate thereof.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company, the Issuer Trust and the Initial Purchaser.

Dated:

-----  
(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By: -----  
Name:  
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)



## GUARANTEE AGREEMENT

Between

UNITED COMMUNITY BANKS, INC.  
(as Guarantor)

and

THE CHASE MANHATTAN BANK  
(as Guarantee Trustee)

dated as of

July 20, 1998

UNITED COMMUNITY CAPITAL TRUST

Certain Sections of this Guarantee Agreement relating to  
Sections 310 through 318 of the  
Trust Indenture Act of 1939:

Trust Indenture Act Section -----		Guarantee Agreement Section -----
Section 310	(a) (1).....	4.1 (a)
	(a) (2).....	4.1 (a)
	(a) (3).....	Not Applicable
	(a) (4).....	Not Applicable
	(b).....	2.8, 4.1 (c)
Section 311	(a).....	Not Applicable
	(b).....	Not Applicable
Section 312	(a).....	2.2 (a)
	(b).....	2.2 (b)
	(c).....	Not Applicable
Section 313	(a).....	2.3
	(a) (4).....	2.3
	(b).....	2.3
	(c).....	2.3
	(d).....	2.3
Section 314	(a).....	2.4
	(b).....	2.4
	(c) (1).....	2.5
	(c) (2).....	2.5
	(c) (3).....	2.5
	(e).....	1.1, 2.5, 3.2
Section 315	(a).....	3.1 (d)
	(b).....	2.7
	(c).....	3.1 (c)
	(d).....	3.1 (d)
	(e).....	Not Applicable
Section 316	(a).....	1.1, 2.6, 5.4
	(a) (1) (A).....	5.4
	(a) (1) (B).....	5.4
	(a) (2).....	Not Applicable
	(b).....	5.3
	(c).....	Not Applicable
Section 317	(a) (1).....	Not Applicable
	(a) (2).....	Not Applicable
	(b).....	Not Applicable
Section 318	(a).....	2.1

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Guarantee Agreement.

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GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT, dated as of July 20, 1998, is executed and delivered by UNITED COMMUNITY BANKS, INC., a Georgia bank holding company (the "Guarantor") having its principal office at 59 Highway 515, Blairsville, Georgia 30512, and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Capital Securities (as defined herein) of United Community Capital Trust, a Delaware statutory business trust (the "Issuer Trust").

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated as of July 20, 1998, among United Community Banks, Inc., as Depositor, The Chase Manhattan Bank, as Property Trustee (the "Property Trustee"), Chase Manhattan Bank Delaware, as Delaware Trustee (the "Delaware Trustee") (collectively, the "Issuer Trustees") and the Holders from time to time of undivided beneficial ownership interests in the assets of the Issuer Trust, the Issuer Trust is issuing \$21,000,000 aggregate Liquidation Amount (as defined herein) of its 8.125% Capital Securities, Liquidation Amount \$1,000 per capital security (the "Capital Securities"), representing preferred undivided beneficial ownership interests in the assets of the Issuer Trust and having the terms set forth in the Trust Agreement;

WHEREAS, the Capital Securities will be issued by the Issuer Trust and the proceeds thereof, together with the proceeds from the issuance of the Issuer Trust's Common Securities (as defined herein), will be used to purchase the 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "Junior Subordinated Debentures") of the Guarantor which will be deposited with The Chase Manhattan Bank, as Property Trustee under the Trust Agreement, as trust assets; and

WHEREAS, as incentive for the Holders to purchase the Capital Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth herein, to pay to the Holders of the Capital Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase of the Capital Securities by each Holder, which purchase the Guarantor hereby acknowledges shall benefit the Guarantor, and intending to be legally bound hereby, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders from time to time of the Capital Securities.

ARTICLE I. DEFINITIONS

SECTION 1.1. DEFINITIONS.

As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement as in effect on the date hereof.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "CONTROL" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" AND "CONTROLLED" have meanings correlative to the foregoing.

"CAPITAL SECURITIES" shall have the meaning specified in the first recital of this Guarantee Agreement.

"COMMON SECURITIES" means the securities representing common undivided beneficial interests in the assets of the Issuer Trust.

"DISTRIBUTIONS" means preferential cumulative cash distributions accumulating from July 20, 1998 and payable semiannually in arrears on January 15 and July 15 of each year, commencing January 15, 1999, at an annual rate of 8.125% of the Liquidation Amount.

"EVENT OF DEFAULT" means (i) a default by the Guarantor in any of its payment obligations under this Guarantee Agreement, or (ii) a default by the Guarantor in any other obligation hereunder that remains unremedied for 30 days.

"GUARANTEE AGREEMENT" means this Guarantee Agreement, as modified, amended or supplemented from time to time.

"GUARANTEE PAYMENTS" means the following payments or distributions, without duplication, with respect to the Capital Securities, to the extent not paid or made by or on behalf of the Issuer Trust: (i) any accumulated and unpaid Distributions (as defined in the Trust Agreement) required to be paid on the Capital Securities, to the extent the Issuer Trust shall have funds on hand available therefor at such time, (ii) the

Redemption Price, with respect to the Capital Securities called for redemption by the Issuer Trust to the extent that the Issuer Trust shall have funds on hand available therefor at such time, and (iii) upon a voluntary or involuntary termination, winding-up or liquidation of the Issuer Trust, unless the Junior Subordinated Debentures are distributed to the Holders, the lesser of (a) the aggregate of the Liquidation Amount and all accumulated and unpaid Distributions to the date of payment to the extent the Issuer Trust shall have funds on hand available to make such payment at such time and (b) the amount of assets of the Issuer Trust remaining available for distribution to Holders on liquidation of the Issuer Trust (in either case, the "LIQUIDATION DISTRIBUTION").

"GUARANTEE TRUSTEE" means The Chase Manhattan Bank, until a Successor Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement and thereafter means each such Successor Guarantee Trustee.

"GUARANTOR" shall have the meaning specified in the first paragraph of this Guarantee Agreement.

"HOLDER" means any holder, as registered on the books and records of the Issuer Trust, of any Capital Securities; PROVIDED, HOWEVER, that, in determining whether the holders of the requisite percentage of Capital Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor, the Guarantee Trustee, or any Affiliate of the Guarantor or the Guarantee Trustee.

"INDENTURE" means the Junior Subordinated Indenture dated as of July 20, 1998, between United Community Banks, Inc. and The Chase Manhattan Bank, as trustee, as may be modified, amended or supplemented from time to time.

"ISSUER TRUST" shall have the meaning specified in the first paragraph of this Guarantee Agreement.

"LIKE AMOUNT" means (a) with respect to a redemption of Trust Securities, Trust Securities having a Liquidation Amount equal to that portion of the principal amount of Junior Subordinated Debentures to be contemporaneously redeemed in accordance with the Indenture, allocated to the Common Securities and to the Capital Securities based upon the relative Liquidation Amounts of such classes and (b) with respect to a distribution of Junior Subordinated Debentures to Holders of Trust Securities in connection with a dissolution or liquidation of the Issuer Trust, Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Junior Subordinated Debentures are distributed.

"LIQUIDATION AMOUNT" means the stated amount of \$1,000 per Capital Security.

"MAJORITY IN LIQUIDATION AMOUNT OF THE CAPITAL SECURITIES" means, except as provided by the Trust Indenture Act, Capital Securities representing more than 50% of the aggregate Liquidation Amount of all then outstanding Capital Securities issued by the Issuer Trust.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chief Executive Officer, President, Executive Vice President or a Senior Vice President or Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, and delivered to the Guarantee Trustee. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Guarantee Agreement (other than pursuant to Section 2.4) shall include:

(a) a statement by each officer signing the Officers' Certificate that such officer has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by such officer in rendering the Officers' Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such officer, such condition or covenant has been complied with.

"PERSON" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"REDEMPTION DATE" means, with respect to any Capital Security to be redeemed, the date fixed for such redemption by or pursuant to the Trust Agreement; provided that each Junior Subordinated Debenture Redemption Date and the stated maturity of the Junior Subordinated Debentures shall be a Redemption Date for a Like Amount of Capital Securities.



"REDEMPTION PRICE" shall have the meaning specified in the Trust Agreement.

"RESPONSIBLE OFFICER" means, when used with respect to the Guarantee Trustee, any officer assigned to the Corporate Trust Office, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary, Senior Trust Officer, Trust Officer or any other officer of the Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Guarantee Agreement, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"SENIOR INDEBTEDNESS" shall have the meaning specified in the Indenture.

"SUCCESSOR GUARANTEE TRUSTEE" means a successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.1.

"TRUST AGREEMENT" means the Amended and Restated Trust Agreement, dated as of July 20, 1998, executed by United Community Banks, Inc., as Depositor, Chase Manhattan Bank Delaware, as Delaware Trustee, and The Chase Manhattan Bank, as Property Trustee.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbb), as amended.

"TRUST SECURITIES" means the Common Securities and the Capital Securities.

## ARTICLE II. TRUST INDENTURE ACT

### SECTION 2.1. TRUST INDENTURE ACT; APPLICATION.

This Guarantee Agreement is intended to be in conformity with the provisions of the Trust Indenture Act that would be required to be part of this Guarantee Agreement were this Guarantee Agreement to be qualified under the Trust Indenture Act and shall, to the extent applicable, be governed by such provisions. If and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the

duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control. If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Guarantee Agreement, the provision of the Trust Indenture Act shall control. If any provision of this Guarantee Agreement modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Guarantee Agreement as so modified or to be excluded, as the case may be.

SECTION 2.2. LIST OF HOLDERS.

(a) The Guarantor will furnish or cause to be furnished to the Guarantee Trustee a list of Holders at the following times:

(i) semiannually, not more than 15 days after December 31 and June 30 in each year, a list, in such form as the Guarantee Trustee may reasonably require, of the names and addresses of the Holders as of such December 31 and June 30; and

(ii) at such other times as the Guarantee Trustee may request in writing, within 30 days after the receipt by the Guarantor of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished; provided that the Guarantor shall not be obligated to provide such a list at any time such list does not differ from the most recent list of holders given to the Guarantee Trustee by the Guarantor.

(b) The Guarantee Trustee shall comply with the requirements of Section 312(b) of the Trust Indenture Act.

SECTION 2.3. REPORTS BY THE GUARANTEE TRUSTEE.

Not later than 60 days after May 15 of each year, commencing May 15, 1999 the Guarantee Trustee shall provide to the Holders such reports dated as of such May 15, 1999, if any, as are required by Section 313 of the Trust Indenture Act in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4. PERIODIC REPORTS TO THE GUARANTEE TRUSTEE.

The Guarantor shall provide to the Guarantee Trustee, and the Holders such documents, reports and information, if any, as required by Section 314 of the Trust Indenture Act and the compliance certificate required by Section 314(a)(4) of the Trust Indenture Act, in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5. EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT.

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with such conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6. EVENTS OF DEFAULT; WAIVER.

The Holders of a Majority in Liquidation Amount of the Capital Securities may, on behalf of the Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent therefrom.

SECTION 2.7. EVENT OF DEFAULT; NOTICE.

(a) The Guarantee Trustee shall, within 90 days after the Guarantee Trustee has actual knowledge of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notice of all Events of Default actually known to the Guarantee Trustee, unless such Events of Default have been cured before the giving of such notice; PROVIDED THAT, except in the case of a default in the payment of a Guarantee Payment, the Guarantee Trustee shall be protected in withholding such notice if and so long as the Board of Directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless a Responsible Officer charged with the administration of this Guarantee Agreement shall have received written notice from the Guarantor or a Holder of such Event of Default.

SECTION 2.8. CONFLICTING INTERESTS.

The Trust Agreement shall be deemed to be specifically described in this Guarantee Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III. POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE

SECTION 3.1. POWERS AND DUTIES OF THE GUARANTEE TRUSTEE.

(a) This Guarantee Agreement shall be held by the Guarantee Trustee for the benefit of the Holders, and the Guarantee Trustee shall not transfer this Guarantee Agreement to any Person except a Holder exercising his or her rights pursuant to Section 5.4(iv) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee hereunder. The right, title and interest of the Guarantee Trustee, as such, hereunder shall automatically vest in any Successor Guarantee Trustee, upon acceptance by such Successor Guarantee Trustee of its appointment hereunder, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) If an Event of Default actually known to the Guarantee Trustee has occurred and is continuing, the Guarantee Trustee shall enforce this Guarantee Agreement for the benefit of the Holders.

(c) The Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall be obligated to perform only such duties as are specifically set forth in this Guarantee Agreement (including pursuant to Section 2.1), and no implied covenants shall be read into this Guarantee Agreement against the Guarantee Trustee. If an Event of Default has occurred that is actually known to the Guarantee Trustee (that has not been cured or waived pursuant to Section 2.6), the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Guarantee Agreement shall be construed to relieve the Guarantee Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) Prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Guarantee Trustee shall be determined solely by the express provisions of this Guarantee Agreement (including pursuant to Section 2.1), and the Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement (including pursuant to Section 2.1); and

(B) in the absence of bad faith on the part of the Guarantee Trustee, the Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Guarantee Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof or of the Trust Indenture Act are specifically required to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

(ii) The Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Guarantee Trustee, unless it shall be proved that the Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) The Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in Liquidation Amount of the Capital Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and

(iv) No provision of this Guarantee Agreement shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not assured to it under the terms of this Guarantee

Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 3.2. CERTAIN RIGHTS OF GUARANTEE TRUSTEE.

(a) Subject to the provisions of Section 3.1:

(i) The Guarantee Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officers' Certificate unless otherwise prescribed herein.

(iii) Whenever, in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting to take any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request from the Guarantee Trustee, shall be promptly delivered by the Guarantor.

(iv) The Guarantee Trustee may consult with legal counsel, and the advice or written opinion of such legal counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or opinion. Such legal counsel may be legal counsel to the Guarantor or any of its Affiliates and may be one of its employees. The Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction.

(v) The Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Guarantee Trustee such security and indemnity as would satisfy a reasonable person in the position of the Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Guarantee Trustee.

(vi) The Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(vii) The Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, and the Guarantee Trustee shall not be responsible for any negligence or willful misconduct on the part of any such agent or attorney appointed with due care by it hereunder.

(viii) Whenever in the administration of this Guarantee Agreement the Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Guarantee Trustee (A) may request instructions from the Holders of a Majority in Liquidation Amount of the Capital Securities, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (C) shall be fully protected in acting in accordance with such instructions.

(b) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Guarantee Trustee shall be construed to be a duty to act in accordance with such power and authority.

### SECTION 3.3 COMPENSATION.

The Guarantor agrees to pay to the Guarantee Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and to reimburse the Guarantee Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by the Guarantee Trustee in accordance with any provision of this Guarantee Agreement.

SECTION 3.4. INDEMNITY.

The Guarantor agrees to indemnify the Guarantee Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on the part of the Guarantee Trustee, arising out of or in connection with the acceptance or administration of this Guarantee Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Guarantee Trustee will not claim or exact any lien or charge on any Guarantee Payments as a result of any amount due to it under this Guarantee Agreement.

ARTICLE IV. GUARANTEE TRUSTEE

SECTION 4.1. GUARANTEE TRUSTEE; ELIGIBILITY.

(a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000, and shall be a corporation meeting the requirements of Section 310(a) of the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority, then, for the purposes of this Section and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act, subject to the penultimate paragraph thereof.

SECTION 4.2. APPOINTMENT, REMOVAL AND RESIGNATION OF THE  
GUARANTEE TRUSTEE.



(a) No resignation or removal of the Guarantee Trustee and no appointment of a Successor Guarantee Trustee pursuant to this Article shall become effective until the acceptance of appointment by the Successor Guarantee Trustee by written instrument executed by the Successor Guarantee Trustee and delivered to the Holders and the Guarantee Trustee.

(b) Subject to the immediately preceding paragraph, a Guarantee Trustee may resign at any time by giving written notice thereof to the Guarantor and the Holders. If the instrument of acceptance by the Successor Guarantee Trustee shall not have been delivered to the Guarantee Trustee within 60 days after the giving of such notice of resignation, the Guarantee Trustee may petition, at the expense of the Guarantor, any court of competent jurisdiction for the appointment of a Successor Guarantee Trustee.

(c) The Guarantee Trustee may be removed for cause at any time by Act (within the meaning of Section 6.8 of the Trust Agreement) of the Holders of at least a Majority in Liquidation Amount of the Capital Securities, delivered to the Guarantee Trustee, or with or without cause, by the Guarantor at any time except during an Event of Default.

(d) If a Guarantee Trustee shall resign, be removed or become incapable of acting as Guarantee Trustee, or if any vacancy shall occur in the office of any Guarantee Trustee for any cause, the Guarantor shall appoint a successor Guarantee Trustee. If no Successor Guarantee Trustee shall have been so appointed by the Guarantor and such appointment accepted by the Successor Guarantee Trustee, any Holder, on behalf of himself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a Successor Guarantee Trustee.

#### ARTICLE V. GUARANTEE

##### SECTION 5.1. GUARANTEE.

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer Trust), as and when due, regardless of any defense, right of set-off or counterclaim which the Issuer Trust may have or assert, except the defense of payment. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer Trust to pay such amounts to the Holders. The Guarantor shall give prompt written notice to the Guarantee Trustee in the event it makes any direct payment hereunder.

SECTION 5.2. WAIVER OF NOTICE AND DEMAND.

The Guarantor hereby waives notice of acceptance of the Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Guarantee Trustee, the Issuer Trust or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3. OBLIGATIONS NOT AFFECTED.

The obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer Trust of any express or implied agreement, covenant, term or condition relating to the Capital Securities to be performed or observed by the Issuer Trust;

(b) the extension of time for the payment by the Issuer Trust of all or any portion of the Distributions (other than an extension of time for payment of Distributions that results from the extension of any interest payment period on the Junior Subordinated Debentures as so provided in the Indenture), Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Capital Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Capital Securities;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Capital Securities, or any action on the part of the Issuer Trust granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer Trust or any of the assets of the Issuer Trust;

(e) any invalidity of, or defect or deficiency in, the Capital Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor (other than payment of the underlying obligation), it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain the consent of, the Guarantor with respect to the happening of any of the foregoing.

#### SECTION 5.4. RIGHTS OF HOLDERS.

The Guarantor expressly acknowledges that: (i) this Guarantee Agreement will be deposited with the Guarantee Trustee to be held for the benefit of the Holders; (ii) the Guarantee Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (iii) the Holders of a Majority in Liquidation Amount of the Capital Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of this Guarantee Agreement or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement, PROVIDED, HOWEVER, that, subject to Section 3.1, the Guarantee Trustee shall have the right to decline to follow any such direction if the Guarantee Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if the Guarantee Trustee in good faith shall, by a Responsible Officer or Officers of the Guarantee Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability or be unduly prejudicial to the rights of the Holders not party to such direction, and PROVIDED FURTHER that nothing in this Guarantee Agreement shall impair the right of the Guarantee Trustee to take any action deemed proper by the Guarantee Trustee and which is not inconsistent with such direction; and (iv) any Holder may institute a legal proceeding directly against the Guarantor to enforce its rights under this Guarantee Agreement, without first instituting a legal proceeding against the Guarantee Trustee, the Issuer Trust or any other Person.

#### SECTION 5.5. GUARANTEE OF PAYMENT.

This Guarantee Agreement creates a guarantee of payment and not of collection. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication of amounts theretofore paid by the Issuer Trust) or upon the distribution of Junior Subordinated Debentures to Holders as provided in the Trust Agreement.

SECTION 5.6. SUBROGATION.

The Guarantor shall be subrogated to all rights (if any) of the Holders against the Issuer Trust in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; PROVIDED, HOWEVER, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if at the time of any such payment, any amounts are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7. INDEPENDENT OBLIGATIONS.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer Trust with respect to the Capital Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI. COVENANTS AND SUBORDINATION

SECTION 6.1. SUBORDINATION.

This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank subordinate and junior in right of payment to all Senior Indebtedness of the Guarantor to the extent and in the manner set forth in the Indenture with respect to the Junior Subordinated Debentures, and the provisions of Article XIII of the Indenture will apply, MUTATIS MUTANDIS, to the obligations of the Guarantor hereunder. The obligations of the Guarantor hereunder do not constitute Senior Indebtedness of the Guarantor.

SECTION 6.2. PARI PASSU GUARANTEES.

The obligations of the Guarantor under this Guarantee Agreement shall rank PARI PASSU with any similar guarantee agreements issued by the Guarantor on behalf

of the holders of preferred or capital securities issued by any other trust similar to the Issuer Trust and with any other security, guarantee or other obligation that is expressly stated to rank PARI PASSU with the obligations of the Guarantor under this Guarantee Agreement.

#### ARTICLE VII. TERMINATION

##### SECTION 7.1. TERMINATION.

This Guarantee Agreement shall terminate and be of no further force and effect upon (i) full payment of the Redemption Price of all Capital Securities, (ii) the distribution of Junior Subordinated Debentures to the Holders in exchange for all of the Capital Securities, (iii) full payment of the amounts payable in accordance with Article IX of the Trust Agreement upon liquidation of the Issuer Trust, or (iv) the exchange of this Guarantee Agreement for the Exchange Guarantee Agreement, provided, that, all Private Capital Securities shall have been exchanged for Exchange Capital Securities pursuant to the Exchange Offer. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder is required to restore payment of any sums paid under the Capital Securities or this Guarantee Agreement.

#### ARTICLE VIII. MISCELLANEOUS

##### SECTION 8.1. SUCCESSORS AND ASSIGNS.

All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Capital Securities then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article VIII of the Indenture and pursuant to which the assignee agrees in writing to perform the Guarantor's obligations hereunder, the Guarantor shall not assign its obligations hereunder, and any purported assignment that is not in accordance with these provisions shall be void.

##### SECTION 8.2. AMENDMENTS.

Except with respect to any changes that do not materially adversely affect the rights of the Holders (in which case no consent of the Holders will be required), this

Guarantee Agreement may only be amended with the prior approval of the Holders of not less than a Majority in Liquidation Amount of the Capital Securities. The provisions of Article VI of the Trust Agreement concerning meetings or consents of the Holders shall apply to the giving of such approval.

SECTION 8.3. NOTICES.

Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied with receipt confirmed, or mailed by first class mail as follows:

(a) if given to the Guarantor, to the address or telecopy number set forth below or such other address or telecopy number or to the attention of such other Person as the Guarantor may give notice to the Guarantee Trustee and the Holders:

United Community Banks, Inc.  
59 Highway 515  
Blairsville, Georgia 30512  
Facsimile No.: (706) 745-8619  
Attention: Christopher J. Bledsoe

(b) if given to the Issuer Trust at the Issuer Trust's (and the Guarantee Trustee's) address or telecopy number set forth below or such other address or telecopy number or to the attention of such other Person as the Issuer Trust or the Guarantee Trustee may give notice to the Guarantee Trustee (if given by the Issuer Trust) and the Holders:

United Community Capital Trust  
c/o United Community Banks, Inc.  
59 Highway 515  
Blairsville, Georgia 30512  
Facsimile No.: (706) 745-8619  
Attention: Christopher J. Bledsoe

with a copy to:

The Chase Manhattan Bank  
450 West 33rd Street, 15th Floor  
New York, NY 10001  
Facsimile No.: (212) 946-8160

Attention: Corporate Trustee Administration

(c) if given to the Guarantee Trustee, to the address or telecopy number set forth below or such other address or telecopy number or to the attention of such other Person as the Guarantee Trustee may give notice to the Guarantor and the Holders:

The Chase Manhattan Bank  
450 West 33rd Street, 15th Floor  
New York, NY 10001  
Facsimile No.: (212) 946-8160  
Attention: Corporate Trustee Administration

(d) if given to any Holder, at the address set forth on the books and records of the Issuer Trust.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

#### SECTION 8.4. BENEFIT.

This Guarantee Agreement is solely for the benefit of the Holders and is not separately transferable from the Capital Securities.

#### SECTION 8.5. INTERPRETATION.

In this Guarantee Agreement, unless the context otherwise requires:

(a) capitalized terms used in this Guarantee Agreement but not defined in the preamble hereto have the respective meanings assigned to them in Section 1.1;

(b) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(c) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(d) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires;

(f) a reference to the singular includes the plural and vice versa;  
and

(g) the masculine, feminine or neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 8.6. GOVERNING LAW.

THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

SECTION 8.7. COUNTERPARTS.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.



THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

UNITED COMMUNITY BANKS, INC.  
as Guarantor

By: /s/Jimmy C. Tallent  
-----  
Name: Jimmy C. Tallent  
Title: President

THE CHASE MANHATTAN BANK,  
as Guarantee Trustee, and not  
in its individual capacity

By: /s/William G. Keenan  
-----  
Name: William G. Keenan  
Title: Trust Officer

REGISTRATION RIGHTS AGREEMENT

DATED JULY 20, 1998

AMONG

UNITED COMMUNITY BANKS, INC.

UNITED COMMUNITY CAPITAL TRUST

AND

WHEAT FIRST SECURITIES, INC.  
AS INITIAL PURCHASER

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made and entered into as of July 20, 1998 among UNITED COMMUNITY BANKS, INC., a registered bank holding company organized under the laws of the State of Georgia (the "Company"), UNITED COMMUNITY CAPITAL TRUST, a statutory business trust created under the laws of the State of Delaware (the "Issuer Trust"), and WHEAT FIRST SECURITIES, INC. (the "Initial Purchaser").

This Agreement is made pursuant to the Purchase Agreement dated July 15, 1998 (the "Purchase Agreement"), among the Company, as issuer of the 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "Junior Subordinated Debentures"), the Issuer Trust and the Initial Purchaser, which provides for among other things, the sale by the Issuer Trust to the Initial Purchaser of 21,000 of the Issuer Trust's 8.125% Capital Securities, liquidation amount \$1,000 per Capital Security (the "Capital Securities"), the proceeds of which will be used by the Issuer Trust to purchase the Junior Subordinated Debentures. The Capital Securities, together with the Junior Subordinated Debentures and the Company's guarantee of the Capital Securities (the "Guarantee") are collectively referred to as the "Securities." In order to induce the Initial Purchaser to enter into the Purchase Agreement, the Company and the Issuer Trust have agreed to provide to the Initial Purchaser and its direct and indirect transferees the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"ADVICE" shall have the meaning set forth in the last paragraph of Section 3 hereof.

"APPLICABLE PERIOD" shall have the meaning set forth in Section 3(t) hereof.

"BUSINESS DAY" shall mean a day that is not a Saturday, a Sunday, or a day on which banking institutions in New York, New York or in Atlanta, Georgia, are authorized or required to be closed.

"CLOSING TIME" shall mean the Closing Time as defined in the Purchase Agreement.

"COMMISSION" shall mean the Securities and Exchange Commission.

"COMPANY" shall have the meaning set forth in the preamble to this Agreement and also includes the Company's successors and permitted assigns.

"DEPOSITARY" shall mean The Depository Trust Company, or any other depository appointed by the Issuer Trust; PROVIDED, HOWEVER, that such depository must have an address in the Borough of Manhattan, in the City of New York.

"EFFECTIVENESS PERIOD" shall have the meaning set forth in Section 2(b) hereof.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"EXCHANGE OFFER" shall mean the offer by the Company and the Issuer Trust to the Holders to exchange all of the Registrable Securities (other than Private Exchange Securities) for a like principal amount of Exchange Securities pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION" shall mean a registration under the Securities Act effected pursuant to Section 2(a) hereof.

"EXCHANGE OFFER REGISTRATION STATEMENT" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such Registration Statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"EXCHANGE PERIOD" shall have the meaning set forth in Section 2(a) hereof.

"EXCHANGE SECURITIES" shall mean (i) with respect to the Junior Subordinated Debentures, the 8.125% New Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "New Junior Subordinated Debentures") containing terms substantially identical to the Junior Subordinated Debentures (except that they will not contain terms with respect to the transfer restrictions under the Securities Act (other than to require minimum transfers thereof to be in blocks of \$100,000 principal amount) and will not provide for any liquidated damages thereon), (ii) with respect to the Capital Securities, the Issuer Trust's 8.125% New Capital Securities, liquidation amount \$1,000 per Capital Security (the "New Capital Securities") which will have terms substantially identical to the Capital Securities (except that they will not contain terms with respect to transfer restrictions under the Securities Act (other than require minimum transfers thereof to be in blocks of \$100,000 liquidation amount) and will not provide for any increase in the distribution rate thereon) and (iii) with respect to the Guarantee, the Company's guarantee (the "New Guarantee") of the New Capital Securities which will have terms substantially identical to the Guarantee.

"HOLDER" shall mean the Initial Purchaser, for so long as it owns any Registrable Securities, and each of its successors, assigns and direct and indirect transferees who become

registered owners of Registrable Securities under the Indenture or the Trust Agreement. In the event of a Shelf Registration Statement, references to selling Holders (including, without limitation, the requirement that a Holder provide certain information to the Company and the Issuer Trust) will include beneficial owners of Registrable Securities to the extent necessary and appropriate.

"INDENTURE" shall mean the Junior Subordinated Indenture dated as of July 20, 1998 relating to the Junior Subordinated Debentures and the New Junior Subordinated Debentures between the Company, as issuer, and The Chase Manhattan Bank, as trustee, as the same may be amended from time to time in accordance with the terms thereof.

"INITIAL PURCHASER" shall have the meaning set forth in the preamble to this Agreement.

"INSPECTORS" shall have the meaning set forth in Section 3(n) hereof.

"ISSUE DATE" shall mean the date of original issuance of the Securities.

"LIQUIDATED DAMAGES" shall have the meaning set forth in Section 2(e) hereof.

"MAJORITY HOLDERS" shall mean the Holders of a majority of the aggregate liquidation amount of outstanding Capital Securities.

"PARTICIPATING BROKER-DEALER" shall have the meaning set forth in Section 3(t) hereof.

"PERSON" shall mean an individual, partnership, corporation, trust or unincorporated organization, limited liability company, or a government or agency or political subdivision thereof.

"PRIVATE EXCHANGE" shall have the meaning set forth in Section 2(a) hereof.

"PRIVATE EXCHANGE SECURITIES" shall have the meaning set forth in Section 2(a) hereof.

"PROSPECTUS" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"PURCHASE AGREEMENT" shall have the meaning set forth in the preamble to this Agreement.

"RECORDS" shall have the meaning set forth in Section 3(n) hereof.

"REGISTRABLE SECURITIES" shall mean the Securities and, if issued, the Private Exchange Securities; PROVIDED, HOWEVER, that the Securities or Private Exchange Securities, as the case may be, shall cease to be Registrable Securities (i) when a Registration Statement with respect to such Securities or Private Exchange Securities for the exchange or resale thereof, as the case may be, shall have been declared effective under the Securities Act and such Securities or Private Exchange Securities, as the case may be, shall have been exchanged or disposed of pursuant to such Registration Statement by a person other than a Participating Broker-Dealer, (ii) following the exchange by a Participating Broker-Dealer in the Exchange Offer of a Security for an Exchange Security, the date on which such Exchange Security is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, as amended or supplemented, (iii) when such Securities or Private Exchange Securities, as the case may be, shall have been sold to the public pursuant to Rule 144 or are eligible for sale pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the Securities Act, or (iv) when such Securities or Private Exchange Securities, as the case may be, shall have ceased to be outstanding.

"REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement, including without limitation: (i) all Commission or National Association of Securities Dealers, Inc. (the "NASD") registration and filing fees, including, if applicable, the fees and expenses of any "qualified independent underwriter" (and its counsel) that is required to be retained by any Holder of Registrable Securities in accordance with the rules and regulations of the NASD, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with blue sky qualification of any of the Exchange Securities or Registrable Securities) and compliance with the rules of the NASD, (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing the Registration Statement, any Prospectus and any amendments or supplements thereto, and in preparing or assisting in preparing, printing and distributing any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, (iv) all rating agency fees, (v) the fees and disbursements of counsel for the Company and of the independent certified public accountants of the Company, including the expenses of any "cold comfort" letters required by or incident to such performance and compliance, (vi) the fees and expenses of the Trustee, and any exchange agent or custodian, (vii) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any

securities exchange or exchanges, and (viii) the reasonable fees and expenses of any special experts retained by the Company in connection with the Registration Statement.

"REGISTRATION STATEMENT" shall mean any registration statement of the Company and the Issuer Trust which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"RULE 144(K) PERIOD" shall mean the period of two years (or such shorter period as may hereafter be referred to in Rule 144(k) under the Securities Act (or similar successor rule)) commencing on the Issue Date.

"SECURITIES" shall have the meaning set forth in the preamble to this Agreement.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended from time to time.

"SHELF REGISTRATION" shall mean a registration effected pursuant to Section 2(b) hereof.

"SHELF REGISTRATION EVENT" shall have the meaning set forth in Section 2(b) hereof.

"SHELF REGISTRATION EVENT DATE" shall have the meaning set forth in Section 2(b) hereof.

"SHELF REGISTRATION STATEMENT" shall mean a "shelf registration" statement of the Company and the Issuer Trust pursuant to the provisions of Section 2(b) hereof which covers all of the Registrable Securities or all of the Private Exchange Securities, as the case may be, on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the Commission, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"TIA" shall have the meaning set forth in Section 3(1) hereof.

"TRUST AGREEMENT" shall mean the Amended and Restated Trust Agreement, dated as of July 20, 1998, by the trustees named therein, the Company as depositor and the holders from time to time of undivided beneficial interests in the assets of the Issuer Trust.

"TRUSTEES" shall mean any and all trustees with respect to (i) the Capital Securities under the Trust Agreement, (ii) the Junior Subordinated Debentures under the Indenture and (iii) the Guarantee.

2. Registration Under the Securities Act.

(a) EXCHANGE OFFER. To the extent not prohibited by any applicable law or applicable interpretation of the staff of the Commission, the Company and the Issuer Trust shall use their respective best efforts, for the benefit of the Holders, at the Company's cost, (i) to cause to be filed with the Commission as soon as practicable after the Issue Date, but in no event later than 150 days after the Issue Date, an Exchange Offer Registration Statement on an appropriate form under the Securities Act covering the Exchange Offer, (ii) to cause such Exchange Offer Registration Statement to be declared effective under the Securities Act by the Commission not later than the date which is 180 days after the Issue Date, and (iii) to keep such Exchange Offer Registration Statement effective for not less than 30 Business Days (or longer if required by applicable law) after the date notice of the Exchange Offer is mailed to the Holders. Upon the effectiveness of the Exchange Offer Registration Statement, the Company and the Issuer Trust shall promptly commence the Exchange Offer and use their respective best efforts to enable each Holder eligible and electing to exchange Registrable Securities for a like principal amount of New Junior Subordinated Debentures or a like liquidation amount of New Capital Securities, together with the New Guarantee, as applicable (assuming that such Holder is not an affiliate of the Company within the meaning of Rule 405 under the Securities Act and is not a broker-dealer tendering Registrable Securities acquired directly from the Company for its own account, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements or understandings with any Person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to transfer such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and under state securities or blue sky laws.

In connection with the Exchange Offer, the Company and the Issuer Trust shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Exchange Offer open for acceptance for a period of not less than 30 Business Days after the date notice thereof is mailed to the Holders (or longer if required by applicable law) (such period referred to herein as the "Exchange Period");

(iii) utilize the services of the Depository for the Exchange Offer;

(iv) permit Holders to withdraw tendered Securities at any time prior to the close of business, 5:00 p.m., New York City time, on the last Business Day of the Exchange Period, by, including without limitation, sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Securities delivered for exchange, and a statement that such Holder is withdrawing his election to have such Securities exchanged;

(v) notify each Holder that any Security not tendered by such Holder in the Exchange Offer will remain outstanding and continue to accrue interest or accumulate distributions, as the case may be, but will not retain any rights under this Agreement (except in the case of the Initial Purchaser and Participating Broker-Dealers as provided herein); and

(vi) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

If the Initial Purchaser determines upon advice of its outside counsel that it is not eligible to participate in the Exchange Offer with respect to the exchange of Securities constituting any portion of an unsold allotment in the initial distribution, as soon as practicable upon receipt by the Company and the Issuer Trust of a written request from such Initial Purchaser, the Company and the Issuer Trust, as applicable, shall issue and deliver to such Initial Purchaser in exchange (the "Private Exchange") for the Securities held by such Initial Purchaser, a like liquidation amount of New Capital Securities of the Issuer Trust, together with the New Guarantee, or a like principal amount of the Junior Subordinated Debentures of the Company, as applicable, that are identical (except that such securities may bear a customary legend with respect to restrictions on transfer pursuant to the Securities Act) to the Exchange Securities (the "Private Exchange Securities") and which are issued pursuant to the Indenture, the Trust Agreement or the Guarantee (which provides that the Exchange Securities will not be subject to the transfer restrictions set forth in the Indenture or the Trust Agreement, as applicable (other than to require minimum transfers thereof to be in blocks of \$100,000 principal amount or liquidation amount, as the case may be), and that the Exchange Securities, the Private Exchange Securities and the Securities will vote and consent together on all matters as one class and that neither the Exchange Securities, the Private Exchange Securities nor the Securities will have the right to vote or consent as a separate class on any matter). The Private Exchange Securities shall be of the same series as the Exchange Securities and the Company and the Issuer Trust will, to the extent permitted, seek to cause the CUSIP Service Bureau to issue the same CUSIP Numbers for the Private Exchange Securities as for the Exchange Securities issued pursuant to the Exchange Offer.



As soon as practicable after the close of the Exchange Offer and, if applicable, the Private Exchange, the Company and the Issuer Trust, as the case requires, shall:

(i) accept for exchange all Securities or portions thereof tendered and not validly withdrawn pursuant to the Exchange Offer or the Private Exchange;

(ii) deliver, or cause to be delivered, to the applicable Trustee for cancellation all Securities or portions thereof so accepted for exchange by the Company; and

(iii) issue, and cause the applicable Trustee under the Indenture, the Trust Agreement or the Guarantee, as applicable, to promptly authenticate and deliver to each Holder, new Exchange Securities or Private Exchange Securities, as applicable, equal in principal amount to the principal amount of the Junior Subordinated Debentures or equal in liquidation amount to the liquidation amount to the Capital Securities (together with the guarantee thereof) as are surrendered by such Holder.

Distributions on each New Capital Security and interest on each New Junior Subordinated Debenture issued pursuant to the Registered Exchange Offer and Distributions or interest, as the case may be, on each Private Exchange Security issued in the Private Exchange will accrue from the last date on which a Distribution or interest was paid on the Capital Security or the Junior Subordinated Debenture surrendered in exchange therefore or, if no Distribution or interest has been paid on such Capital Security or Junior Subordinated Debenture, from the Issue Date. To the extent not prohibited by any law or applicable interpretation of the staff of the Commission, the Company and the Issuer Trust shall use their best efforts to complete the Exchange Offer as provided above, and shall comply with the applicable requirements of the Securities Act, the Exchange Act and other applicable laws in connection with the Exchange Offer. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer does not violate applicable law or any applicable interpretation of the staff of the Commission. Each Holder of Registrable Securities who wishes to exchange such Registrable Securities for Exchange Securities in the Exchange Offer will be required to make certain customary representations in connection therewith, including, in the case of any Holder of Capital Securities, representations that (i) it is not an affiliate of the Issuer Trust or the Company, (ii) the Exchange Securities to be received by it were acquired in the ordinary course of its business and (iii) at the time of the Exchange Offer, it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the New Capital Securities. The Company and the Issuer Trust shall inform the Initial Purchaser, after consultation with the Trustee, of the names and addresses of the Holders to whom the Exchange Offer is made, and the Initial Purchaser shall have the right to contact such Holders and otherwise facilitate the tender of Registrable Securities in the Exchange Offer.

Upon consummation of the Exchange Offer in accordance with this Section 2(a), the provisions of this Agreement shall continue to apply, mutatis mutandis, solely with respect to Registrable Securities that are Private Exchange Securities and Exchange Securities held by Participating Broker-Dealers, and the Company and the Issuer Trust shall have no further obligation to register the Registrable Securities (other than Private Exchange Securities) pursuant to Sections 2(a) or 2(b) of this Agreement.

(b) SHELF REGISTRATION. In the event that: (i) the Company, the Issuer Trust or the Majority Holders reasonably determine, after conferring with counsel, that the Exchange Offer Registration provided in Section 2(a) above is not available because of any change in law or in currently prevailing interpretations of the staff of the Commission; (ii) the Company has received an opinion of counsel, rendered by a law firm having a recognized national tax practice, to the effect that, as a result of the consummation of the Exchange Offer, there is more than an insubstantial risk that (x) the Issuer Trust would be subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures or New Junior Subordinated Debentures, (y) interest payable by the Company on such Junior Subordinated Debentures or New Junior Subordinated Debentures would not be deductible by the Company, in whole or in part, for United States federal income tax purposes, or (z) the Issuer Trust would be subject to more than a de minimis amount of other taxes, duties or other governmental charges; (iii) the Exchange Offer Registration Statement is not declared effective within 180 days of the Issue Date; or (iv) upon notice from any Holder on or before the 20th day following the consummation of the Exchange Offer that (A) it is prohibited by law or Commission policy from participating in the Exchange Offer, (B) it may not resell the New Capital Securities, the New Guarantee and the New Junior Subordinated Debentures acquired by it in the Exchange Offer to the public without delivering a prospectus and that the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales or (C) it is a broker-dealer and owns Capital Securities acquired directly from the Issuer Trust or an affiliate of the Issuer Trust, (any of the events specified in clauses (i) through (iv) being a "Shelf Registration Event" and the date of occurrence thereof, the "Shelf Registration Event Date"), the Company and the Issuer Trust shall, at their cost, use their respective best efforts to cause to be filed as promptly as practicable after such Shelf Registration Event Date, as the case may be, and, in event, within 45 days after such Shelf Registration Event Date, a Shelf Registration Statement providing for the sale by the Holders of all of the Registrable Securities, and shall use their respective best efforts to have such Shelf Registration Statement declared effective by the Commission as soon as practicable. No Holder of Registrable Securities shall be entitled to include any of its Registrable Securities in any Shelf Registration pursuant to this Agreement unless and until such Holder agrees in writing to be bound by all of the provisions of this Agreement applicable to such Holder and furnishes to the Company and the Issuer Trust in writing, within 20 days after receipt of a request therefor, such information as the Company and the Issuer Trust may, after conferring with counsel with regard to information relating to Holders

that would be required by the Commission to be included in such Shelf Registration Statement or Prospectus included therein, reasonably request for inclusion in the Shelf Registration Statement or Prospectus included therein. Each selling Holder as to which any Shelf Registration is being effected agrees to furnish to the Company and the Issuer Trust all information with respect to such Holder necessary to make the information previously furnished to the Company by such Holder not materially misleading.

The Company and the Issuer Trust agree to use their respective best efforts to keep the Shelf Registration Statement continuously effective for the Rule 144(k) Period (subject to extension pursuant to the last paragraph of Section 3 hereof) or for such shorter period which will terminate when all of the Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or cease to be outstanding (the "Effectiveness Period"). The Company and the Issuer Trust shall not permit any securities other than Registrable Securities to be included in the Shelf Registration. The Company and the Issuer Trust will, in the event a Shelf Registration Statement is declared effective, provide to each Holder a reasonable number of copies of the Prospectus which is a part of the Shelf Registration Statement, notify each such Holder when the Shelf Registration has become effective and use their respective best efforts to take certain other actions as are required to permit certain unrestricted resales of the Registrable Securities. The Company and the Issuer Trust further agree, if necessary, to supplement or amend the Shelf Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder for shelf registrations, and the Company and the Issuer Trust agree to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the Commission.

(c) HOLDBACK AGREEMENT; POSTPONEMENT. The Company and the Issuer Trust shall be entitled to cause the Shelf Registration Statement to be withdrawn and the effectiveness thereof to be terminated and shall be entitled to cause any Participating Broker-Dealers who have notified the Company and the Issuer Trust that they will be utilizing the Prospectus contained in the Exchange Offer Registration Statement as provided in Section 3(t) hereof to suspend the use of the Prospectus, for a reasonable period of time, but not in excess of 30 days during any twelve (12) month period, if the Board of Directors of the Company determines in good faith that the registration and distribution of the Securities covered by the Exchange Offer Registration Statement or covered or to be covered by the Shelf Registration Statement would require premature disclosure by the Company of any material corporate development (including potential material business combination and merger and acquisition transactions) affecting the Company and the Company promptly gives the Holders of Registrable Securities and any Participating Broker-Dealers written notice of such determination, containing a general statement of the reasons for such postponement or withdrawal and an approximation of the period of the

anticipated delay; PROVIDED, HOWEVER, that (i) the Holders of Registrable Securities and any Participating Broker-Dealers will not disclose the information contained in such statement and will not buy or sell shares of any publicly traded class of the Company's capital stock until such information is publicly disclosed by the Company and (ii) the Company may not utilize this right more than twice in any twelve (12) month period.

(d) EXPENSES. The Company, as issuer of the Junior Subordinated Debentures, shall pay all Registration Expenses in connection with any Registration Statement pursuant to Section 2(a) or 2(b) hereof and will reimburse the Initial Purchaser for the reasonable fees and disbursements of Alston & Bird LLP, counsel for the Initial Purchaser, incurred in connection with the Exchange Offer and, if applicable, the Private Exchange, and either Alston & Bird LLP or any one other counsel designated in writing by the Majority Holders to act as counsel for the Holders of the Registrable Securities in connection with a Shelf Registration Statement, which other counsel shall be reasonably satisfactory to the Company. Except as provided herein, each Holder shall pay all expenses of its counsel, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

(e) EFFECTIVE REGISTRATION STATEMENT. An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) will not be deemed to have become effective unless it has been declared effective by the Commission; PROVIDED, HOWEVER, that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume. The Company and the Issuer Trust will be deemed not to have used their best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if either of them voluntarily takes any action that would result in such any Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period unless such action is required by applicable law.

(f) ADDITIONAL INTEREST. In the event that:

(i) (A) neither the Exchange Offer Registration Statement nor a Shelf Registration Statement is filed with the Commission on or prior to the 150th day after the Issue Date or (B) notwithstanding that the Company and the Issuer Trust have consummated or will consummate an Exchange Offer, the Company and the

Issuer Trust are required to file a Shelf Registration Statement and such Shelf Registration Statement is not filed on or prior to the date required by Section 2(b) hereof, then commencing on the day after the applicable required filing date, liquidated damages or additional Distributions, as the case may be, shall accrue on the principal or liquidation amount of the Registrable Securities to which such default relates at a rate of 0.25% per annum; or

(ii) (A) neither the Exchange Offer Registration Statement nor a Shelf Registration Statement is declared effective by the Commission on or prior to the 180th day after the Issue Date or (B) notwithstanding that the Company and the Issuer Trust have consummated or will consummate an Exchange Offer, the Company and the Issuer Trust are required to file a Shelf Registration Statement and such Shelf Registration Statement is not declared effective by the Commission on or prior to the 30th day after the date such Shelf Registration Statement was required to be filed, then, commencing on the 181st day after the Issue Date, liquidated damages or additional Distributions, as the case may be, shall accrue on the principal or liquidation amount of the Registrable Securities to which such default relates at a rate of 0.25% per annum; or

(iii) (A) the Issuer Trust has not exchanged New Capital Securities for all Capital Securities validly tendered for exchange by their respective Holders or the Company has not exchanged the New Guarantee or New Junior Subordinated Debentures for the Guarantee or Junior Subordinated Debentures validly tendered, in accordance with the terms of the Exchange Offer on or prior to the 30th day after the date on which the Exchange Offer Registration Statement was declared effective or (B) if applicable, the Shelf Registration Statement has been declared effective and such Shelf Registration Statement ceases to be effective at any time prior to the expiration of the Rule 144(k) Period (other than after such time as all Capital Securities have been disposed of thereunder, otherwise cease to be Registrable Securities), then liquidated damages or additional Distributions, as the case may be, shall accrue on the principal or liquidation amount of the Registrable Securities at a rate of 0.25% per annum commencing on (x) the 31st day after such effective date, in the case of (A) above, or (y) the day such Shelf Registration Statement ceases to be effective in the case of (B) above, except as provided in the next succeeding paragraph hereto;

PROVIDED, HOWEVER, that neither the liquidated damages nor additional Distributions on the principal or liquidation amount of such Registrable Securities may exceed in the aggregate 0.25% per annum; PROVIDED, FURTHER, HOWEVER, that (1) upon the filing of the Exchange Offer Registration Statement or a Shelf Registration Statement (in the case of clause (i) above), (2)

upon the effectiveness of the Exchange Offer Registration Statement or a Shelf Registration Statement (in the case of clause (ii) above), or (3) upon the exchange of New Capital Securities, the New Guarantee and New Junior Subordinated Debentures for all Capital Securities, the Guarantee and all Junior Subordinated Debentures tendered (in the case of clause (iii)(A) above), or upon the effectiveness of the Shelf Registration Statement which had ceased to remain effective (in the case of clause (iii)(B) above) liquidated damages or additional Distributions on the principal or liquidation amount of such Registrable Securities shall cease to accrue and accumulate.

If the Company or Issuer Trust issues a notice pursuant to Section 2(c) hereof that the Shelf Registration Statement is unusable due to the pendency of an announcement of a material corporate transaction, or such notice is required under applicable securities laws to be issued by the Company or Issuer Trust, and the aggregate number of days in any consecutive twelve-month period for which the Shelf Registration Statement shall not be usable due to all such notices issued or required to be issued exceeds 30 days in the aggregate, then the interest rate borne by the Securities will be increased as described above beginning on the 31st such date that such Shelf Registration Statement ceases to be usable. Upon the Shelf Registration Statement once again becoming usable, the interest rate borne by the Securities will be reduced to the original interest rate if the Company or Issuer Trust is otherwise in compliance with this Agreement as such time.

Any amounts of liquidated damages and additional distributions due pursuant to Section 2(f)(i), (ii) or (iii) above ("Liquidated Damages"), will be payable in cash on the next succeeding January 15 or July 15, as the case may be, to Holders on the relevant record dates for the payment of interest and distributions pursuant to the Indenture and the Trust Agreement, respectively.

(g) SPECIFIC ENFORCEMENT. Without limiting the remedies available to the Holders, the Company and the Issuer Trust acknowledge that any failure by the Company or the Issuer Trust to comply with its obligations under Section 2(a) and Section 2(b) hereof may result in material irreparable injury to the Holders for which there is no adequate remedy at law, that it would not be possible to measure damages for such injuries precisely and that, in the event of any such failure, any Holder may obtain such relief as may be required to specifically enforce the Company's and the Issuer Trust's obligations under Section 2(a) and Section 2(b) hereof.

3. Registration Procedures. In connection with the obligations of the Company and the Issuer Trust with respect to the Registration Statements pursuant to Sections 2(a) and 2(b) hereof, the Company and the Issuer Trust shall:

(a) prepare and file with the Commission a Registration Statement or Registration Statements as prescribed by Sections 2(a) and 2(b) hereof within the relevant time period specified in Section 2 hereof on the appropriate form under the Securities Act, which form (i) shall be selected by the Company and the Issuer Trust, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and, in the case of an Exchange Offer, be available for the exchange of the Registrable Securities, and (iii) shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith; and use their best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof, PROVIDED, HOWEVER, that if (1) such filing is pursuant to Section 2(b), or (2) a Prospectus contained in an Exchange Offer Registration Statement filed pursuant to Section 2(a) is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Company and the Issuer Trust shall furnish to and afford the Holders of the Registrable Securities and each Participating Broker-Dealer, as the case may be, covered by such Registration Statement, their counsel and the managing underwriters, if any, a reasonable opportunity, which shall be no less than five business days, to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed. The Company and the Issuer Trust shall not file any Registration Statement or Prospectus or any amendments or supplements thereto in respect of which the Holders or Participating Broker-Dealers must be afforded an opportunity to review prior to the filing of such document if the Majority Holders or such Participating Broker-Dealer, as the case may be, their counsel or the managing underwriters, if any, shall reasonably object within five business days after receipt thereof;

(b) prepare and file with the Commission such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement effective for the Effectiveness Period or the Applicable Period, as the case may be; and cause each Prospectus to be supplemented, if so determined by the Company or the Issuer Trust or requested by the Commission, by any required prospectus supplement and as so supplemented to be filed pursuant to Rule 424 (or any similar provision then in force) under the Securities Act, and comply with the provisions of the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder applicable to it with respect to the disposition of all securities covered by each Registration Statement during the Effectiveness Period or the Applicable Period, as the case may be, in accordance with the intended method or methods of distribution by the selling Holders thereof described in this Agreement (including sales by any Participating Broker-Dealer);

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities included in the Shelf Registration Statement, at least three Business Days prior to filing, that a Shelf Registration Statement with respect to the Registrable Securities is being filed and advising such Holder that the distribution of Registrable Securities will be made in accordance with the method selected by the Majority Holders; and (ii) furnish to each Holder of Registrable Securities included in the Shelf Registration Statement and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder or underwriter may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities; and (iii) consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities included in the Shelf Registration Statement in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(d) in the case of a Shelf Registration, register or qualify the Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions by the time the applicable Registration Statement is declared effective by the Commission as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request in writing in advance of such date of effectiveness, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holder and underwriter to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holder; PROVIDED, HOWEVER, that the Company and the Issuer Trust shall not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (ii) file any general consent to service of process in any jurisdiction where it would not otherwise be subject to such service of process or (iii) subject itself to taxation in any such jurisdiction if it is not then so subject;

(e) in the case of (1) a Shelf Registration or (2) Participating Broker-Dealers from whom the Company or the Issuer Trust has received prior written notice that they will be utilizing the Prospectus contained in the Exchange Offer Registration Statement as provided in Section 3(t) hereof, are seeking to sell Exchange Securities and are required to deliver Prospectuses, notify each Holder of Registrable Securities or such Participating Broker-Dealers, as the case may be, covered by the Registration Statement, their counsel and the managing underwriters, if any, promptly and promptly confirm such notice in writing (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the Commission or any state securities authority for amendments and supplements to a Registration Statement or Prospectus or for additional information after the Shelf Registration Statement has become effective, (iii) of



the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the qualification of the Registrable Securities or the Exchange Securities to be offered or sold by the Participating Broker-Dealer in any jurisdiction described in paragraph 3(d) hereof or the initiation of any proceedings for that purpose, (iv) of the happening of any event or the failure of any event to occur or the discovery of any facts or otherwise, during the Effectiveness Period which makes any statement made in such Registration Statement or the related Prospectus untrue in any material respect or which causes such Registration Statement or Prospectus to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (v) the Company and the Issuer Trust's reasonable determination that a post-effective amendment to the Registration Statement would be appropriate;

(f) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible time;

(g) in the case of a Shelf Registration, furnish to each Holder of Registrable Securities included within the coverage of such Registration Statement, without charge, at least one conformed copy of each Registration Statement relating to such Shelf Registration and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(h) in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends and in such denominations (consistent with the provisions of the Indenture and the Trust Agreement) and registered in such names as the selling Holders or the underwriters may reasonably request at least two Business Days prior to the closing of any sale of Registrable Securities pursuant to such Shelf Registration Statement;

(i) in the case of a Shelf Registration or an Exchange Offer Registration, upon the occurrence of any circumstance contemplated by Section 3(e)(ii), 3(e)(iii), 3(e)(v) or 3(e)(vi) hereof, use its best efforts to prepare a supplement or post-effective amendment to such Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to notify each Holder to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event;

(j) in the case of a Shelf Registration, a reasonable time prior to the filing of any document which is to be incorporated by reference into a Registration Statement or a Prospectus after the initial filing of a Registration Statement, provide a reasonable number of copies of such document to the selling Holders; and make such of the representatives of the Company and the Issuer Trust as shall be reasonably requested by such Holders of Registrable Securities or the Initial Purchaser on behalf of such Holders available for discussion of such document;

(k) obtain a CUSIP number for all New Capital Securities and the Capital Securities (and if the Issuer Trust has made a distribution of the Junior Subordinated Debentures or New Junior Subordinated Debentures to the Holders of the Capital Securities, the Junior Subordinated Debentures), not later than the effective date of an Exchange Offer Registration Statement, and provide the Trustee with printed certificates for the Exchange Securities or the Registrable Securities in a form eligible for deposit with the Depositary;

(l) cause the Indenture, the Trust Agreement, the Guarantee, and the New Guarantee to be qualified under the Trust Indenture Act of 1939 (the "TIA") in connection with the registration of the Exchange Securities or Registrable Securities, as the case may be, and effect such changes to such documents as may be required for them to be so qualified in accordance with the terms of the TIA and execute, and use its best efforts to cause the relevant trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the Commission to enable such documents to be so qualified in a timely manner;

(m) in the case of a Shelf Registration, enter into such agreements (including underwriting agreements) as are customary in underwritten offerings and take all such other appropriate actions as are reasonably requested in order to expedite or facilitate the registration or the disposition of such Registrable Securities, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, if requested by (x) the Initial Purchaser, in the case where such Initial Purchaser holds Securities acquired by it as part of its initial distribution and (y) other Holders of Securities covered thereby: (i) make such representations and warranties to Holders of such Registrable Securities and the underwriters (if any), with respect to the business of the Issuer Trust, the Company and its subsidiaries as then conducted and the Shelf Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by issuers to underwriters in underwritten offerings, and confirm the same if and when requested; (ii) obtain opinions of counsel to the Company and the Issuer Trust and updates thereof (which may be in the form of a reliance letter) in form and substance reasonably satisfactory to the managing underwriters (if any) and the Holders of a majority in principal amount of the Registrable Securities being sold, addressed to each selling Holder and

the underwriters (if any) covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such underwriters (it being agreed that the matters to be covered by such opinions may be subject to customary qualifications and exceptions); (iii) obtain "cold comfort" letters and updates thereof in form and substance reasonably satisfactory to the managing underwriters from the independent certified public accountants of the Company and the Issuer Trust (and, if necessary, any other independent certified public accountants of any subsidiary of the Company and the Issuer Trust or of any business acquired by the Company and the Issuer Trust for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings and such other matters as reasonably requested by such underwriters in accordance with Statement on Auditing Standards No. 72; and (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures no less favorable than those set forth in Section 4 hereof (or such other provisions and procedures acceptable to Holders of a majority in aggregate principal amount of Registrable Securities covered by such Shelf Registration Statement and the managing underwriters or agents) with respect to all parties to be indemnified pursuant to said Section (including, without limitation, such underwriters and selling Holders). The above shall be done at each closing under such underwriting agreement, or as and to the extent required thereunder;

(n) if (1) a Shelf Registration is filed pursuant to Section 2(b), or (2) a Prospectus contained in an Exchange Offer Registration Statement filed pursuant to Section 2(a) is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, make reasonably available for inspection by any selling Holder of such Registrable Securities being sold or each such Participating Broker-Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Securities, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer, as the case may be, or underwriter (collectively, the "Inspectors"), at the offices where normally kept, during reasonable business hours and upon request, all financial and other records, pertinent corporate documents and properties of the Issuer Trust, the Company and its subsidiaries (collectively, the "Records") as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Issuer Trust, the Company and its subsidiaries to supply all relevant information in each case reasonably requested by any such Inspector in connection with such Shelf Registration Statement PROVIDED, HOWEVER, that the foregoing inspection and information gathering shall be coordinated by the Initial Purchaser and, on behalf of the selling Holders of Registrable Securities, by one counsel designated as described in Section 2(c) hereof. Records which the Company and the Issuer Trust determine, in good faith, to be confidential and any records which either of them notifies the Inspectors are

confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a material misstatement or omission in such Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or is necessary in connection with any action, suit or proceeding or (iii) the information in such Records has been made generally available to the public. Each selling Holder of such Registrable Securities and each such Participating Broker-Dealer will be required to agree in writing that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Issuer Trust or the Company unless and until such is made generally available to the public. Each such selling Holder of such Registrable Securities and each such Participating Broker-Dealer will be required to further agree in writing that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company at its expense to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(o) comply with all applicable rules and regulations of the Commission so long as any provision of this Agreement shall be applicable and make generally available to their respective security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company after the effective date of a Registration Statement, which statements shall cover said 12-month periods;

(p) upon consummation of an Exchange Offer or a Private Exchange, if requested by a Trustee, obtain an opinion of counsel to the Company addressed to the Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer or the Private Exchange, as the case may be, and which includes an opinion that (i) the Company or the Issuer Trust, as the case requires, has duly authorized, executed and delivered the Exchange Securities or the Private Exchange Securities, as the case may be, and (ii) each of the Exchange Securities or the Private Exchange Securities, as the case may be, constitute a legal, valid and binding obligation of the Company or the Issuer Trust, as the case requires, enforceable against the Company or the Issuer Trust, as the case requires, in accordance with their respective terms (in each case, with customary exceptions);

(q) if an Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Registrable Securities by Holders to the Company or the Issuer Trust, as applicable (or to such other Person as directed by the Company or the Issuer Trust, respectively),

in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, mark, or cause to be marked, on such Registrable Securities delivered by such Holders that such Registrable Securities are being canceled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall such Registrable Securities be marked as paid or otherwise satisfied;

(r) cooperate with each seller of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD;

(s) use its best efforts to take all other steps necessary to effect the registration of the Registrable Securities covered by a Registration Statement contemplated hereby;

(t) (A) in the case of the Exchange Offer Registration Statement (i) include in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," which section shall be reasonably acceptable to the Initial Purchaser or another representative of the Participating Broker-Dealers, and which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer (a "Participating Broker-Dealer") that holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities and that will be the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of Exchange Securities to be received by such broker-dealer in the Exchange Offer, whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies, in the reasonable judgment of the Initial Purchaser or such other representative, represent the prevailing views of the staff of the Commission, including a statement that any such broker-dealer who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer may be deemed a statutory underwriter and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities, (ii) furnish to each Participating Broker-Dealer who has delivered to the Company the notice referred to in Section 3(e), without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such Participating Broker-Dealer may reasonably request (each of the Company and the Issuer Trust hereby consents to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto by any Person subject to the prospectus delivery requirements of the Securities Act, including all Participating Broker-Dealers, in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto), (iii) keep the Exchange Offer Registration Statement effective and amend and supplement the Prospectus contained therein in order to permit such Prospectus to be lawfully delivered by all Persons subject to the

prospectus delivery requirements of the Securities Act for such period of time as such Persons must comply with such requirements under the Securities Act and applicable rules and regulations in order to resell the Exchange Securities; PROVIDED, HOWEVER, that such period shall not be required to exceed 90 days (or such longer period if extended pursuant to the last sentence of Section 3 hereof) (the "Applicable Period"), and (iv) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) substantially the following provision:

"If the exchange offeree is a broker-dealer holding Registrable Securities acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Securities received in respect of such Registrable Securities pursuant to the Exchange Offer";

and (y) a statement to the effect that by a broker-dealer making the acknowledgment described in clause (x) and by delivering a Prospectus in connection with the sale of Registrable Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act; and

(B) in the case of any Exchange Offer Registration Statement, the Company and the Issuer Trust agree to deliver to the Initial Purchaser or to another representative of the Participating Broker-Dealers, if requested by such Initial Purchaser or such other representative of the Participating Broker-Dealers, on behalf of the Participating Broker-Dealers upon consummation of the Exchange Offer (i) an opinion of counsel in form and substance reasonably satisfactory to the Initial Purchaser or such other representative of the Participating Broker-Dealers, covering the matters customarily covered in opinions requested in connection with Exchange Offer Registration Statements and such other matters as may be reasonably requested (it being agreed that the matters to be covered by such opinion may be subject to customary qualifications and exceptions), (ii) an officers' certificate containing certifications substantially similar to those set forth in Section 5(f) of the Purchase Agreement and such additional certifications as are customarily delivered in a public offering of debt securities and (iii) as well as upon the effectiveness of the Exchange Offer Registration Statement, a comfort letter, in each case, in customary form if permitted by Statement on Auditing Standards No. 72.

The Company or the Issuer Trust may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Company or the Issuer Trust, as applicable, such information regarding such seller as may be required by the staff of the Commission to be included in a Registration Statement. The Company or the Issuer Trust may exclude from such registration the Registrable Securities of any seller who unreasonably fails to furnish such information within a reasonable time after receiving such request. The Company

shall have no obligation to register under the Securities Act the Registrable Securities of a seller who so fails to furnish such information within a reasonable time (not to exceed 20 days) after receiving such request and shall be under no obligation to compensate any such seller for any lost income, interest or other opportunity foregone, or any liability increased as a result of the Company's decision to exclude such Seller. In addition, each Holder, by its acquisition of a Registrable Security, agrees to the extent that it is required to comply with the registration and prospectus delivery requirements of the Securities Act, such Holder agrees to comply with such requirements.

In the case of (1) a Shelf Registration Statement or (2) Participating Broker-Dealers who have notified the Company and the Issuer Trust that they will be utilizing the Prospectus contained in the Exchange Offer Registration Statement as provided in Section 3(t) hereof and are seeking to sell Exchange Securities and are required to deliver Prospectuses, each selling Holder agrees that, upon receipt of any notice from the Company or the Issuer Trust of the happening of any event of the kind described in Section 3(c), 3(e)(ii), 3(e)(iii), 3(e)(v) or 3(e)(vi) hereof, such Holder will forthwith suspend use of the Prospectus and discontinue disposition of Registrable Securities pursuant to a Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(i) hereof or until it is advised in writing (the "Advice") by the Company and the Issuer Trust that the use of the applicable Prospectus may be resumed, and, if so directed by the Company and the Issuer Trust, such Holder will deliver to the Company or the Issuer Trust (at the Company's or the Issuer Trust's expense, as the case requires) all copies in such Holder's possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities or Exchange Securities, as the case may be, current at the time of receipt of such notice. If the Company or the Issuer Trust shall give any such notice to suspend the disposition of Registrable Securities, or Exchange Securities, as the case may be, pursuant to a Registration Statement, the Company and the Issuer Trust shall use their best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to the Registration Statement and shall extend the period during which such Registration Statement shall be maintained effective pursuant to this Agreement by the number of days in the period from and including the date of the giving of such notice to and including the date when the Company and the Issuer Trust shall have made available to the Holders (x) copies of the supplemented or amended Prospectus necessary to resume such dispositions or (y) the Advice.

#### 4. Indemnification and Contribution.

(a) In connection with any Registration Statement, the Company and the Issuer Trust shall, jointly and severally, indemnify and hold harmless the Initial Purchaser, each Holder, each underwriter who participates in an offering of the Registrable Securities, each Participating Broker-Dealer, each Person, if any, who controls any of such parties within the

meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each of their respective directors, officers, employees and agents, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto), covering Registrable Securities or Exchange Securities, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, provided that any such settlement is effected with the written consent of the Company; and

(iii) against any and all expenses whatsoever, as incurred (including the fees and disbursements of counsel chosen by such Holder, such Participating Broker-Dealer, or any underwriter (except to the extent otherwise expressly provided in Section 4(c) hereof)), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) of this Section 4(a);

PROVIDED, HOWEVER, that (i) this indemnity does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished in writing to the Company or the Issuer Trust by such Holder, such Participating Broker-Dealer, or any underwriter with respect to such Holder, Participating Broker-Dealer or any underwriter, as the case may be, expressly for use in a Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto) and (ii) the Company and the Issuer Trust shall not be liable to any such Holder, Participating Broker-Dealer, any underwriter or controlling person, with respect to any untrue statement or alleged untrue statement or omission



or alleged omission in any preliminary Prospectus to the extent that any such loss, liability, claim, damage or expense of any Holder, Participating Broker-Dealer, any underwriter or controlling person results from the fact that such Holder, any underwriter or Participating Broker-Dealer, sold Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final Prospectus as then amended or supplemented if the Company had previously furnished copies thereof to such Holder, underwriter, or Participating Broker-Dealer, and the loss, liability, claim, damage or expense of such Holder, underwriter, Participating Broker-Dealer, or controlling person results from an untrue statement or omission of a material fact contained in the preliminary Prospectus which was corrected in the final Prospectus. Any amounts advanced by the Company or the Issuer Trust to an indemnified party pursuant to this Section 4 as a result of such losses shall be returned to the Company or the Issuer Trust if it shall be finally determined by such a court in a judgment not subject to appeal or final review that such indemnified party was not entitled to indemnification by the Company or the Issuer Trust.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, the Issuer Trust, any underwriter and the other selling Holders and each of their respective directors, officers (including each officer of the Company and the Issuer Trust who signed the Registration Statement), employees and agents and each Person, if any, who controls the Company, the Issuer Trust, any underwriter or any other selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all loss, liability, claim, damage and expense whatsoever described in the indemnity contained in Section 4(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in a Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company or the Issuer Trust by such selling Holder with respect to such Holder expressly for use in such Registration Statement (or any amendment thereto), or any such Prospectus (or any amendment or supplement thereto); PROVIDED, HOWEVER, that, in the case of a Shelf Registration Statement, no such Holder shall be liable for any amount hereunder in excess of the amount of net proceeds received by such Holder from the sale of Registrable Securities pursuant to such Shelf Registration Statement.

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. The indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred.

In the case of parties indemnified pursuant to Section 7(a) above, counsel to the indemnified parties shall be selected by the Company, and, in the case of parties indemnified pursuant to Section 7(b) above, counsel to the indemnified parties shall be selected by the Holders, Participating Broker-Dealers or underwriters, if any. Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 4 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Notwithstanding the last sentence of Section 4(c), if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for reasonable fees and expenses of counsel pursuant to Section 4(a)(iii) above, such indemnifying party agrees that it shall be liable for any settlement effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement; PROVIDED that an indemnifying party shall not be liable for any such settlement effected without its consent if such indemnifying party (1) reimburses such indemnified party in accordance with such request to the extent it considers

reasonable and (2) provides written notice to the indemnified party substantiating the unpaid balance as unreasonable, in each case prior to the date of such settlement.

(e) In order to provide for just and equitable contribution in circumstances under which any of the indemnity provisions set forth in this Section 4 is for any reason held to be unenforceable to the indemnified parties although applicable in accordance with its terms, the indemnifying parties shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by such indemnified party, as incurred; PROVIDED that 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 that was not guilty of such fraudulent misrepresentation.

As between the Company, the Issuer Trust, and the Holders, such parties shall contribute to such aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement in such proportion as shall be appropriate to reflect the relative fault of the Company and Issuer Trust, on the one hand, and the Holders, on the other hand, with respect to the statements or omissions which resulted in such loss, liability, claim, damage or expense, or action in respect thereof, as well as any other relevant equitable considerations.

The relative fault of the Company and the Issuer Trust, on the one hand, and of the Holders, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Issuer Trust, on the one hand, or by or on behalf of the Holders, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Issuer Trust and the Holders of the Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 4 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the relevant equitable considerations. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

For purposes of this Section 4, each affiliate of a Holder, and each director, officer, employee, agent and Person, if any, who controls a Holder or such affiliate within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the

same rights to contribution as such Holder, and each director of each of the Company or the Issuer Trust, each officer of each of the Company or the Issuer Trust who signed the Registration Statement, and each Person, if any, who controls each of the Company and the Issuer Trust within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as each of the Company or the Issuer Trust.

5. Participation in Underwritten Registrations. No Holder may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents reasonably required under the terms of such underwriting arrangements.

6. Selection of Underwriters. The Holders of Registrable Securities covered by a Shelf Registration Statement who desire to do so may sell the securities covered by such Shelf Registration in an underwritten offering. In any such underwritten offering, the underwriter or underwriters and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Registrable Securities included in such offering; PROVIDED, HOWEVER, that such underwriters and managers must be reasonably satisfactory to the Company and the Issuer Trust.

7. Miscellaneous.

(a) RULE 144 AND RULE 144A. For so long as the Company or the Issuer Trust is subject to the reporting requirements of Section 13 or 15 of the Exchange Act and any Registrable Securities remain outstanding, each of the Company and the Issuer Trust, as the case may be, will use its best efforts to file the reports required to be filed by it under the Securities Act and Section 13(a) or 15(d) of the Exchange Act and the rules and regulations adopted by the Commission thereunder, or, if it ceases to be so required to file such reports, it will, upon the request of any Holder of Registrable Securities (a) make publicly available such information as is necessary to permit sales of their securities pursuant to Rule 144 under the Securities Act, (b) deliver such information to a prospective purchaser as is necessary to permit sales of their securities pursuant to Rule 144A under the Securities Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (c) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such rule may be amended from time to time, (ii) Rule 144A under the Securities Act, as such rule may be amended from time to time, or (iii) any similar rules or regulations hereafter adopted by

the Commission. Upon the request of any Holder of Registrable Securities, the Company or the Issuer Trust, as the case may be, will deliver to such Holder a written statement as to whether it has complied with such requirements.

(b) NO INCONSISTENT AGREEMENTS. The Company or the Issuer Trust has not entered into nor will the Company or the Issuer Trust on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's or the Issuer Trust's other issued and outstanding securities under any such agreements.

(c) AMENDMENTS AND WAIVERS. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company and the Issuer Trust have obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or departure; PROVIDED no amendment, modification or supplement or waiver or consent to the departure with respect to the provisions of Section 4 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder of Registrable Securities. Notwithstanding the foregoing sentence, (i) this Agreement may be amended, without the consent of any Holder of Registrable Securities, by written agreement signed by the Company, the Issuer Trust and the Initial Purchaser, to cure any ambiguity, correct or supplement any provision of this Agreement that may be inconsistent with any other provision of this Agreement or to make any other provisions with respect to matters or questions arising under this Agreement which shall not be inconsistent with other provisions of this Agreement, (ii) this Agreement may be amended, modified or supplemented, and waivers and consents to departures from the provisions hereof may be given, by written agreement signed by the Company, the Issuer Trust and the Initial Purchaser to the extent that any such amendment, modification, supplement, waiver or consent is, in their reasonable judgment, necessary or appropriate to comply with applicable law (including any interpretation of the Staff of the Commission) or any change therein and (iii) to the extent any provision of this Agreement relates to the Initial Purchaser, such provision may be amended, modified or supplemented, and waivers or consents to departures from such provisions may be given, by written agreement signed by the Initial Purchaser, the Company and the Issuer Trust.

(d) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company or the Issuer Trust by means of a notice given in

accordance with the provisions of this Section 7(d), which address initially is, with respect to the Initial Purchaser, the address set forth in the Purchase Agreement; and (ii) if to the Company or the Issuer Trust, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 7(d).

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the Person giving the same to the Trustee, at the address specified in the Indenture.

(e) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of the Initial Purchaser, including, without limitation and without the need for an express assignment, subsequent Holders; PROVIDED, HOWEVER, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof.

(f) THIRD-PARTY BENEFICIARY. The Initial Purchaser shall be a third party beneficiary of the agreements made hereunder between the Company and the Issuer Trust, on the one hand, and the Holders, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(g) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF GEORGIA. THE VALIDITY AND INTERPRETATION OF THIS AGREEMENT, AND THE TERMS AND CONDITIONS SET FORTH HEREIN, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA WITHOUT GIVING EFFECT TO ANY PROVISIONS RELATING TO CONFLICTS OF LAWS. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF GEORGIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(j) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) SECURITIES HELD BY THE COMPANY, THE ISSUER TRUST OR ITS AFFILIATES. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company, the Issuer Trust or its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

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

UNITED COMMUNITY BANKS, INC.

By: /s/Jimmy C. Tallent

-----  
Name: Jimmy C. Tallent  
Title: President

UNITED COMMUNITY CAPITAL TRUST

By: /s/Jimmy C. Tallent

-----  
Name: Jimmy C. Tallent  
Title: Administrator

Confirmed and accepted as of the date first above written:

WHEAT FIRST SECURITIES, INC.

By: /s/Scott R. Anderson

-----  
Name: Scott R. Anderson  
Title: Managing Director



KILPATRICK STOCKTON LLP

September 30, 1998

United Community Banks, Inc.  
Post Office Box 398  
59 Highway 515  
Blairsville, Georgia 30512

RE: REGISTRATION STATEMENT ON FORM S-4

Ladies and Gentlemen:

We are counsel to United Community Banks, Inc., a Georgia corporation (the "Company"), in connection with the registration under the Securities Act of 1933 (the "Securities Act") of its 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "New Debentures") and its Guarantee with respect to newly-issued 8.125% Capital Securities of United Community Capital Trust (the "Guarantee"). The transaction in which the New Debentures will be issued is described in the Company's Registration Statement on Form S-4 (the "Registration Statement"), expected to be filed with the Securities and Exchange Commission (the "Commission") on September 30, 1998. The New Debentures will be issued under an Indenture, dated as of July 20, 1998 (the "Indenture"), between the Company and The Chase Manhattan Bank, as Trustee. In connection with the filing of the Registration Statement, you have requested our opinion concerning certain corporate matters.

This opinion 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, which Interpretive Standards are incorporated in this opinion letter by this reference. All capitalized terms used herein, unless expressly defined herein, have the meanings ascribed to such terms the Interpretive Standards.

We have participated in the preparation of the Registration Statement and have reviewed originals or copies, certified or otherwise identified to our satisfaction, of such documents and records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

In the course of our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. In making our examination of documents executed by parties other than the Company we have assumed that such parties had the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization

Board of Directors of  
United Community Banks, Inc.  
September 30, 1998  
Page 2

by all requisite action, corporate or other, and execution and delivery by such parties of such documents, as well as the validity, binding effect and enforceability thereof on such parties.

Based upon the foregoing, we are of the opinion that:

(1) The New Debentures have been duly authorized by all requisite corporate action of the Company and, when executed and authenticated in the manner provided for in the Indenture and delivered against surrender and cancellation of a like aggregate principal amount of the Company's outstanding 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028, as contemplated in the Registration Rights Agreement dated July 20, 1998 to which the Company is a party, the New Debentures will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles (regardless of whether considered in a proceeding in equity or at law).

(2) The Guarantee has been duly authorized by all requisite corporate action of the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles (regardless of whether considered

in a proceeding in equity or at law).

We are licensed in the State of Georgia. Our opinions are limited to the laws of the State of Georgia, and we express no opinion concerning the laws of any other jurisdiction.

We consent to the filing of this opinion with the Securities and Exchange Commission (the "Commission") as an exhibit to the Registration Statement and to the references to us in the Prospectus included therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act or the rules and regulations promulgated thereunder by the Commission.

Very truly yours,

Sincerely,

KILPATRICK STOCKTON LLP

By: /s/ F. Sheffield Hale, a Partner

/br

[Letterhead of Richards, Layton & Finger, P.A.]

September 30, 1998

United Community Capital Trust  
c/o United Community Banks, Inc.  
59 Highway 515  
P.O. Box 398  
Blairsville, Georgia 30512

Re: United Community Capital Trust

Ladies and Gentlemen:

We have acted as special Delaware counsel for United Community Banks, Inc., a Georgia Bank Holding Company (the "Company"), and United Community Capital Trust, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

() The Certificate of Trust of the Trust, dated as of July 13, 1998 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on July 13, 1998;

() The Trust Agreement of the Trust, dated as of July 13, 1998, by and between the Company, as depositor, and Chase Manhattan Bank Delaware, a Delaware banking corporation, as trustee of the Trust;

United Community Capital Trust  
September 30, 1998  
Page 2

() The Amended and Restated Trust Agreement of the Trust, dated as of July 20, 1998 (including Exhibits A, C, D and E thereto) (the "Trust Agreement"), among the Company, as depositor, the trustees and administrators named therein and the several holders from time to time of beneficial interests in the Trust;

() The registration statement on Form S-4, including a related preliminary prospectus (the "Prospectus"), relating to the 8.125% New Capital Securities of the Trust representing undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"), as proposed to be filed by the Company and the Trust with the Securities and Exchange Commission (the "SEC") on or about September 30, 1998 (the "Registration Statement"); and

() A Certificate of Good Standing for the Trust, dated September 30, 1998, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed above, and we have assumed that there exists no provision in any document that we have not reviewed that bears upon or is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement constitutes the entire agreement among the parties thereto with

respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Preferred Security is to be issued by the Trust (collectively, the "Preferred Security

Holder") of a certificate evidencing the Preferred Security, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Preferred Securities are issued to the Preferred Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder which are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, 12 Del. C. ss. 3801, et seq.
2. When issued and sold, the Preferred Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.
3. The Preferred Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the SEC as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Validity of New Securities" in the Prospectus. In giving the foregoing consents, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the SEC thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

/s/ Richards, Layton & Finger, P.A

MIL/GWL/RRM/mag

ATTORNEYS AT LAW  
Suite 2800  
1100 Peachtree Street  
Atlanta, Georgia 30309-4530  
Telephone: 404.815.6500  
Facsimile: 404.815.6555

KILPATRICK STOCKTON LLP

September 28, 1998

Board of Directors  
United Community Banks, Inc.  
59 Highway 515, P.O. Box 398  
Blairsville, Georgia 30512

United Community Capital Trust -- Exchange Offer  
Certain Federal Income Tax Matters

Ladies and Gentlemen:

We have acted as counsel to United Community Capital Banks, Inc. (the "Company") and United Community Capital Trust (the "Trust") in connection with the preparation of a Registration Statement on Form S-4 (the "Registration Statement") for the registration under the Securities Act of 1933, as amended (the "Act"), of (1) up to \$21 million aggregate liquidation amount of the Trust's 8.125% Capital Securities (the "New Capital Securities"), (2) the Company's 8.125% Junior Subordinated Deferrable Interest Debentures due July 15, 2028 (the "Debentures"), and (3) the Company's related guarantee of certain payments (the "Guarantee"). The New Capital Securities, the Debentures, and the Guarantee are to be issued in order to effect the exchange of New Capital Securities for a like liquidation amount of the Trust's outstanding 8.125% Capital Securities.

We have reviewed copies of (1) the Registration Statement, including the prospectus included therein, and (2) such other documents as we have deemed necessary or appropriate as a basis for the opinion set forth below. We have also relied upon, and assumed the accuracy of, certain written representations made to us by the Company.

Based on the foregoing, we confirm that the statements of law and legal conclusions contained in the Registration Statement under the caption "Certain Federal Income Tax Consequences" constitute our opinion, subject to the assumptions, conditions, and limitations described therein, and that the discussion thereunder does not omit any material provision with respect to the matters covered.

September 28, 1998  
Page 2

We consent to the filing of this opinion as an exhibit to the Registration Statement. We also consent to the reference to Kilpatrick Stockton LLP under the caption "Certain Federal Income Tax Consequences" in the Registration Statement. In giving this consent, we do not admit that we are in the category of persons whose consent is required by Section 7 of the Act or the rules and regulations promulgated thereunder by the Securities and Exchange Commission.

Very truly yours,

/s/ KILPATRICK STOCKTON LLP

COMPUTATION OF CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES  
(INCLUDING INTEREST ON DEPOSITS)

The Company's ratios of earnings to fixed charges (including interest on deposits) for the six months ended June 30, 1998 and 1997 and the five years ended December 31, 1997 were as follows:

(dollars in thousands)	Six Months Ended June 30,	Six Months Ended June 30,	Years Ended December 31,				
			1998	1997	1997	1996	1995
Net Income	5,542	4,882	10,735	8,927	6,669	5,701	4,609
Income tax expense	2,828	2,289	4,766	4,114	2,549	2,205	1,592
Pretax earnings	8,370	7,171	15,501	13,041	9,218	7,906	6,201
Interest on borrowed funds	2,274	1,739	3,680	1,930	1,865	1,266	712
Interest on deposits	24,371	19,862	42,868	32,161	26,329	15,511	14,031
Total fixed charges	26,645	21,601	46,548	34,091	28,194	16,777	14,743
Earnings for ratio calculation	35,015	28,772	62,049	47,132	37,412	24,683	20,944
Ratio of earnings to fixed charges	1.31	1.33	1.33	1.38	1.33	1.47	1.42

The Company's ratios of earnings to fixed charges (excluding interest on deposits) for the six months ended June 30, 1998 and 1997 and the five years ended December 31, 1997 were as follows:

(dollars in thousands)	Six Months Ended June 30,	Six Months Ended June 30,	Years Ended December 31,				
			1998	1997	1997	1996	1995
Net Income	5,542	4,882	10,735	8,927	6,669	5,701	4,609
Income tax expense	2,828	2,289	4,766	4,114	2,549	2,205	1,592
Pretax earnings	8,370	7,171	15,501	13,041	9,218	7,906	6,201
Interest on borrowed funds	2,274	1,739	3,680	1,930	1,865	1,266	712
Total fixed charges	2,274	1,739	3,680	1,930	1,865	1,266	712
Earnings for ratio calculation	10,644	8,910	19,181	14,971	11,083	9,172	6,913
Ratio of earnings to fixed charges	4.68	5.12	5.21	7.76	5.94	7.24	9.71



CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated March 6, 1998, accompanying the consolidated financial statements of United Community Banks, Inc. and Subsidiaries contained in the Registration Statement on Form S-4. We consent to the use of the aforementioned report in the Registration Statement on Form S-4, and to the use of our name as it appears under the caption "Experts".

\s\PORTER KEADLE MOORE, LLP

Atlanta, Georgia  
September 29, 1998

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF  
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF  
A TRUSTEE PURSUANT TO SECTION 305(b)(2) \_\_\_\_\_

THE CHASE MANHATTAN BANK

(Exact name of trustee as specified in its charter)

NEW YORK 13-4994650  
(State of incorporation (I.R.S. employer  
if not a national bank) identification No.)

270 PARK AVENUE  
NEW YORK, NEW YORK 10017  
(Address of principal executive offices) (Zip Code)

William H. McDavid  
General Counsel  
270 Park Avenue  
New York, New York 10017  
Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

UNITED COMMUNITY CAPITAL TRUST

(Exact name of obligor as specified in its charter)

DELAWARE APPLIED FOR  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification No.)

59 HIGHWAY 515  
BLAIRSVILLE, GEORGIA 30512  
(Address of principal executive offices) (Zip Code)

CAPITAL SECURITIES  
(Title of the indenture securities)

## GENERAL

## Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany, New York  
12110.

Board of Governors of the Federal Reserve System, Washington, D.C.,  
20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty Street,  
New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

## Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.



Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, The Chase Manhattan Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 21st day of September, 1998.

THE CHASE MANHATTAN BANK

By

-----  
William G. Keenan  
Trust Officer

- 3 -

Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, The Chase Manhattan Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 21st day of September, 1998.

THE CHASE MANHATTAN BANK

By /s/William G. Keenan

-----  
William G. Keenan  
Trust Officer

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

## FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF  
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF  
A TRUSTEE PURSUANT TO SECTION 305(b) (2) \_\_\_\_\_

## THE CHASE MANHATTAN BANK

(Exact name of trustee as specified in its charter)

NEW YORK 13-4994650  
(State of incorporation (I.R.S. employer  
if not a national bank) identification No.)

270 PARK AVENUE  
NEW YORK, NEW YORK 10017  
(Address of principal executive offices) (Zip Code)

William H. McDavid  
General Counsel  
270 Park Avenue  
New York, New York 10017  
Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

## UNITED COMMUNITY BANKS, INC.

(Exact name of obligor as specified in its charter)

GEORGIA 58-1827304  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification No.)

59 HIGHWAY 515  
BLAIRSVILLE, GEORGIA 30512  
(Address of principal executive offices) (Zip Code)

JUNIOR SUBORDINATED DEBENTURES  
(Title of the indenture securities)

## GENERAL

## Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany, New York  
12110.

Board of Governors of the Federal Reserve System, Washington, D.C.,  
20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty Street,  
New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

## Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.



Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, The Chase Manhattan Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 21st day of September, 1998.

THE CHASE MANHATTAN BANK

By \_\_\_\_\_  
William G. Keenan  
Trust Officer



Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

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THE CHASE MANHATTAN BANK

By /s/William G. Keenan

-----  
William G. Keenan  
Trust Officer

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF  
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF  
A TRUSTEE PURSUANT TO SECTION 305(b)(2) \_\_\_\_\_

THE CHASE MANHATTAN BANK

(Exact name of trustee as specified in its charter)

NEW YORK 13-4994650  
(State of incorporation (I.R.S. employer  
if not a national bank) identification No.)

270 PARK AVENUE  
NEW YORK, NEW YORK 10017  
(Address of principal executive offices) (Zip Code)

William H. McDavid  
General Counsel  
270 Park Avenue  
New York, New York 10017  
Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

UNITED COMMUNITY BANKS, INC.

(Exact name of obligor as specified in its charter)

GEORGIA 58-1827304  
(State or other jurisdiction of (I.R.S. employer  
incorporation or organization) identification No.)

59 HIGHWAY 515  
BLAIRSVILLE, GEORGIA 30512  
(Address of principal executive offices) (Zip Code)

CAPITAL SECURITIES GUARANTEE  
(UNITED COMMUNITY CAPITAL TRUST)  
(Title of the indenture securities)

## GENERAL

## Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany, New York  
12110.

Board of Governors of the Federal Reserve System, Washington, D.C.,  
20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty Street,  
New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

## Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such  
affiliation.

None.



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THE CHASE MANHATTAN BANK

By \_\_\_\_\_  
William G. Keenan  
Trust Officer

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THE CHASE MANHATTAN BANK

By /s/William G. Keenan

-----  
William G. Keenan  
Trust Officer

LETTER OF TRANSMITTAL

UNITED COMMUNITY CAPITAL TRUST

OFFER TO EXCHANGE ITS

8.125% CAPITAL SECURITIES  
(LIQUIDATION AMOUNT \$1,000 PER CAPITAL SECURITY)  
WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933  
FOR ANY AND ALL OF ITS OUTSTANDING  
8.125% CAPITAL SECURITIES  
(LIQUIDATION AMOUNT \$1,000 PER CAPITAL SECURITY)

PURSUANT TO THE PROSPECTUS DATED \_\_\_\_\_, 1998

-----  
THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY  
TIME, ON \_\_\_\_\_, 1998, UNLESS THE OFFER IS EXTENDED.  
-----

The Chase Manhattan Bank  
(the "Exchange Agent")

BY REGISTERED OR CERTIFIED MAIL, HAND OR OVERNIGHT DELIVERY:

The Chase Manhattan Bank  
55 Water Street  
Room 234  
North Building  
New York, New York 10041  
Attention: Carlos Esteves

BY FACSIMILE TRANSMISSION:

(212) 638-7375  
(212) 344-9367

CONFIRM BY TELEPHONE:

Carlos Estevez: (212) 638-0828

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The undersigned hereby acknowledges receipt of the Prospectus dated \_\_\_\_\_, 1998 (the "Prospectus") of United Community Capital Trust (the "Trust") and this Letter of Transmittal, which together constitute the Trust's offer (the "Exchange Offer") to exchange up to \$21,000,000 aggregate liquidation amount of its 8.125% Capital Securities (liquidation amount \$1,000 per Capital Security) (the "New Capital Securities"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement on Form S-4 of which the Prospectus is a part, for a like liquidation amount of its outstanding 8.125% Capital Securities (liquidation amount \$1,000 per Capital Security) (the "Old Capital Securities"), of which \$21,000,000 aggregate liquidation amount is outstanding. The term "Expiration Date" shall mean 5:00 p.m., New York City time, on \_\_\_\_\_, 1998, unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended. Capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

This Letter of Transmittal is to be completed by holders of Old Capital Securities either if (i) Old Capital Securities are to be forwarded herewith or (ii) tenders of Old Capital Securities are to be made by book-entry transfer to an account maintained by the Exchange Agent at The Depository Trust Company ("DTC") pursuant to the procedures set forth under "The Exchange Offer--Procedures for Tendering Old Capital Securities" in the Prospectus and an Agent's Message (as defined herein) is not delivered.

Holders of Old Capital Securities whose certificates (the "Certificates") for such Old Capital Securities are not immediately available or who cannot deliver their Certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date (as defined in the Prospectus) or who cannot complete the procedures for book-entry transfer on or prior to the Expiration Date, must tender their Old Capital Securities according to the guaranteed delivery procedures set forth in "The Exchange Offer--Procedures for

Tendering Old Capital Securities" in the Prospectus.

DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.  
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.





(BOXES BELOW TO BE CHECKED BY ELIGIBLE INSTITUTION (DEFINED IN INSTRUCTION 1) ONLY)

CHECK HERE IF TENDERED OLD CAPITAL SECURITIES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC, AND COMPLETE THE FOLLOWING:

Name of Tendering Institution \_\_\_\_\_

DTC Account Number \_\_\_\_\_

Transaction Code Number \_\_\_\_\_

By crediting the Old Capital Securities to the Exchange Agent's Account at DTC in accordance with DTC's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting to the Exchange Agent a computer-generated message (an "Agent's Message") in which the holder of the Old Capital Securities acknowledges and agrees to be bound by the terms of the Letter of Transmittal, the participant in DTC confirms on behalf of itself and the beneficial owners of such Old Capital Securities all provisions of this Letter of Transmittal applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter of Transmittal to the Exchange Agent.

CHECK HERE AND ENCLOSE A PHOTOCOPY OF THE NOTICE OF GUARANTEED DELIVERY IF TENDERED OLD CAPITAL SECURITIES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) \_\_\_\_\_

Window Ticket Number (if any) \_\_\_\_\_

Date of Execution of Notice of Guaranteed Delivery \_\_\_\_\_

Name of Institution which Guaranteed Delivery \_\_\_\_\_

If Guaranteed Delivery is to be made by Book-Entry Transfer:

Name of Tendering Institution \_\_\_\_\_

DTC Account Number \_\_\_\_\_

Transaction Code Number \_\_\_\_\_

CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED OLD CAPITAL SECURITIES ARE TO BE RETURNED BY CREDITING THE DTC ACCOUNT NUMBER SET FORTH ABOVE.

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE OLD CAPITAL SECURITIES FOR YOUR OWN ACCOUNT AS A RESULT OF MARKET MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE TEN ADDITIONAL COPIES OF THE PROSPECTUS AND TEN COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name -----

Address -----

Area Code and Telephone Number -----

Contact Person -----

Ladies and Gentlemen:

The undersigned hereby tenders to United Community Capital Trust, a trust formed under the laws of the State of Delaware (the "Trust"), and United Community Banks, Inc., a Georgia corporation (the "Company"), the above described aggregate Liquidation Amount of the Trust's Old Capital Securities in exchange for a like aggregate Liquidation Amount of the Trust's 8.125% Capital Securities (the "New Capital Securities"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), upon the terms and subject to the conditions set forth in the Prospectus dated \_\_\_\_\_, 1998 (as the same may be amended or supplemented from time to time, the "Prospectus"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with the Prospectus, constitute the "Exchange Offer").

Subject to and effective upon the acceptance for exchange of all or any portion of the Old Capital Securities tendered herewith in accordance with the terms and conditions of the Exchange Offer (including, if the Exchange Offer is extended or amended, the terms and conditions of any such extension or amendment), the undersigned hereby sells, assigns and transfers to or upon the order of the Trust all right, title and interest in and to such Old Capital Securities as are being tendered herewith. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as its agent and attorney-in-fact (with full knowledge that the Exchange Agent is also acting as agent of the Company and the Trust in connection with the Exchange Offer) with respect to the tendered Old Capital Securities, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) subject only to the right of withdrawal described in the Prospectus, to (i) deliver Certificates for Old Capital Securities to the Company or the Trust together with all accompanying evidences of transfer and authenticity to, or upon the order of, the Trust, upon receipt by the Exchange Agent, as the undersigned's agent, of the New Capital Securities to be issued in exchange for such Old Capital Securities, (ii) present Certificates for such Old Capital Securities for transfer, and to transfer the Old Capital Securities on the books of the Trust, and (iii) receive for the account of the Trust all benefits and otherwise exercise all rights of beneficial ownership of such Old Capital Securities, all in accordance with the terms and conditions of the Exchange Offer.

THE UNDERSIGNED HEREBY REPRESENTS AND WARRANTS THAT THE UNDERSIGNED HAS FULL POWER AND AUTHORITY TO TENDER, EXCHANGE, SELL, ASSIGN AND TRANSFER THE OLD CAPITAL SECURITIES TENDERED HEREBY AND THAT, WHEN THE SAME ARE ACCEPTED FOR EXCHANGE, THE TRUST WILL ACQUIRE GOOD, MARKETABLE AND UNENCUMBERED TITLE THERETO, FREE AND CLEAR OF ALL LIENS, RESTRICTIONS, CHARGES AND ENCUMBRANCES, AND THAT THE OLD CAPITAL SECURITIES TENDERED HEREBY ARE NOT SUBJECT TO ANY ADVERSE CLAIMS OR PROXIES. THE UNDERSIGNED WILL, UPON REQUEST, EXECUTE AND DELIVER ANY ADDITIONAL DOCUMENTS DEEMED BY THE COMPANY, THE TRUST OR THE EXCHANGE AGENT TO BE NECESSARY OR DESIRABLE TO COMPLETE THE EXCHANGE, ASSIGNMENT AND TRANSFER OF THE OLD CAPITAL SECURITIES TENDERED HEREBY, AND THE UNDERSIGNED WILL COMPLY WITH ITS OBLIGATIONS UNDER THE REGISTRATION AGREEMENT. THE UNDERSIGNED HAS READ AND AGREES TO ALL OF THE TERMS OF THE EXCHANGE OFFER.

The name(s) and address(es) of the registered holder(s) of the Old Capital Securities tendered hereby should be printed in the box entitled "Description of Old Capital Securities Tendered" above, if they are not already set forth in such box, as they appear on the Certificates representing such Old Capital Securities or on the records of DTC, as the case may be. The Certificate number(s) of any such Certificates and the Liquidation Amount of such Old Capital Securities should be specified in such box as indicated therein.

If any tendered Old Capital Securities are not exchanged pursuant to the Exchange Offer for any reason, or if Certificates are submitted for more Old Capital Securities than are tendered or accepted for exchange, Certificates for such nonexchanged or nontendered Old Capital Securities will be returned (or, in the case of Old Capital Securities tendered by book-entry transfer, such Old Capital Securities will be credited to an account maintained at DTC), without expense to the tendering holder, promptly following the expiration or termination of the Exchange Offer.

The undersigned understands that tenders of Old Capital Securities pursuant to any one of the procedures described in "The Exchange Offer--Procedures for Tendering Old Capital Securities" in the Prospectus and in the instructions attached hereto will, upon the Company's and the Trust's acceptance for exchange of such tendered Old Capital Securities, constitute a binding agreement between the undersigned, the Company and the Trust upon the terms and subject to the conditions of the Exchange Offer. The undersigned recognizes that, under certain circumstances set forth in the Prospectus, the Company and the Trust may not be required to accept for exchange any of the Old Capital Securities tendered hereby.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, the undersigned hereby directs that the New Capital Securities be issued in the name of the undersigned or, in the case of a book-entry transfer of Old Capital Securities, that such New Capital Securities be credited to the account indicated above maintained at DTC. If applicable, substitute Certificates representing Old Capital Securities not exchanged or not accepted for exchange will be issued to the undersigned or, in the case of a book-entry transfer of Old Capital Securities, will be credited to the account indicated above maintained at DTC. Similarly, unless otherwise indicated under "Special Delivery Instructions" below, please deliver New Capital Securities to the undersigned at the address shown below the undersigned's signature.

BY TENDERING OLD CAPITAL SECURITIES AND EXECUTING THIS LETTER OF TRANSMITTAL, THE UNDERSIGNED HEREBY REPRESENTS AND AGREES THAT (1) THE UNDERSIGNED IS NOT AN "AFFILIATE" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR THE TRUST, (2) ANY NEW CAPITAL SECURITIES TO BE RECEIVED BY THE UNDERSIGNED ARE BEING ACQUIRED IN THE ORDINARY COURSE OF ITS BUSINESS, (3) THE UNDERSIGNED HAS NO ARRANGEMENT OR UNDERSTANDING WITH ANY PERSON TO PARTICIPATE IN A DISTRIBUTION (WITHIN THE MEANING OF THE SECURITIES ACT) OF NEW CAPITAL SECURITIES TO BE RECEIVED IN THE EXCHANGE OFFER, AND (4) IF THE UNDERSIGNED IS NOT A BROKER-DEALER, THE UNDERSIGNED IS NOT ENGAGED IN, AND DOES NOT INTEND TO ENGAGE IN, A DISTRIBUTION (WITHIN THE MEANING OF THE SECURITIES ACT) OF SUCH NEW CAPITAL SECURITIES. BY TENDERING OLD CAPITAL SECURITIES PURSUANT TO THE EXCHANGE OFFER AND EXECUTING THIS LETTER OF TRANSMITTAL, A HOLDER OF OLD CAPITAL SECURITIES THAT IS A BROKER-DEALER REPRESENTS AND AGREES, CONSISTENT WITH CERTAIN INTERPRETIVE LETTERS ISSUED BY THE STAFF OF THE DIVISION OF CORPORATION FINANCE OF THE SECURITIES AND EXCHANGE COMMISSION TO THIRD PARTIES, THAT (A) SUCH OLD CAPITAL SECURITIES ARE HELD BY SUCH BROKER-DEALER ONLY AS A NOMINEE, OR (B) SUCH OLD CAPITAL SECURITIES WERE ACQUIRED BY IT FOR ITS OWN ACCOUNT AS A RESULT OF MARKET-MAKING ACTIVITIES OR OTHER TRADING ACTIVITIES AND IT WILL DELIVER THE PROSPECTUS MEETING THE REQUIREMENTS OF THE SECURITIES ACT IN CONNECTION WITH ANY RESALE OF SUCH NEW CAPITAL SECURITIES (PROVIDED THAT, BY SO ACKNOWLEDGING AND BY DELIVERING THE PROSPECTUS, IT WILL NOT BE DEEMED TO ADMIT THAT IT IS AN "UNDERWRITER" WITHIN THE MEANING OF THE SECURITIES ACT).

THE COMPANY AND THE TRUST HAVE AGREED THAT, SUBJECT TO THE PROVISIONS OF THE REGISTRATION RIGHTS AGREEMENT, THE PROSPECTUS MAY BE USED IN CONNECTION WITH REALES OF NEW CAPITAL SECURITIES RECEIVED IN EXCHANGE FOR OLD CAPITAL SECURITIES BY A BROKER-DEALER WHO ACQUIRED OLD CAPITAL SECURITIES FOR ITS OWN ACCOUNT AS A RESULT OF MARKET-MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") FOR A PERIOD ENDING 90 DAYS AFTER THE EXPIRATION DATE (SUBJECT TO EXTENSION UNDER CERTAIN LIMITED CIRCUMSTANCES DESCRIBED IN THE PROSPECTUS) OR, IF EARLIER, WHEN ALL SUCH NEW CAPITAL SECURITIES HAVE BEEN DISPOSED OF BY SUCH PARTICIPATING BROKER-DEALER. IN THAT REGARD, EACH PARTICIPATING BROKER-DEALER, BY TENDERING SUCH OLD CAPITAL SECURITIES AND EXECUTING THIS LETTER OF TRANSMITTAL OR BY TENDERING THROUGH BOOK-ENTRY TRANSFER IN LIEU THEREOF, AGREES THAT, UPON RECEIPT OF NOTICE FROM THE COMPANY OR THE TRUST OF THE OCCURRENCE OF ANY EVENT OR THE DISCOVERY OF ANY FACT WHICH MAKES ANY STATEMENT CONTAINED OR INCORPORATED BY REFERENCE IN THE PROSPECTUS UNTRUE IN ANY MATERIAL RESPECT OR

WHICH CAUSES THE PROSPECTUS TO OMIT TO STATE A MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS CONTAINED OR INCORPORATED BY REFERENCE THEREIN, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING OR OF THE OCCURRENCE OF CERTAIN OTHER EVENTS SPECIFIED IN THE REGISTRATION RIGHTS AGREEMENT, SUCH PARTICIPATING BROKER-DEALER WILL SUSPEND THE SALE OF NEW CAPITAL SECURITIES PURSUANT TO THE PROSPECTUS UNTIL (1) THE COMPANY AND THE TRUST HAVE AMENDED OR SUPPLEMENTED THE PROSPECTUS TO CORRECT SUCH MISSTATEMENT OR OMISSION AND HAVE FURNISHED COPIES OF THE AMENDED OR SUPPLEMENTED PROSPECTUS TO THE PARTICIPATING BROKER-DEALER OR (2) THE COMPANY OR THE TRUST HAS GIVEN NOTICE THAT THE SALE OF THE NEW CAPITAL SECURITIES MAY BE RESUMED, AS THE CASE MAY BE. IF THE COMPANY OR THE TRUST GIVES SUCH NOTICE TO SUSPEND THE SALE OF THE NEW CAPITAL SECURITIES, THEY SHALL EXTEND THE 90-DAY PERIOD REFERRED TO ABOVE DURING WHICH PARTICIPATING BROKER-DEALERS ARE ENTITLED TO USE THE PROSPECTUS IN CONNECTION WITH THE RESALE OF NEW CAPITAL SECURITIES BY THE NUMBER OF DAYS DURING THE PERIOD FROM AND INCLUDING THE DATE OF THE GIVING OF SUCH NOTICE TO AND INCLUDING THE DATE ON WHICH (1) PARTICIPATING BROKER-DEALERS SHALL HAVE RECEIVED COPIES OF THE SUPPLEMENTED OR AMENDED PROSPECTUS NECESSARY TO PERMIT REALES OF THE NEW CAPITAL SECURITIES OR (2) THE COMPANY OR THE TRUST HAS GIVEN NOTICE THAT THE SALE OF NEW CAPITAL SECURITIES MAY BE RESUMED, AS THE CASE MAY BE.

Holders of Old Capital Securities whose Old Capital Securities are accepted for exchange will not receive accumulated Distributions on such Old Capital Securities for any period from and after the last Distribution date to which Distributions have been paid or duly provided for on such Old Capital Securities prior to the original issue date of the New Capital Securities or, if no such Distributions have been paid or duly provided for, will not receive any accrued Distributions on such Old Capital Securities, and the undersigned waives the right to receive any interest on such Old Capital Securities accrued from and after such Distribution date or, if no such Distributions have been paid or duly provided for, from and after July 20, 1998.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company or the Trust to be necessary or desirable to complete the sale, assignment and transfer of the Old Capital Securities tendered hereby. All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns of the undersigned. Except as stated in the Prospectus, this tender is irrevocable.

-----  
HOLDER(S) SIGN HERE  
(SEE ATTACHED INSTRUCTIONS 2, 5 AND 6)  
(PLEASE COMPLETE SUBSTITUTE FORM W-9 ON THE LAST PAGE)  
(NOTE: SIGNATURE(S) MUST BE GUARANTEED IF REQUIRED BY INSTRUCTION 2)

Must be signed by registered holder(s) exactly as name(s) appear(s) on Certificate(s) for the Old Capital Securities hereby tendered or on the records of DTC, as the case may be, or by any person(s) authorized to become the registered holder(s) by endorsements and documents transmitted herewith (including such opinions of counsel, certifications and other information as may be required by the Trust to comply with the restrictions on transfer applicable to the Old Capital Securities). If signature is by an attorney-in-fact, executor, administrator, trustee, guardian, officer of a corporation or another acting in a fiduciary capacity or representative capacity, set forth the signatory's full title. See Instruction 5.

\_\_\_\_\_  
\_\_\_\_\_  
(SIGNATURE(S) OF HOLDER(S))

Dated: \_\_\_\_\_, 1998

Name(s): \_\_\_\_\_

\_\_\_\_\_  
(PLEASE TYPE OR PRINT)

Capacity (full title): \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
(INCLUDE ZIP CODE)

Area Code and Telephone Number: \_\_\_\_\_

\_\_\_\_\_  
(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER(S))

-----  
GUARANTEE OF SIGNATURE(S)  
(IF REQUIRED--SEE ATTACHED INSTRUCTIONS 2 AND 5)

\_\_\_\_\_  
(Authorized Signature)

Dated: \_\_\_\_\_, 1998

Eligible Institution Guaranteeing Signatures: \_\_\_\_\_

Capacity (full title): \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_

\_\_\_\_\_  
(Include Zip Code)

Area Code and Telephone Number: \_\_\_\_\_

-----  
SPECIAL ISSUANCE INSTRUCTIONS  
(SEE INSTRUCTIONS 1, 5 AND 6)

To be completed ONLY if New Capital Securities or non-tendered or non-exchanged Old Capital Securities Notes are to be issued in the name of someone other than the registered holder(s) of the Old Capital Securities whose name(s) appear(s) above.

Issue:

- Non-tendered or non-exchanged Old Capital Securities and/or:  
 New Capital Securities

To:

Name \_\_\_\_\_

\_\_\_\_\_  
(PLEASE TYPE OR PRINT)

Address: \_\_\_\_\_

\_\_\_\_\_  
(INCLUDING ZIP CODE)

Area Code and Telephone Number: \_\_\_\_\_

\_\_\_\_\_  
(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER(S))

SPECIAL ISSUANCE INSTRUCTIONS  
(SEE INSTRUCTIONS 1, 5 AND 6)

To be completed ONLY if New Capital Securities or non-tendered or non-exchanged Old Capital Securities are to be sent to someone other than the registered holder(s) of the Old Capital Securities whose name(s) appear(s) above, or to such registered holder at an address other than that above.

Mail:

- Non-tendered or non-exchanged Old Capital Securities and/or:  
 New Capital Securities

To:

Name \_\_\_\_\_

\_\_\_\_\_  
(PLEASE TYPE OR PRINT)

Address: \_\_\_\_\_

\_\_\_\_\_  
(INCLUDING ZIP CODE)

Area Code and Telephone Number: \_\_\_\_\_

\_\_\_\_\_  
(TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER(S))



## INSTRUCTIONS

### FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES; GUARANTEED DELIVERY PROCEDURES. This Letter of Transmittal is to be completed either if (a) Certificates are to be forwarded herewith or (b) tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth under "The Exchange Offer--Procedures for Tendering Old Capital Securities" in the Prospectus and an Agent's Message is not delivered. Certificates, or book-entry confirmation of a book-entry transfer of such Old Capital Securities into the Exchange Agent's account at DTC, as well as this Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein on or prior to the Expiration Date. Tenders by book-entry transfer may also be made by delivering an Agent's Message in lieu of this Letter of Transmittal. The term "book-entry confirmation" means a timely confirmation of book-entry transfer of Old Capital Securities into the Exchange Agent's account at DTC. The term "Agent's Message" means a message, transmitted by DTC to and received by the Exchange Agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering Participant, which acknowledgment states that such participant has received and agrees to be bound by, and makes the representations and warranties contained in, the Letter of Transmittal and that the Trust and the Company may enforce the Letter of Transmittal against such participant. Old Capital Securities may be tendered in whole or in part in the Liquidation Amount of \$100,000 (100 Capital Securities) and integral multiples of \$1,000 in excess thereof, provided that, if any Old Capital Securities are tendered for exchange in part, the untendered Liquidation Amount thereof must be \$100,000 (100 Capital Securities) or any integral multiple of \$1,000 in excess thereof.

Holders who wish to tender their Old Capital Securities and (i) whose Old Capital Securities are not immediately available or (ii) who cannot deliver their Old Capital Securities, this Letter of Transmittal and all other required documents to the Exchange Agent on or prior to the Expiration Date or (iii) who cannot complete the procedures for delivery by book-entry transfer on a timely basis, may tender their Old Capital Securities by properly completing and duly executing a notice to the Exchange Agent guaranteeing delivery to the Exchange Agent of either certificates representing the Old Capital Securities or a book-entry confirmation in compliance with the requirements set forth in the Prospectus (the "Notice of Guaranteed Delivery"), pursuant to the guaranteed delivery procedures set forth in the Prospectus under "The Exchange Offer--Procedures for Tendering Old Capital Securities--Guaranteed Delivery." Pursuant to such procedures: (i) such tender must be made by or through an Eligible Institution (as defined below); (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form accompanying this Letter of Transmittal, must be received by the Exchange Agent on or prior to the Expiration Date; and (iii) the certificates (or a book-entry confirmation) representing all tendered Old Capital Securities, in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in the Prospectus under "The Exchange Offer--Procedures for Tendering Old Capital Securities--Guaranteed Delivery".

A Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile or mail to the Exchange Agent, and must include a guarantee by an Eligible Institution in the form set forth in such Notice. For Old Capital Securities to be properly tendered pursuant to the guaranteed delivery procedure, the Exchange Agent must receive a Notice of Guaranteed Delivery on or prior to the Expiration Date. As used herein and in the Prospectus, "Eligible Institution" means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as "an eligible guarantor institution," including (as such terms are defined therein) (i) a bank; (ii) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings association that is a participant in a Securities Transfer Association.

THE METHOD OF DELIVERY OF THE BOOK-ENTRY CONFIRMATION OR CERTIFICATES, THIS LETTER OF TRANSMITTAL, AND ALL OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF THE TENDERING HOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, OR OVERNIGHT DELIVERY SERVICE IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Neither the Company nor the Trust will accept any alternative, conditional or contingent tenders. Each tendering holder, by execution of a Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), waives any right to receive any notice of the acceptance of such tender.

2. GUARANTEE OF SIGNATURES. No signature guarantee on this Letter of Transmittal is required if:

(i) this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this document, shall include any Participant in DTC whose name appears on a security position listing as the owner of the Old Capital Securities) of Old Capital Securities tendered herewith, unless such holder(s) has completed either the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" above, or

(ii) such Old Capital Securities are tendered for the account of a firm that is an Eligible Institution.

In all other cases, an Eligible Institution must guarantee the signature(s) on this Letter of Transmittal. See Instruction 5.

3. INADEQUATE SPACE. If the space provided in the box captioned "Description of Old Capital Securities Tendered" is inadequate, the Certificate number(s) and/or the Liquidation Amount of Old Capital Securities and any other required information should be listed on a separate signed schedule which is attached to this Letter of Transmittal.

4. PARTIAL TENDERS AND WITHDRAWAL RIGHTS. Tenders of Old Capital Securities will be accepted only in the Liquidation Amount of \$100,000 (100 Capital Securities) and integral multiples of \$1,000 in excess thereof, provided that if any Old Capital Securities are tendered for exchange in part, the untendered Liquidation Amount thereof must be \$100,000 (100 Capital Securities) or any integral multiple of \$1,000 in excess thereof. If less than all the Old Capital Securities are to be tendered, fill in the Liquidation Amount of Old Capital Securities that are to be tendered in the box entitled "Liquidation Amount of Old Capital Securities Tendered." If applicable, new Certificate(s) for the Old Capital Securities that were not tendered will be sent to the address designated herein by such holder promptly after the Expiration Date. All Old Capital Securities represented by Certificates delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

Except as otherwise provided herein, tenders of Old Capital Securities may be withdrawn at any time on or prior to the Expiration Date. In order for a withdrawal to be effective on or prior to such date, a written or facsimile transmission of such notice of withdrawal must be timely received by the Exchange Agent at one of its addresses set forth above or in the Prospectus on or prior to such date. Any such notice of withdrawal must specify the name of the person who tendered the Old Capital Securities to be withdrawn, the aggregate Liquidation Amount of Old Capital Securities to be withdrawn, and, if any Certificates for Old Capital Securities have been tendered, the name of the registered holder of the Old Capital Securities as set forth on any such Certificates, if different from that of the person who tendered such Old Capital Securities. If Certificates for the Old Capital Securities have been delivered or otherwise identified to the Exchange Agent, then prior to the physical release of such Certificates, the tendering holder must submit the serial numbers shown on the particular Certificates to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Old Capital Securities tendered for the account of an Eligible Institution. If Old Capital Securities have been tendered pursuant to the procedures for book-entry transfer set forth in the Prospectus under "The Exchange Offer--Procedures for Tendering Old Capital Securities," the notice of withdrawal must specify the name and number of

the account at DTC to be credited with the withdrawal of Old Capital Securities. Withdrawals of tenders of Old Capital Securities may not be rescinded. Old Capital Securities properly withdrawn will not be deemed validly tendered for purposes of the Exchange Offer, but may be retendered at any subsequent time on or prior to the Expiration Date by following any of the procedures described herein.

All questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices will be determined by the Company and the Trust, in their sole discretion, whose determination shall be final and binding on all parties. Neither the Company, the Trust, any affiliates or assigns of the Company or the Trust or the Exchange Agent nor any other person shall be under any duty to give any notification of any irregularities in any notice of withdrawal or incur any liability for failure to give any such notification. Any Old Capital Securities which have been tendered but which are withdrawn will be returned or transferred by book-entry, as the case may be, to the Holder thereof without cost to such holder promptly after withdrawal.

5. SIGNATURES ON LETTER OF TRANSMITTAL, ASSIGNMENTS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Old Capital Securities tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the Certificate(s) for such Old Capital Securities, without alteration, enlargement or any change whatsoever, or as recorded in DTC's book-entry transfer facility system, as the case may be.

If any Old Capital Securities tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Old Capital Securities are registered in different names on several Certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal (or facsimiles thereof or Agent's Message in lieu thereof) as there are different registrations of Certificates.

If this Letter of Transmittal or any Certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and must submit proper evidence satisfactory to the Company and the Trust in their sole discretion, of each such person's authority so to act.

When this Letter of Transmittal is signed by the registered holder(s) of the Old Capital Securities listed and transmitted hereby, or book-entry transfer is effectuated by such holder(s), no endorsement(s) of Certificate(s) or separate bond power(s) are required except if New Capital Securities are to be issued in the name of a person other than the registered holder(s). If such exception applies, signature(s) on such Certificate(s) or bond power(s) must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Old Capital Securities listed, the Certificate(s) must be endorsed or accompanied by appropriate bond powers, signed exactly as the name(s) of the registered holder(s) appear(s) on the Certificates, and also must be accompanied by such opinions of counsel, certifications and other information as the Company or the Trust may require in accordance with the restrictions on transfer applicable to the Old Capital Securities. In such event, signatures on such Certificates or bond powers must be guaranteed by an Eligible Institution.

6. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS. If New Capital Securities are to be issued in the name of a person other than the signer of this Letter of Transmittal, or if New Capital Securities are to be sent to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Old Capital Securities not exchanged will be returned, if evidenced by Certificates, by mail or, if tendered by book-entry transfer, by crediting the account at DTC indicated above in Instruction 4.

7. IRREGULARITIES. The Company and the Trust will determine, in their sole discretion, all questions as to the form of documents, validity, eligibility (including time of receipt) and acceptance for exchange of any tender of Old Capital Securities, which determination shall be final and binding on all parties. The Company and the

Trust reserve the absolute right to reject any and all tenders determined by either of them not to be in proper form or the acceptance of which, or exchange for which, may in the view of counsel to the Company and the Trust be unlawful. The Company and the Trust also reserve the absolute right, subject to applicable law, to waive any of the conditions of the Exchange Offer set forth in the Prospectus under "The Exchange Offer--Conditions to the Exchange Offer" or any conditions or irregularity in any tender of Old Capital Securities of any particular Holder whether or not similar conditions or irregularities are waived in the case of other Holders. The Company's and the Trust's interpretation of the terms and conditions of the Exchange Offer (including this Letter of Transmittal and the instructions hereto) will be final and binding. No tender of Old Capital Securities will be deemed to have been validly made until all irregularities with respect to such tender have been cured or waived. Neither the Company, the Trust, any affiliates or assigns of the Company, or the Trust, or the Exchange Agent nor or any other person shall be under any duty to give notification of any irregularities in tenders or incur any liability for failure to give such notification.

8. QUESTIONS, REQUESTS FOR ASSISTANCE AND ADDITIONAL COPIES. Questions and requests for assistance may be directed to the Exchange Agent at its address and telephone number set forth on the front cover of this Letter of Transmittal. Additional copies of the Prospectus, the Notice of Guaranteed Delivery and this Letter of Transmittal may be obtained from the Exchange Agent or from your broker, dealer, commercial bank, trust company or other nominee.

9. LOST, DESTROYED OR STOLEN CERTIFICATES. If any Certificate(s) representing Old Capital Securities have been lost, destroyed or stolen, the holder should promptly notify the Exchange Agent. The holder will then be instructed as to the steps that must be taken in order to replace the Certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, destroyed or stolen Certificate(s) have been followed.

10. SECURITY TRANSFER TAXES. Holders who tender their Old Capital Securities for exchange will not be obligated to pay any transfer taxes in connection therewith. If, however, New Capital Securities are to be delivered to, or are to be issued in the name of, any person other than the holder of the Old Capital Securities tendered, or if a transfer tax is imposed for any reason other than the exchange of Old Capital Securities in connection with the Exchange Offer, then the amount of any such transfer tax (whether imposed on the holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE THEREOF) AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under federal income tax law, a holder whose tendered Old Capital Securities are accepted for exchange is required by law to provide the Exchange Agent with such holder's correct taxpayer identification number ("TIN") on Substitute Form W-9 included herein or otherwise establish a basis for exemption from backup withholding. If such holder is an individual, the TIN is his social security number. If the Exchange Agent is not provided with the correct TIN, the Internal Revenue Service may subject the holder or transferee to a \$50 penalty. In addition, delivery of such holder's New Capital Securities may be subject to backup withholding. Failure to comply truthfully with the backup withholding requirements also may result in the imposition of severe criminal and/or civil fines and penalties.

Certain holders (including, among others, all corporations and certain foreign persons) are not subject to these backup Withholding and reporting requirements. Exempt holders should furnish their TIN, write "Exempt" on the face of the Substitute Form W-9, and sign, date and return the Substitute Form W-9 to the Exchange Agent. A foreign person, including entities, may qualify as an exempt recipient by submitting to the Exchange Agent a properly completed Internal Revenue Service Form W-8, signed under penalties of perjury, attesting to that holder's foreign status. A Form W-8 can be obtained from the Exchange Agent. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

If backup withholding applies, the Exchange Agent is required to withhold 31% of any payments made to the holder or other transferee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments made with respect to Old Capital Securities exchanged in the Exchange Offer, the holder is required to provide the Exchange Agent with either: (i) the holder's correct TIN by completing the form included herein, certifying that the TIN provided on Substitute Form W-9 is correct (or that such holder is awaiting a TIN) and that (A) the holder has not been notified by the Internal Revenue Service that the holder is subject to backup withholding as, a result of failure to report all interest or dividends or (B) the Internal Revenue Service has notified the holder that the holder is no longer subject to backup withholding; or (ii) an adequate basis for exemption.

NUMBER TO GIVE THE DEPOSITARY

The holder is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the registered holder of the Old Capital Securities. If the Old Capital Securities are held in more than one name or are held not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

TO BE COMPLETED BY ALL TENDERING SECURITYHOLDERS  
(SEE INSTRUCTION 9)

PAYOR'S NAME: UNITED COMMUNITY CAPITAL TRUST

SUBSTITUTE  
FORM W-9

PART 1--PLEASE PROVIDE YOUR TIN IN  
THE BOX AT RIGHT AND CERTIFY BY  
SIGNING AND DATING BELOW.

TIN: \_\_\_\_\_  
(Social Security Number  
or Employer Identification Number)

DEPARTMENT OF THE  
TREASURY  
INTERNAL REVENUE  
SERVICE

PART 2--TIN Applied For.

CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY  
THAT:

PAYER'S REQUEST FOR  
TAXPAYER IDENTIFICATION  
NUMBER ("TIN") AND  
CERTIFICATION

(i) The number shown on this form is my correct  
Taxpayer Identification Number (or I am waiting for a  
number to be issued to me),

(ii) I am not subject to backup withholding either  
because: (a) I am exempt from backup withholding, or  
(b) I have not been notified by the Internal Revenue  
Service (the "IRS") that I am subject to backup  
withholding as a result of a failure to report all  
interest or dividends, or (c) the IRS has notified me  
that I am no longer subject to backup withholding, and

(iii) any other information provided on this form is  
true and correct.

Signature \_\_\_\_\_ Date: \_\_\_\_\_

Name (Please Print) \_\_\_\_\_

You must cross out item (2) above if you have been  
notified by the IRS that you are subject to backup  
withholding because of underreporting of interest or  
dividends on your tax return and you have not been  
notified by the IRS that you are no longer subject to  
backup withholding.

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY IN  
CERTAIN CIRCUMSTANCES RESULT IN BACKUP WITHHOLDING OF  
31% OF ANY AMOUNTS PAID TO YOU PURSUANT TO THE  
EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES  
FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON  
SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU  
CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number  
has not been issued to me, and either (1) I have mailed or delivered an  
application to receive a Taxpayer Identification Number to the appropriate  
Internal Revenue Service Center or Social Security Administration Office or (2)  
I intend to mail or deliver an application in the near future. I understand that  
if I do not provide a Taxpayer Identification Number by the time of payment, 31%  
of all payments made to me on account of the New Capital Securities shall be  
retained until I provide a Taxpayer Identification Number to the Exchange Agent  
and that, if I do not provide my Taxpayer Identification Number within 60 days,  
such retained amounts shall be remitted to the Internal Revenue Service as  
backup withholding and 31% of all reportable payments made to me thereafter will  
be withheld and remitted to the Internal Revenue Service until I provide a  
Taxpayer Identification Number.

Signature \_\_\_\_\_

Date \_\_\_\_\_, 1998

Name (Please print) \_\_\_\_\_

NOTICE OF GUARANTEED DELIVERY  
FOR TENDER OF  
8.125% CAPITAL SECURITIES  
(LIQUIDATION AMOUNT \$1,000 PER CAPITAL SECURITY)  
OF  
UNITED COMMUNITY CAPITAL TRUST

As set forth in the Exchange Offer, this Notice of Guaranteed Delivery, or one substantially equivalent to this form, must be used to accept the Exchange Offer (as defined below) if (i) certificates for the Trust's (as defined below) 8.125% Capital Securities (the "Old Capital Securities") are not immediately available, (ii) Old Capital Securities, the Letter of Transmittal and all other required documents cannot be delivered to The Chase Manhattan Bank (the "Exchange Agent") on or prior to the Expiration Date (as defined in the Prospectus referred to below) or (iii) the procedures for delivery by book-entry transfer cannot be completed on by the Expiration Date. This Notice of Guaranteed Delivery may be delivered by hand, overnight courier or mail, or transmitted by facsimile transmission, to the Exchange Agent. See "The Exchange Offer--Procedures for Tendering Old Capital Securities" in the Prospectus.

The Chase Manhattan Bank  
(the "Exchange Agent")

BY REGISTERED OR CERTIFIED MAIL, HAND OR OVERNIGHT DELIVERY:

The Chase Manhattan Bank  
55 Water Street  
Room 234  
North Building  
New York, New York 10041  
Attention: Carlos Esteves

FACSIMILE TRANSMISSION  
(FOR ELIGIBLE INSTITUTIONS ONLY):

(212) 638-7375  
(212) 344-9367

CONFIRM BY TELEPHONE:

Carlos Esteves: (212) 638-0828

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF THIS NOTICE OF GUARANTEED DELIVERY VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

Ladies and Gentlemen:

The undersigned hereby tenders to United Community Capital Trust, a Delaware statutory business trust (the "Trust"), upon the terms and subject to the conditions set forth in the Prospectus dated \_\_\_\_\_, 1998 (as the same may be amended or supplemented from time to time, the "Prospectus"), and the related Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which is hereby acknowledged, the aggregate Liquidation Amount of Old Capital Securities set forth below pursuant to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer--Procedures for Tendering Old Capital Securities."

Aggregate Liquidation Amount Tendered: \_\_\_\_\_

Name(s) of Registered Holder(s): \_\_\_\_\_

Address: \_\_\_\_\_

Area Code and Telephone Number: \_\_\_\_\_

Certificate No(s) (if available): \_\_\_\_\_

If Old Capital Securities will be tendered by book-entry transfer, provide the following information:

Signature: \_\_\_\_\_

DTC Account Number: \_\_\_\_\_

Date: \_\_\_\_\_





GUARANTEE  
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm or other entity identified in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, as an "eligible guarantor institution," including (as such terms are defined therein): (i) a bank; (ii) a broker, dealer, municipal securities broker, municipal securities dealer, government securities broker or government securities dealer; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) a savings association that is a participant in a Securities Transfer Association recognized program (each of the foregoing being referred to as an "Eligible Institution"), hereby guarantees to deliver to the Exchange Agent, at one of its addresses set forth above, either the Old Capital Securities tendered hereby in proper form for transfer, or confirmation of the book-entry transfer of such Old Capital Securities to the Exchange Agent's account at The Depository Trust Company, pursuant to the procedures for book-entry transfer set forth in the Prospectus, in either case together with one or more properly completed and duly executed Letter(s) of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) and any other required documents within three business days after the date of execution of this Notice of Guaranteed Delivery.

The undersigned acknowledges that it must deliver the Letter(s) of Transmittal (or facsimile thereof or Agent's Message in lieu thereof) and the Old Capital Securities tendered hereby to the Exchange Agent within the time period set forth above and that failure to do so could result in a financial loss to the undersigned.

Name of Firm: \_\_\_\_\_

\_\_\_\_\_ Authorized Signature

Address: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_ Zip Code

Name: \_\_\_\_\_

Area Code and Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

-----  
DO NOT SEND OLD CAPITAL SECURITIES WITH THIS NOTICE OF GUARANTEED DELIVERY.  
ACTUAL SURRENDER OF OLD CAPITAL SECURITIES MUST BE MADE PURSUANT TO, AND BE  
ACCOMPANIED BY, A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL  
AND ANY OTHER REQUIRED DOCUMENTS.  
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\_\_\_\_\_, 1998

## EXCHANGE AGENT AGREEMENT

The Chase Manhattan Bank  
450 West 33rd Street, 15th Floor  
New York, New York 10001

Ladies and Gentlemen:

United Community Capital Trust, a Delaware statutory business trust (the "Issuer"), proposes to make an offer (the "Exchange Offer") to exchange up to \$21,000,000 aggregate liquidation amount of its 8.125% Capital Securities (liquidation amount \$1,000 per Capital Security) (the "New Capital Securities"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like liquidation amount of its outstanding 8.125% Capital Securities (liquidation amount of \$1,000 per Capital Security) (the "Old Capital Securities"), of which \$21,000,000 aggregate liquidation amount is outstanding. The terms and conditions of the Exchange Offer as currently contemplated are set forth in a prospectus, dated \_\_\_\_\_, 1998 (the "Prospectus"), a copy of which is attached to this Agreement as Attachment A, proposed to be distributed to all record holders of the Old Capital Securities. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Prospectus.

The Issuer hereby appoints The Chase Manhattan Bank to act as exchange agent (the "Exchange Agent") in connection with the Exchange Offer. References hereinafter to "you" shall refer to The Chase Manhattan Bank.

The Exchange Offer is expected to be commenced by the Issuer on or about \_\_\_\_\_, 1998. The Letter of Transmittal accompanying the Prospectus is to be used by the holders of the Old Capital Securities to accept the Exchange Offer, and contains certain instructions with respect to the Exchange Offer.

The Exchange Offer shall expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 1998 or on such later date or time to which the Issuer or United Community Banks, Inc. (the "Company") may extend the Exchange Offer (the "Expiration Date"). Subject to the terms and conditions set forth in the Prospectus, the Issuer and the Company expressly reserve the right to extend the Exchange Offer from time to time and may extend the Exchange Offer by giving oral (promptly confirmed in writing) or written notice to you no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

The Issuer and the Company expressly reserve the right to amend or terminate the Exchange Offer, and not to accept for exchange any Old Capital Securities not theretofore accepted for exchange, upon the occurrence of any of the conditions of the Exchange Offer specified in the Prospectus under the caption "Conditions to the Exchange Offer." The Issuer or the Company will give oral (promptly confirmed in writing) or written notice of any amendment, termination or nonacceptance to you as promptly as practicable.

In carrying out your duties as Exchange Agent, you are to act in accordance with the following instructions:

1. You will perform such duties and only such duties as are specifically set forth in the section of the Prospectus captioned "The Exchange Offer" and as specifically set forth herein and such duties which are necessarily incidental thereto; provided, however, that in no way will your general duty to act in good faith be discharged by the foregoing.

2. You will establish an account with respect to the Old Capital Securities at The Depository Trust Company (the "Book-Entry Transfer Facility") for purposes of the Exchange Offer within two business days after the date of the Prospectus or, if you already have established an account with the Book-Entry Transfer Facility suitable for the Exchange Offer, you will identify such preexisting account to be used in the Exchange Offer, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of the Old

Capital Securities by causing the Book-Entry Transfer Facility to transfer such Old Capital Securities into your account in accordance with the Book-Entry Transfer Facility's procedure for such transfer.

3. You are to examine each of the Letters of Transmittal, certificates for Old Capital Securities and confirmations of book-entry transfers into your account at the Book-Entry Transfer Facility and any Agent's Message or other documents delivered or mailed to you by or for holders of the Old Capital Securities to ascertain whether: (i) the Letters of Transmittal and any such other documents are fully executed and properly completed in accordance with instructions set forth therein and (ii) the Old Capital Securities have otherwise been properly tendered. In each case where the Letter of Transmittal or any other document has been improperly completed or executed or any of the certificates for Old Capital Securities are not in proper form for transfer or

some other irregularity in connection with the acceptance of the Exchange Offer exists, you will endeavor to inform the presenters of the need (i) for fulfillment of all requirements and (ii) to take any other action as may be necessary or advisable to cause such irregularity to be corrected.

4. With the approval of the Issuer or the Chairman of the Board and Chief Executive Officer, the Chief Financial Officer, or the Secretary of the Company (such approval, if given orally, to be confirmed in writing) or any other party designated by the Issuer or such officer of the Company in writing, you are authorized to waive any irregularities in connection with any tender of Old Capital Securities pursuant to the Exchange Offer.

5. Tenders of Old Capital Securities may be made only as set forth in the section of the Prospectus captioned "The Exchange Offer--Procedures for Tendering Old Capital Securities" or in the Letter of Transmittal and Old Capital Securities shall be considered properly tendered to you only when tendered in accordance with the procedures set forth therein.

Notwithstanding the provisions of this paragraph 5, Old Capital Securities which the Issuer or any other party designated by the Issuer in writing shall approve as having been properly tendered shall be considered to be properly tendered (such approval, if given orally, shall be confirmed in writing).

6. You shall advise the Issuer with respect to any Old Capital Securities delivered subsequent to the Expiration Date and accept its instructions with respect to disposition of such Old Capital Securities.

7. You shall accept tenders:

(a) in cases where the Old Capital Securities are registered in two or more names only if signed by all named holders;

(b) in cases where the signing person (as indicated on the Letter of Transmittal) is acting in a fiduciary or a representative capacity only when proper evidence of his or her authority to so act is submitted; and

(c) from persons other than the registered holder of Old Capital Securities provided that customary transfer requirements, including any applicable transfer taxes, are fulfilled.

You shall accept partial tenders of Old Capital Securities where so indicated and as permitted in the Letter of Transmittal and deliver certificates for Old Capital Securities to the transfer agent for split-up and return any untendered Old Capital Securities to the holder (or to such other person as may be designated in the Letter of Transmittal) as promptly as practicable after expiration or termination of the Exchange Offer.

8. Upon satisfaction or waiver of all of the conditions to the Exchange Offer, the Issuer will notify you (such notice if given orally, to be promptly confirmed in writing) of the Company's and Issuer's acceptance, promptly after the Expiration Date, of all Old Capital Securities properly tendered and you, on behalf of the Issuer, will exchange such Old Capital Securities for New Capital Securities and cause such Old Capital Securities to be canceled. Delivery of New Capital Securities will be made on behalf of the Issuer by you at the rate of \$1,000 liquidation amount of New Capital Securities for each \$1,000 liquidation amount of the Old Capital Securities tendered promptly after notice (such notice if given orally, to be promptly confirmed in writing) of acceptance of said Old Capital Securities by the Issuer; provided, however, that in all cases, Old Capital Securities tendered pursuant to the Exchange Offer will be exchanged only after timely receipt by you of certificates for such Old Capital Securities (or confirmation of book-entry transfer into your account at the Book-Entry Transfer Facility), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantees (or in lieu thereof an Agent's Message) and any other required document. You shall issue New Capital Securities only in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof.

9. Tenders pursuant to the Exchange Offer are irrevocable, except that, subject to the terms and upon the conditions set forth in the Prospectus and the Letter of Transmittal, Old Capital Securities tendered pursuant to the Exchange Offer may be withdrawn at any time on or prior to the Expiration Date.

10. The Company and the Issuer shall not be required to exchange any Old Capital Securities tendered if any of the conditions set forth in the Exchange Offer are not met. Notice of any decision by the Company and the Issuer not to exchange any Old Capital Securities tendered shall be given (such notice, if given orally, shall be promptly confirmed in writing) by the Company or the Issuer to you.

11. If, pursuant to the Exchange Offer, the Company or the Issuer does not accept for exchange all or part of the Old Capital Securities tendered because of an invalid tender, the occurrence of certain other events set forth in the Prospectus under the caption "The Exchange Offer--Conditions to the Exchange Offer" or otherwise, you shall as soon as practicable after the expiration or termination of the Exchange Offer return those certificates for unaccepted Old Capital Securities (or effect the appropriate book-entry transfer of the unaccepted Old Capital Securities), and return any related required documents and the Letters of Transmittal relating thereto that are in your possession, to the persons who deposited them.

12. All certificates for reissued Old Capital Securities or for unaccepted Old Capital Securities shall be forwarded by (a) first-class mail, return receipt requested, under a blanket surety bond protecting you, the Issuer and the Company from loss or liability arising out of the non-receipt or non-delivery of such certificates or (b) by registered mail insured separately for the replacement value of such certificates.

13. You are not authorized to pay or offer to pay any concessions, commissions or solicitation fees to any broker, dealer, bank or other persons or to engage or utilize any person to solicit tenders.

14. As Exchange Agent hereunder you:

(a) will be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value or genuineness of Old Capital Securities, and will not be required to and will make no representation as to the validity, value or genuineness of the Exchange Offer; provided, however, that in no way will your general duty to act in good faith be discharged by the foregoing;

(b) shall not be obligated to take any legal action hereunder which might in your reasonable judgment involve any expense or liability, unless you shall have been furnished with reasonable indemnity.

(c) shall not be liable to the Company or the Issuer for any action taken or omitted by you, or any action suffered by you to be taken or omitted, without negligence, misconduct or bad faith on your part, by reason of or as a result of the administration of your duties hereunder in accordance with the terms and conditions of this Agreement or by reason of your compliance with the instructions set forth herein or with any written or oral instructions delivered to you pursuant hereto, and may reasonably rely on and shall be protected in acting in good faith in reliance upon any certificate, instrument, opinion, notice, letter, facsimile or other document or security delivered to you and reasonably believed by you to be genuine and to have been signed by the proper party or parties;

(d) may reasonably act upon any tender, statement, request, comment, agreement or other instrument whatsoever not only as to its due execution and validity and the effectiveness of its provisions, but also as to the truth and accuracy of any information contained therein, which you shall in good faith reasonably believe to be genuine or to have been signed or represented by a proper person or persons;

(e) may rely on and shall be protected in acting upon written or oral instructions from the Issuer or any officer of the Company with respect to the Exchange Offer;

(f) shall not advise any person tendering Old Capital Securities pursuant to the Exchange Offer as to the wisdom of making such tender or as to the market value or decline or appreciation in market value of any Old Capital Securities; and

(g) may consult with your counsel with respect to any questions relating to your duties and responsibilities and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by you hereunder in good faith and in accordance with such written opinion of such counsel.

15. You shall take such action as may from time to time be requested by the Company, the Issuer or their counsel (and such other action as you may reasonably deem appropriate) to furnish copies of the Prospectus, Letter of Transmittal and the Notice of Guaranteed Delivery, or such other forms as may be approved from time to time by the Company or the Issuer, to all persons requesting such documents and to accept and comply with telephone requests for information relating to the Exchange Offer, provided that such information shall relate only to the procedures for accepting (or withdrawing from) the Exchange Offer. The Company or the Issuer will furnish you with copies of such documents at your request. All other requests for information relating to the Exchange Offer shall be directed to the Chief Financial Officer of the Company at: 59 Highway 515, Blairsville, Georgia 30512; (706) 745-2151.

16. You shall advise by facsimile transmission or telephone, and promptly thereafter confirm in writing to the Issuer, the Company and Kilpatrick Stockton LLP, counsel for the Company and the Issuer, and such other person or persons as they may request, daily, and more frequently if reasonably requested, up to and including the Expiration Date, as to the principal amount of the Old Capital Securities which have been tendered pursuant to the Exchange Offer and the items received by you pursuant to this Agreement, separately reporting and giving cumulative totals as to items properly received and items improperly received and items covered by Notices of Guaranteed Delivery. In addition, you will also inform, and cooperate in making available to, the Company and the Issuer or any such other person or persons as the Company or the Issuer request from time to time prior to the Expiration Date of such other information as they, or he reasonably requests. Such cooperation shall include, without limitation, the granting by you to the Company, the Issuer and such person as the Company or the Issuer may request of access to those persons on your staff who are responsible for receiving tenders, in order to ensure that immediately prior to the Expiration Date, the Company and the Issuer shall have received information in sufficient detail to enable them to decide whether to extend the Exchange Offer. You shall prepare a list of persons who failed to tender or whose tenders were not accepted and the aggregate principal amount of Old Capital Securities not tendered or Old Capital Securities not accepted and deliver said list to the Company and the Issuer at least seven days prior to the Expiration Date. You shall also prepare a final list of all persons whose tenders were accepted, the aggregate principal amount of Old Capital Securities accepted and deliver said list to the Company.

17. Letters of Transmittal and Notices of Guaranteed Delivery shall be stamped by you as to the date and the time of receipt thereof and shall be preserved by you for a period of time at least equal to the period of time you preserve other records pertaining to the transfer of securities. You shall dispose of unused Letters of Transmittal and other surplus materials by returning them to the Company.

18. For services rendered as Exchange Agent hereunder you shall be entitled to a fee of \$\_\_\_\_\_ and you shall be entitled to reimbursement of your expenses (including fees and expenses of your counsel, which fees are expected under normal circumstances to be not in excess of \$5,000) incurred in connection with the Exchange Offer. The obligations under this Section 18 shall constitute joint and several obligations of the Issuer and the Company.

19. You hereby acknowledge receipt of the Prospectus and the Letter of Transmittal attached hereto and further acknowledge that you have examined each of them to the extent necessary to perform your duties hereunder. Any inconsistency between this Agreement, on the one hand, and the Prospectus and the Letter of Transmittal (as they may be amended from time to time), on the other hand, shall be resolved in favor of the latter two documents, except with respect to the duties, liabilities and indemnification of you as Exchange Agent, which shall be controlled by this Agreement.

20. The Company and the Issuer jointly and severally agree to indemnify and hold you harmless in your capacity as Exchange Agent hereunder against any liability, cost or expense, including reasonable attorney's fees, arising out of or in connection with the acceptance or administration of your duties hereunder, including, without limitation, in connection with any act, omission, delay or refusal made by you in reasonable reliance upon any signature, endorsement, assignment, certificate, order, request, notice, instruction or other instrument or document reasonably believed by you to be valid, genuine and sufficient and in accepting any tender or effecting any transfer of Old Capital Securities reasonably believed by you in good faith to be authorized, and in delaying or refusing in good faith to accept any tenders or effect any transfer of Old Capital Securities; provided, however, that the Company and the Issuer shall not be liable for indemnification or otherwise for any loss, liability, cost or expense to the extent arising out of your negligence, willful breach of this Agreement, willful misconduct or bad faith. In no case shall the Company and the Issuer be liable under this indemnity with respect to any claim against you unless the Company and the Issuer shall be notified by you, by letter or cable or by facsimile confirmed by letter, of the written assertion of a claim against you or of any other action commenced against you, promptly after you shall have

received any such written assertion or written notice of the commencement of any such action. The Company and the Issuer shall be

entitled to participate at their own expense in the defense of any such claim or other action, and, if the Company and the Issuer so elect, the Company and the Issuer shall assume the defense of any suit brought to enforce any such claim. In the event that the Company and the Issuer shall assume the defense of any such suit, the Company and the Issuer shall not be liable for the fees and expenses of any additional counsel thereafter retained by you so long as the Company and the Issuer shall retain counsel reasonably satisfactory to you to defend such suit. You shall not compromise or settle any such action or claim without the consent of the Company and the Issuer.

21. This Agreement and your appointment as Exchange Agent hereunder shall be construed and enforced in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such state, and without regard to conflicts of law principles, and shall inure to the benefit of, and the obligations created hereby shall be binding upon, the successors and assigns of each of the parties hereto.

22. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which taken together constitute one and the same agreement.

23. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

24. This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the party to be charged. This Agreement may not be modified orally.

25. Unless otherwise provided herein, all notices, requests and other communications to any party hereunder shall be in writing (including facsimile) and shall be given to such party, addressed to it, at its address or telecopy number set forth below:

If to the Company or the Issuer:

United Community Banks, Inc.  
59 Highway 515  
Blairsville, Georgia 30512  
Phone: (706) 745-2151  
Attention: Christopher Bledsoe, Chief Financial Office

With a copy to:

Kilpatrick Stockton LLP  
1100 Peachtree Street, Suite 2800  
Atlanta, Georgia 30309-4530  
Phone: (404) 815-6570  
Attention: Richard R. Cheatham, Esq.

If to the Exchange Agent:

The Chase Manhattan Bank  
450 West 33rd Street, 15th Floor  
New York, New York 10001  
Facsimile: (212) 946-8159  
Attention: William Keenan, Trust Officer

26. Unless terminated earlier by the parties hereto, this Agreement shall terminate 90 days following the Expiration Date. Notwithstanding the foregoing, Paragraphs 18 and 20 shall survive the termination of this Agreement. Except as provided in Section 17, upon any termination of this Agreement, you shall promptly deliver to the company any funds or property (including, without limitation, letters of Transmittal and any other documents relating to the Exchange Offer) then held by you as Exchange Agent under this Agreement.

27. This Agreement shall be binding and effective as of the date hereof.

Please acknowledge receipt of this Agreement and confirm the arrangements herein provided by signing and returning the enclosed copy.

UNITED COMMUNITY CAPITAL TRUST

By: \_\_\_\_\_  
Name:  
Title:

UNITED COMMUNITY BANKS, INC.

By: \_\_\_\_\_  
Name:  
Title:

Accepted as the date first above written:

THE CHASE MANHATTAN BANK

By: \_\_\_\_\_  
Name:  
Title: