As filed with the Securities and Exchange Commission on August 10, 2011 Registration No. 333-174420

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Georgia	**58-1807304**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

United Community Banks, Inc. **125 Highway 515 East** **Blairsville, Georgia 30512** **(706) 781-2265**	**Jimmy C. Tallent** **125 Highway 515 East** **Blairsville, Georgia 30512** **(706) 781-2265**
(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)	(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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1100 Peachtree Street, Suite 2800
Atlanta, Georgia 30309-4530
(404) 815-6500

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

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 statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. o

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o	Accelerated Filer x
Non-accelerated Filer o	Smaller Reporting Company o

(Do not check if smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Cumulative Perpetual Preferred Stock, Series D, $1.00 par value per share	16,613(1)	$ 1,000.00	$ 16,613,000.00	$ 1,928.77
Warrants to purchase common stock, $1.00 par value per share	1,551,126(2)	$ 12.50(2)(3)	$ 19,389,077.50	$ 2,251.07
Common stock, $1.00 par value per share, issuable upon exercise of warrants	1,551,126	$ 12.50	$ 19,389,077.50	—(4)
Total:				$ 4,179.84(5)

(1) Represents shares of Cumulative Perpetual Preferred Stock, Series D, $1.00 par value per share, that may be sold by the selling shareholders named in this registration statement. Pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement also covers such additional number of shares of Cumulative Perpetual Preferred Stock, Series D, of a currently indeterminable amount, as may from time to time become issuable by reason of stock splits, stock dividends or similar transactions.

(2) In addition to shares of the Cumulative Perpetual Preferred Stock, Series D, there are being registered hereunder warrants for the purchase of 1,551,126 shares of common stock, $1.00 par value per share, with an initial per share exercise price of $12.50 per share and, pursuant to Rule 416 under the Securities Act of 1933, as amended, such additional number of shares of common stock, of a currently indeterminable amount, as may from time to time become issuable by reason of stock splits, stock dividends and certain anti-dilution provisions set forth in the warrants.

(3) Calculated pursuant to Rule 457(g) under the Securities Act of 1933, as amended, with respect to the per share exercise price of the warrants of $12.50.

(4) Pursuant to Rule 457(g) under the Securities Act of 1933, as amended, no separate registration fee is required for the 1,551,126 shares of common stock, $1.00 par value per share, issuable upon the exercise of the warrants registered hereto.

(5) Pursuant to Rule 457(p), $14,260.00 of previously paid registration fees is presently available for offset. The currently due registration fee of $4,179.84 associated with this offering is hereby offset against the previously paid registration fees made in connection with United Community Banks, Inc.'s registration statement on Form S-3 filed on August 11, 2010 (File No. 333-168769). No securities were issued or sold pursuant to such registration statement, which was withdrawn upon request of United Community Banks, Inc. pursuant to Rule 477 on March 18, 2011. Since the previously paid registration fees completely offset the registration fee for this offering, no additional registration fee is being paid for this offering.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a) may determine.

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

Subject to Completion, Dated August 10 , 2011

PROSPECTUS

16,613 SHARES OF SERIES D PREFERRED STOCK

WARRANTS TO PURCHASE UP TO 1,551,126 SHARES OF COMMON STOCK

UP TO 1,551,126 SHARES OF COMMON STOCK

This prospectus relates to the offer and sale of up to 16,613 shares of our Cumulative Perpetual Preferred Stock, Series D, par value $1.00 per share (the “Series D Preferred Stock” or “Series D Preferred Shares”), warrants (the “Warrants”) to purchase up to 1,551,126 shares of our common stock, par value $1.00 per share (the “Common Stock” or “Common Shares”) and up to 1,551,126 Common Shares issuable upon the exercise of the Warrants, by Elm Ridge Offshore Master Fund, Ltd. and Elm Ridge Value Partners, L.P. (collectively, the “Selling Shareholders”). We issued the Series D Preferred Shares and the Warrants in connection with a share exchange with the Selling Shareholders on February 22, 2011 (the “Exchange”). We are registering the resale of the Series D Preferred Shares, the Warrants and the underlying Common Shares (collectively, the “Securities”) as required by the share exchange agreement we entered into with the Selling Shareholders on February 22, 2011 (the “Share Exchange Agreement”).

Holders of the Series D Preferred Stock are entitled to receive, with respect to each share of the Series D Preferred Stock if, as and when declared by the Board of Directors, or any duly authorized committee of the Board of Directors, but only out of assets legally available for payment, cumulative cash dividends at a rate per annum equal to 9.6875% plus the three-month U.S. Dollar London Interbank Offered Rate (“LIBOR”) in effect on the last day of the month preceding the applicable dividend period. The current dividend rate is 9.96%. The Warrants are exercisable at any time after September 30, 2012 until August 22, 2013. The exercise price of the Warrants is $12.50 per share of our Common Stock. The Warrants may only be exercised with the payment of cash.

The Selling Shareholders may sell all or a portion of the Securities from time to time, in amounts and on terms determined at the time of the offering. The Selling Shareholders will sell the Series D Preferred Stock at a price of $1,000. 0 0 per share and the Warrants at a pric e equal to $1.75 per share of Common Stock underlying the Warrants until a market develops for the securities , if any, at whic h time they will be sold at prices determined based on t h e then- prevailing market pri c e or at privately negotiated prices. At any time the Selling Shareholders are selling Common Stock, such Common Stock will be sold at prices determined based on the th e n- prevailing market pri c e or at privately negotiated prices. The Securities may be sold by any means described in the section of this prospectus entitled “Plan of Distribution” beginning on page 8.

We will not receive any proceeds from the sale of the Securities by the Selling Shareholders. We may, however, receive cash proceeds equal to the total exercise price of any Warrants to the extent that the Warrants are exercised.

Our Common Stock is currently traded on the Nasdaq Global Select Market under the symbol “ U C BI”. On August 9, 2011, the last reported sale price of our Common Stock on the Nasdaq Global Select Market was $ 10.12 per share. You are urged to obtain current market quotations of our Common Stock. Our Series D Preferred Stock and the Warrants are not listed on any stock exchange, and we do not intend to list any shares of the Series D Preferre d Stock or the Warrants on a stock exchange.

Investing in the Securities involves a high degree of risk. See the section entitled “Risk Factors” beginning on page 3 and the section entitled “Risk Factors” in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which is incorporated herein by reference.

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of the Securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense. An investment in the Securities of United Community Banks, Inc. is not insured by the Federal Deposit Insurance Corporation or any other government agency.

The date of this prospectus is ____________ __, 2011

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ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information that is different from such information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell Securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on its cover page regardless of the time of delivery of this prospectus or any sale of the Securities. In case there are differences or inconsistencies between this prospectus and the information incorporated by reference, you should rely on the information in the document with the latest date.

We are issuing the Securities only in jurisdictions where such issuances are permitted. The distribution of this prospectus and the issuance of the Securities in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the issuance of the Securities and the distribution of this prospectus outside the Untied States. This prospectus does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, the Securities offered by this prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

It is important for you to read and consider all of the information contained in this prospectus in making your investment decision. To understand the offering fully and for a more complete description of the offering you should read this entire document carefully, including particularly the “Risk Factors” section beginning on page 3. You also should read and consider the information in the documents to which we have referred you in the sections entitled “Where You Can Find More Information” and “Incorporation of Certain Information by Reference”.

As used in this prospectus, unless the context requires otherwise, the terms “we”, “us”, “our”, “United” or “the Company” refer to United Community Banks, Inc. and its subsidiaries on a consolidated basis.

PROSPECTUS SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and in the documents incorporated by reference in this prospectus and does not contain all the information you will need in making your investment decision. You should read carefully this entire prospectus and the documents incorporated by reference in this prospectus before making your investment decisions. This prospectus provides you with a general description of United, the Securities issuable under this prospectus and the offering.

Business

We are the third largest bank holding company headquartered in Georgia, with total consolidated assets of $ 7. 4 1 billion, total loans of $ 4 . 16 billion, total deposits of $ 6 . 18 billion and shareholders' equity of $ 8 6 0 million as of June 3 0 , 2011. We conduct substantially all of our operations through our wholly-owned Georgia bank subsidiary, United Community Bank (the "bank"), which operates with decentralized management that is currently organized as 27 separate "community banks" at 106 locations in north Georgia, the Atlanta metropolitan statistical area (or MSA), the Gainesville, Georgia MSA, coastal Georgia, western North Carolina and eastern Tennessee. While we enjoy the efficiencies of a single bank charter, each of our "community banks" is led by a local president and management team who collectively have significant experience in and ties to their respective communities. Our community banks offer a full range of retail and corporate banking services, including checking, savings and time deposit accounts, secured and unsecured lending, wire transfers, brokerage services and other financial services.

For a complete description of our business, financial condition, results of operations and other important information, we refer you to our filings with the Securities and Exchange Commission (the "SEC") that are incorporated by reference in this prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly R e ports on Form 10-Q for the perio d ended March 31, 2011 a n d on Form 10-Q/A for the period ended June 30, 2011. For instructions on how to find copies of these documents, see "Where You Can Find More Information".

Recent Developments

On June 17, 2011, United filed Articles of Amendment to its Restated Articles of Incorporation, as amended (the "Articles"), to effect a 1-for-5 reverse stock split of its Common Stock and non-voting common stock, par value $1.00 per share (the "Non-Voting Common Stock"). Pursuant to the amendment, each 5 shares of United's Common Stock was reclassified into 1 share of Common Stock, and each 5 shares of United's Non-Voting Common Stock was reclassified into 1 share of Non-Voting Common Stock. The 1-for-5 reclassification is referred to herein as the "Reclassification". All share amounts and per share information presented herein have been adjusted to reflect the Reclassification as if it had occurred prior to the earlier period shown.

During the first quarter of 2011, United announced its plans to sell $380 million of Common Stock and convertible preferred stock in a private placement to a group of investors (the "Private Placement"). United entered into investment agreements (the "Investment Agreements") with Corsair Georgia, L.P. and a group of institutional investors (collectively, the "Investors") and closed the Private Placement on March 30, 2011. Pursuant to the Private Placement and following receipt of required shareholder approvals, the conversion of all preferred stock and the completion of the Reclassification, the Investors now own an aggregate of 24,085,777 shares of Common Stock and 15,914,209 shares of Non-Voting Common Stock. The Private Placement resulted in an increase to shareholders' equity of $363 million.

The bank is currently subject to a memorandum of understanding with the Federal Deposit Insurance Corporation and Georgia Department of Banking and Finance ("MOU") which requires, among other things, that the bank maintain its Tier 1 leverage ratio at not less than 8% and its total risk-based capital ratio at not less than 10% during the life of the MOU. Additionally, the MOU requires that, prior to declaring or paying any cash dividends to United, the bank must obtain the written consent of its regulators. Although the bank's Tier 1 leverage ratio was below the target level of 8% as of December 31, 2010, as a result of the March 30, 2011 closing of the Private Placement, United exceeded all capital ratio targets contained in the MOU as of March 31, 2011. Otherwise, the bank has met or surpassed all other goals and obligations contained in the MOU and is in full compliance with its terms.

Also, on March 30, 2011, after completion of the $380 million Private Placement, the Board of Directors approved a plan to sell approximately $293 million in substandard and nonperforming loans, and to accelerate the disposition of approximately $142 million in foreclosed properties (the "Problem Asset Disposition Plan") in the second and third quarters of 2011. The substandard and nonperforming loans were sold by the bank for an aggregate purchase price of approximately $86.5 million in a bulk transaction (the "Bulk Loan Sale") that closed on April 18, 2011 pursuant to an asset purchase and sale agreement (the "Asset Purchase Agreement") entered into by the bank, CF Southeast LLC ("CF Southeast") and CF Southeast Trust 2011-1 ("CF Trust" and together with CF Southeast, the "Purchasers"). At the end of the first quarter of 2011, United wrote down and transferred these substandard and nonperforming loans to loans held for sale. The write-downs were based on indicative bids received from potential buyers. As directed by the Board of Directors, United plans to sell substantially all of the foreclosed properties in the second and third quarters of 2011. United incurred foreclosed property costs of $64.9 million for the first quarter of 2011, which was up $54.1 million from the first quarter of 2010, reflecting higher write-downs on foreclosed properties to expedite sales under the Problem Asset Disposition Plan. As a result of the Bulk Loan Sale in the second quarter of 2011, we expect inflows to foreclosed properties to continue to decline as the loans with the highest probability of foreclosure were included in the Bulk Loan Sale. Correspondingly, we expect related foreclosure costs to continue to decline. In the secon d quarter of 2011, foreclosed property costs were down to $1.9 million.

We were incorporated in 1987 as a Georgia corporation. Our principal executive offices are located at 125 Highway 515 East, Blairsville, Georgia 30512, and our telephone number is (706) 781-2265. Our website is http://www.ucbi.com. Information on our website is not incorporated into this prospectus by reference and is not a part hereof.

The Offering

Issuer	United Community Banks, Inc.
Series D Preferred Shares, Warrants and Common Shares offered by us	None
Series D Preferred Shares offered by Selling Shareholders	Up to 16,613 Series D Preferred Shares
Warrants offered by Selling Shareholders	Warrants to purchase up to 1,551,126 Common Shares
Common Shares offered by Selling Shareholders	Up to 1,551,126 Common Shares
Use of proceeds	We will not receive any proceeds from the sale of the Securities. We may, however, receive cash proceeds equal to the total exercise price of any Warrants to the extent that the Warrants are exercised.
Listing	Our Common Stock is currently listed on the Nasdaq Global Select Market under the symbol "UCBI". Neither the Series D Preferred Stock nor the Warrants are listed on any exchange.
Risk Factors	You should consider carefully the matters set forth under "Risk Factors" beginning on page 3 of this prospectus before deciding to purchase any of the Securities.

RISK FACTORS

An investment in the Securities involves a significant degree of risk. You should carefully consider the risks described below and all other information contained in this prospectus and the documents incorporated herein by reference before deciding to invest in the Securities. These risks and uncertainties are not the only risks we face. It is possible that risks and uncertainties not listed below may arise or become material in the future and affect our business.

Risks Associated with Our Business and Related to Regulatory Events

We have incurred significant operating losses and our ab i lity to maintain profitability is uncertain.

We incurred a net operating loss from continuing operations of $142 million for the first quarter of 2011. This compared to a net operating loss from continuing operations of $34.5 million for the first quarter of 2010. Diluted operating loss from continuing operations per common share was $7.87 for the first quarter of 2011, compared to a diluted operating loss from continuing operations per common share of $1.96 for the first quarter of 2010. The first quarter of 2011 operating loss largely reflects the Board of Director's decision to adopt the Problem Asset Disposition Plan described above under "Summary—Recent Developments" to quickly dispose of problem assets following our successful Private Placement also described in "Summary—Recent Developments". We incurred a net operating loss from continuing operations of $143 million, or $8.12 per share, for the year ended December 31, 2010; $139 million, or $12.37 per share, for the year ended December 31, 2009; and $63.9 million, or $6.81 per share, for the year ended December 31, 2008, in each case due primarily to credit losses and associated costs, including significant provisions for loan losses. Altho u gh we had net income of $4.6 million and diluted earnings per share of $.08 for the second quarter of 2011, we may continue to have a higher than normal level of nonperforming assets and substantial charge-offs in 2011, which would continue to adversely impact our overall financial condition and results of operations and could impair our a bility to maintain profitability .

Our ability to use our deferred tax asset balances may be materially impaired.

As of Jun e 30, 2011, our net deferred tax asset balance was approximately $ 2 61 million, which includes approximately $ 2 12 million of federal and state net operating losses. We currently have a valuation allowance of $ 5 .2 million against certain deferred state tax assets that have a very short carry forward period.

Our ability to use these tax benefits would be substantially limited if we were to experience an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and related Internal Revenue Service pronouncements. As a result of the Private Placement we did not incur an "ownership change", but are close to the threshold. In general, an "ownership change" would occur if our "5-percent shareholders", as defined under Section 382, collectively increased their ownership in United by more than 50% over a rolling three-year period. A corporation that experiences an ownership change will generally be subject to an annual limitation on the use of its pre-ownership change deferred tax assets equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate, which was 4.55% for ownership changes occurring in March 2011, the month in which United completed the Private Placement.

While we have taken measures to reduce the likelihood that future transactions in our stock will result in an ownership change, there can be no assurance that an ownership change will not occur in the future. More specifically, while the Tax Benefits Preservation Plan described below under "Description of Capital Stock—Tax Benefits Preservation Plan" provides an economic disincentive for any one person or group to become a Threshold Holder (as defined in the plan and described below) and for any existing Threshold Holder to acquire more than a specified amount of additional shares, there can be no assurance that the Tax Benefits Preservation Plan will deter a shareholder from increasing its ownership interests beyond the limits set by the plan. Such an increase could adversely affect our ownership change calculations.

In addition, valuation allowances may need to be maintained for d eferred tax assets that we estimate are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, statutory tax rates, and future taxable income levels and based on input from our auditors, tax advisors or regulatory authorities. In the event that we were to determine that we would not be able to realize all or a portion of our net deferred tax assets in the future, we would reduce such amounts through a charge to income tax expense in the period in which that determination was made, which could have a material adverse impact on our financial condition and results of operations and our ability to maintain profitability.

Other than the risk factors mentioned above, there have been no material changes from the r i sks associated with our business and industry, as well as the risks related to legislative and regulatory events, contained in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated in this prospectus by reference.

Risks Related to the Ownership of the Securities

It is unlikely that an active trading market for the Series D Preferred Stock or the Warrants will develop.

The Series D Preferred Stock and the Warrants will not be liquid investments because no public trading market currently exists for such securities and it is unlikely that a market will develop. Potential purchasers of the Series D Preferred Stock or Warrants should consider carefully the limited liquidity of such investment before purchasing any shares of the Series D Preferred Stock or the Warrants. We are not obligated, and do not intend, to apply for the listing of the Series D Preferred Stock or Warrants on any securities exchange. Even if a trading market for the Series D Preferred Stock or Warrants were to develop, it may not continue, and a purchaser of such securities may not be able to sell such securities at or above the price at which they were purchased.

The transferability of our Common Stock is limited as a result of our Tax Benefits Preservation Plan.

As described under "—Risks Associated with Our Business and Related to Regulatory Events—Our ability to use our deferred tax asset balances may be materially impaired", our ability to use net operating loss carry-forwards to reduce future tax payments may be limited or restricted. We have generated significant deferred tax assets as a result of our recent losses. In order to reduce the likelihood that future transactions in our Common Stock will result in an ownership change under Section 382, on February 22, 2011, we adopted a Tax Benefits Preservation Plan, which provides an economic disincentive for any person or group to become an owner, for relevant tax purposes, of 4.99% or more of our Common Stock.

The Tax Benefits Preservation Plan has the effect of limiting transferability of our Common Stock because it makes it more difficult and more expensive to acquire our Common Stock under the circumstances described. If you acquire shares of our Common Stock, your ability to dispose of such shares may be limited due to the reduced class of potential purchasers for the shares.

Our Common Stock is equity and therefore is subordinate to our subsidiaries' indebtedness and our preferred stock.

Our Common Stock is an equity interest and does not constitute indebtedness of United. Consequently, our Common Stock ranks junior to all current and future indebtedness of United and other non-equity claims against us with respect to assets available to satisfy claims against us, including in the event of our liquidation or dissolution. We may, and the bank and our other subsidiaries may also, incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness.

Further, holders of our Common Stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock that may be outstanding from time to time. Our Board of Directors is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our shareholders. If we issue preferred shares in the future that have a preference over our Common Stock with respect to the payment of dividends or distributions upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of our Common Stock, then the rights of holders of our Common Stock or the market price of our Common Stock could be adversely affected.

We rely on dividends we receive from our subsidiary and are subject to restrictions on our ability to declare or pay dividends.

As a bank holding company, our ability to pay dividends depends primarily on the receipt of dividends from our wholly-owned bank subsidiary. Dividend payments from the bank are subject to legal and regulatory limitations, generally based on retained earnings, imposed by bank regulatory agencies. The ability of the bank to pay dividends is also subject to financial condition, regulatory capital requirements, capital expenditures and other cash flow requirements. As of Ju n e 30, 2011, pursuant to these restrictions, the bank did not have the ability to pay dividends to United without prior regulatory approval.

Future dividend payments are restricted by the terms of Treasury's equity investment in us and a Board resolution.

Beginning during the third quarter of 2008, we began to pay stock dividends in lieu of cash dividends to preserve capital and strengthen our tangible common equity levels. Under the terms of the Capital Purchase Program (the "CPP") of the United States Department of the Treasury ("Treasury"), until the earlier of December 5, 2011 or the date on which the Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the "Series B Preferred Stock") we sold to Treasury under the CPP has been redeemed in whole or Treasury has transferred all of the Series B Preferred Stock to third parties, we are prohibited from increasing dividends on our Common Stock from the last quarterly cash dividend per share ($.45) declared on our Common Stock prior to December 5, 2008, as adjusted for subsequent stock dividends and other similar actions, and from making certain repurchases of equity securities, including the Series D Preferred Shares and the Common Shares, without Treasury's consent.

Furthermore, as long as the Series B Preferred Stock is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including the Series D Preferred Shares and the Common Shares, are prohibited until all accrued and unpaid dividends are paid on such Series B Preferred Stock, subject to certain limited exceptions. See "Item 1. Business—Payment of Dividends" in United's Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated herein by reference.

In addition, pursuant to a resolution adopted by our Board of Directors, we have agreed with the Federal Reserve Bank of Atlanta (the "Federal Reserve") to not incur additional indebtedness, pay cash dividends or repurchase outstanding capital stock, including the Series D Preferred Shares and the Common Shares, without regulatory approval.

The current dividend rates on our outstanding preferred stock are as follows: (i) 6% with respect to our Series A Preferred Stock (defined below); 5% with respect to our Series B Preferred Stock; and (iii) 9.96% with respect to our Series D Preferred Stock. The annual dividend accrual for our outstanding preferred stock is $13,020 on our Series A Preferred Stock, $9,000,000 on our Series B Preferred Stock and $1,654,655 on our Series D Preferred Stock. Other than shares of our Series C Preferred Stock (defined below) that may be purchased by one of our investors, Fletcher International, Ltd., we do not have any arrangement, agreement or understanding regarding the future issuance of additional preferred stock. Currently, no shares of the Series C Preferred Stock are outstanding.

If Fletcher acquires our Common Stock under existing agreements, our existing shareholders' interests may be diluted and the market price of our Common Stock may fall.

On April 1, 2010, we entered into a securities purchase agreement with Fletcher International, Ltd. ("Fletcher") and the bank entered into an asset purchase and sale agreement with Fletcher International, Inc. and certain affiliates thereof. As part of asset purchase agreement, Fletcher received a warrant to acquire United's Common Stock Equivalent Junior Preferred Stock (the "Junior Preferred Stock") that is convertible into 1,411,765 shares of our Common Stock at a price of $21.25 per share. In accordance with the terms of the securities purchase agreement, prior to May 29, 2012, Fletcher has the right to purchase up to $65 million of our Series C Preferred Stock, which is convertible by Fletcher into shares of our Common Stock at $26.25 per share (2,476,191 shares). In addition, Fletcher will receive an additional warrant to purchase $35 million of our Common Stock at $30.10 per share (1,162,791 shares) when it purchases the last $35 million of Series C Preferred Stock. All of the warrants settle on a cashless exercise basis and the net shares to be delivered upon cashless exercise will be less than what would have been issuable if the warrant had been exercised for cash.

Although all of the shares of Common Stock would be issued to Fletcher at a price that is significantly more than our tangible book value, the ownership interest of existing shareholders could be diluted if such stock is issued.

An investment in the Securities is not an insured deposit.

The Securities are not bank deposits and, therefore, are not insured against loss by the FDIC or any other public or private entity. Investment in the Securities is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this prospectus and is subject to the same market forces that affect the capital stock in any company. As a result, if you acquire the Securities, you may lose some or all of your investment.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), about United and its subsidiaries. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, and can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “projects”, “plans”, “goal”, “targets”, “potential”, “estimates”, “pro forma”, “seeks”, “intends”, or “anticipates” or the negative thereof or comparable terminology. Forward-looking statements include discussions of strategy, financial projections, guidance and estimates (including their underlying assumptions), statements regarding plans, objectives, expectations or consequences of various transactions, and statements about the future performance, operations, products and services of United and its subsidiaries. We caution our shareholders and other readers not to place undue reliance on such statements.

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the risk factors set forth in this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2010:

- our ability to maintain p r ofitability ;
- our ability to fully realize our deferred tax asset balances, including net operating loss carry-forwards;
- the condition of the banking system and financial markets;
- the results of our most recent internal stress test may not accurately predict the impact on our financial condition if the economy was to continue to deteriorate;
- our ability to raise capital as may be necessary;
- our ability to maintain liquidity or access other sources of funding;
- changes in the cost and availability of funding;
- the success of the local economies in which we operate;
- our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;
- changes in prevailing interest rates may negatively affect our net income and the value of our assets;
- the accounting and reporting policies of United;
- if our allowance for loan losses is not sufficient to cover actual loan losses;
- we may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;
- competition from financial institutions and other financial service providers;
- Treasury may change the terms of our Series B Preferred Stock;
- risks with respect to future expansion and acquisitions;
- conditions in the stock market, the public debt market and other capital markets deteriorate;
- the impact of the Dodd-Frank Act and related regulations and other changes in financial services laws and regulations;

- the failure of other financial institutions;

- a special assessment that may be imposed by the Federal Deposit Insurance Corporation ("FDIC") on all FDIC-insured institutions in the future, similar to the assessment in 2009 that decreased our earnings; and

- regulatory or judicial proceedings, board resolutions, informal memorandums of understanding or formal enforcement actions imposed by regulators that occur, or any such proceedings or enforcement actions that is more severe than we anticipate.

All written or oral forward-looking statements attributable to us or any person acting on our behalf made after the date of this prospectus are expressly qualified in their entirety by the risk factors and cautionary statements contained in and incorporated by reference into this prospectus. Unless legally required, we do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratio of earnings to fixed charges and our ratio of earnings to fixed charges excluding interest on deposits for the periods indicated:

	Six Months Ended June 30,	Year Ended December 31,				
	2011	2010	2009	2008	2007	2006
Including interest on deposits	**(3.99)x**	**(2.84)x**	**(.90)x**	**.55x**	**1.32x**	**1.51x**
Excluding interest on deposits	**(11.92)x**	**(11.82)x**	**(8.53)x**	**(2.19)x**	**2.85x**	**3.66x**

(1) Fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness, an estimate of the interest with rental expense, pre-tax earnings required to pay dividends on outstanding preferred stock and pre-tax accretion.

(2) The amount of pre-tax earnings required to achieve one-to-one coverage for the si x months ended J une 30, 2011 was $ 2 33.7 million and for the year ended December 31, 2010 was $448 million, excluding interest on deposits.

USE OF PROCEEDS

We will receive no proceeds from the sale of the Securities by the Selling Shareholders. We may, however, receive cash proceeds equal to the total exercise price of any Warrants to the extent that the Warrants are exercised. The exercise price of the Warrants held by the Selling Shareholders is $12.50 per share of our Common Stock. The exercise price and the number of Common Shares issuable upon exercise of the Warrants may be adjusted in certain circumstances, including stock splits, dividends, distributions or reclassifications, and mergers, consolidations, statutory share exchanges, or other similar transactions. To the extent we receive proceeds from the cash exercise of the Warrants, we may use such proceeds to provide capital support to our subsidiary bank or for general corporate purposes, which may include, without limitation, making investments at the holding company level, supporting asset and deposit growth, and engaging in acquisitions or other business combinations. We do not have any specific plans for acquisitions or other business combinations at this time. Our management will retain broad discretion in the allocation of the net proceeds from the exercise of the Warrants.

PLAN OF DISTRIBUTION

We are registering the Securities covered by this prospectus to permit Selling Shareholders to conduct public secondary trading of the Securities from time to time after the date of this prospectus. The aggregate proceeds to the Selling Shareholders from the sale of the Securities will be the purchase price of the Securities less any discounts and commissions. A Selling Shareholder reserves the right to accept and, together with their agents, to reject, any proposed purchases of Securities to be made directly or through agents.

The Securities offered by this prospectus may be sold from time to time to purchasers:

- directly by the Selling Shareholders and their successors, which include their donees, pledgees or transferees or their successors-in-interest; or
- through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or agent’s commissions from the Selling Shareholders or the purchasers of the Securities.

The Selling Shareholders and any underwriters, broker-dealers or agents who participate in the sale or distribution of the Securities may be deemed to be “underwriters” within the meaning of the Securities Act. As a result, any profits on the sale of the Securities by such Selling Shareholders and any discounts, commissions or agent’s commissions or concessions received by any such broker-dealer or agents may be deemed to be underwriting discounts and commissions under the Securities Act. Selling Shareholders who are deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to prospectus delivery requirements of the Securities Act. Underwriters are subject to certain statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The Securities may be sold in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- prices related to such prevailing market prices;
- varying prices determined at the time of sale; or
- negotiated prices.

The sales may be effected in one or more transactions:

- on any national securities exchange or quotation on which the Securities may be listed or quoted at the time of the sale;
- in the over-the-counter market;
- in transactions other than on such exchanges or services or in the over-the-counter market;
- through the writing of options (including the issuance by the Selling Shareholders of derivative securities), whether the options or such other derivative securities are listed on an options exchange or otherwise;
- in a public auction;
- through the settlement of short sales; or
- through any combination of the foregoing.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with the sales of the Securities, the Selling Shareholders may enter into hedging transactions with broker-dealers or other financial institutions which in turn may:

- engage in short sales of the Securities in the course of hedging their positions;
- sell the Securities short and deliver the Securities to close out short positions;
- loan or pledge the Securities to broker-dealers or other financial institutions that in turn may sell the Securities;
- enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the Securities, which the broker-dealer or other financial institution may resell under the prospectus; or
- enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

To our knowledge, there are currently no plans, arrangements or understandings between any Selling Shareholders and any underwriter, broker-dealer or agent regarding the sale of the Securities by the Selling Shareholders. In the event any underwriter, broker-dealer or agent is engaged regarding the sale of the Securities by the Selling Shareholders, we will file a post-effective amendment to the registration statement, of which this prospectus forms a part, to disclose such material change in the plan of distribution.

There can be no assurance that any Selling Shareholder will sell any or all of the Securities under this prospectus. Further, we cannot assure you that any such Selling Shareholder will not transfer, devise or gift the Securities by other means not described in this prospectus. The Securities covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The Securities may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the Securities may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The Selling Shareholders and any other person participating in the sale of the Securities will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the Securities by the Selling Shareholders and any other such person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the Securities to engage in market-making activities with respect to the Securities being distributed. This may affect the marketability of the Securities and the ability of any person or entity to engage in market-making activities with respect to the Securities.

We have agreed to indemnify the Selling Shareholders against certain liabilities, including liabilities under the Securities Act. We have agreed to pay substantially all of the expenses incidental to the registration of the Securities, including all registration, filing and listing fees, printing expenses, fees and disbursements of our counsel, blue sky fees and expenses, expenses incurred in connection with any "road show", the reasonable fees and disbursements of counsel for any Selling Shareholder, and expenses of our independent accountants in connection with reviews or audits in connection with the registration of the Securities. The Selling Shareholders will be required to pay all discounts, selling commissions and stock transfer taxes applicable to the sale of the Securities.

SELLING SHAREHOLDERS

The Selling Shareholders, Elm Ridge Offshore Master Fund, Ltd. (the "Master Fund") and Elm Ridge Value Partners, L.P. ("Value Partners"), acquired the Securities pursuant to the Exchange. The Selling Shareholders have not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years.

The Master Fund is the beneficial owner of (1) 16,166.11 Series D Preferred Shares and (2) a Warrant to purchase 1,509,380 Common Shares. We are offering for the account of the Master Fund, the 16,166.11 Series D Preferred Shares and the Warrant, including the underlying 1,509,380 Common Shares, that are beneficially owned by the Master Fund. Value Partners is the beneficial owner of (1) 446.89 Series D Preferred Shares and (2) a Warrant to purchase 41,746 Common Shares. We are offering for the account of Value Partners, the 446.89 Series D Preferred Shares and the Warrant, including the underlying 41,746 Common Shares, that are beneficially owned by Value Partners. Because the Selling Shareholders may sell all, some or none of the Securities, no estimate can be given as to the amount of the Securities that will be held by the Selling Shareholders upon termination of this offering.

Ronald Eric Gutfleish, as the Managing Member of Elm Ridge Management, LLC, investment adviser to the Master Fund and Value Partners, makes investment and voting decisions with respect to the Securities held by the Master Fund and Value Partners.

DESCRIPTION OF CAPITAL STOCK

The following is a brief description of the terms of the Securities. This summary does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to our Articles and our Amended and Restated Bylaws, as amended (the "Bylaws"), the applicable provisions of the Georgia Business Corporation Code and the Tax Benefits Preservation Plan, dated as of February 22, 2011, as amended. Our Articles are filed as an exhibit to our Quarterly Report on Form 10-Q/A for the period ended June 30, 2011 and our Bylaws are filed as an exhibit to our Quarterly Report on Form 10-Q for the period ended March 31, 2011. The Tax Benefits Preservation Plan, dated as of February 22, 2011, is filed as an exhibit to our Current Report on Form 8-K filed on February 24, 2011. T h e amendments to the Tax Benefits Preservation Plan, dated as of March 29, 2011 and June 17, 2011, respectively, are filed as exhibits to our Current Reports on Form 8-K filed on March 31, 2011 and June 21, 2011, respectively.

Common Stock

Following the Reclassification, which was effective as of June 17, 2011, our authorized Common Stock consists of 100,000,000 shares, $1.00 par value per share. Each holder of Common Stock is entitled to one vote per share on any issue requiring a vote at any meeting. The shares of Common Stock do not have cumulative voting rights. Upon liquidation, holders of our Common Stock, together with holders of the Company's Non-Voting Common Stock, Junior Preferred Stock and Junior Participating Preferred Stock, Series E (the "Series E Preferred Stock"), will be entitled to receive on a pro rata basis, after payment or provision for payment of all our debts and liabilities, and after all distributions payments are made to holders of our Series A Non-Cumulative Preferred Stock (the "Series A Preferred Stock"), our Series B Preferred Stock, our Series C Preferred Stock, our Series D Preferred Stock, our Series F Preferred Stock and our Series G Preferred Stock, all of our assets available for distribution, in cash or in kind.

Subject to the rights of holders of our Series A Preferred Stock, our Series B Preferred Stock, our Series C Preferred Stock, our Series D Preferred Stock, our Series F Preferred Stock and our Series G Preferred Stock to receive dividends, all shares of our Common Stock, together with all shares of our Non-Voting Common Stock, Junior Preferred Stock and Series E Preferred Stock, are entitled to share equally in any dividends that our Board of Directors may declare on our Common Stock, our Non-Voting Common Stock, our Junior Preferred Stock and our Series E Preferred Stock from sources legally available for distribution. We have informally committed to the Federal Reserve that we will not declare or pay dividends on any of our capital stock without Federal Reserve approval.

As of Aug u st 8, 2011, 41,574,514 shares of the Common Stock and 15,914,209 shares of the Non-Voting Common were issued and outstanding, exclusive of 86,982 shares of Common Stock issuable under United's deferred compensation plan; 404,644 shares of Common Stock that may be issued upon the vesting of restricted stock and restricted stock units; 614,641 shares of Common Stock that may be issued upon the exercise of options outstanding, with a weighted average exercise price of $ 94.81 per share; 129,670 shares of Common Stock reserved for issuance upon the exercise of warrants issued in connection with the issuance of trust preferred securities, with a conversion price of $100.00 per share; 219,909 shares of Common Stock reserved for issuance upon the exercise of warrants issued in connection with the issuance of preferred stock to Treasury with a conversion price of $61.40 per share; 1,411,765 shares of Common Stock reserved for issuance upon the conversion of Junior Preferred Stock received upon the exercise of a warrant issued to Fletcher, with an exercise price of $21.25 per share; 2,476,191 shares of Common Stock reserved for issuance upon the conversion of our Junior Preferred Stock or our Series C Preferred Stock that may be purchased by Fletcher, with a potential conversion price of $26.25 per share (such conversion price may be higher in certain circumstances); 1,162,791 shares of Common Stock reserved for issuance upon the conversion of Junior Preferred Stock reserved for issuance upon the exercise of a warrant that will be issued to Fletcher in connection with its purchase of Series C Preferred Stock, with an exercise price of $30.10 per share; 1,551,126 shares of Common Stock reserved for issuance upon the exercise of the Warrants issued in connection with the Exchange; and 15,914,209 shares of Common Stock reserved for issuance upon conversion of the Non-Voting Common Stock (provided certain conditions are met).

Tax Benefits Preservation Plan

As of February 22, 2011, we adopted a Tax Benefits Preservation Plan designed to protect our ability to utilize our substantial tax assets. Our tax attributes include net operating losses that we could utilize in certain circumstances to offset taxable income and reduce our federal income tax liability. Our ability to use these tax benefits would be substantially limited if we were to experience an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and related Internal Revenue Service pronouncements. In general, an "ownership change" would occur if our "5-percent shareholders", as defined under Section 382, collectively increased their ownership in United by more than 50% over a rolling three-year period. The Tax Benefits Preservation Plan is designed to reduce the likelihood that we will experience an ownership change by discouraging any person or group from becoming a beneficial owner of 4.99% or more of the Common Stock of United then outstanding (referred to herein as a "Threshold Holder").

In connection with the Tax Benefits Preservation Plan, our Board of Directors declared a dividend of one preferred share purchase right (individually, a "Right", and collectively the "Rights") in respect of each share of Common Stock outstanding at the close of business on February 23, 2011 and in respect of each share of Common Stock to become outstanding during the term of the plan. Each Right represents the right to purchase for an initial purchase price of $40.00, one-hundredth of a share of our Series E Preferred Stock. The Rights become exercisable by holders of those rights (other than a Threshold Holder) upon certain triggering events. Prior to such a triggering event, our Board of Directors may, at its option, exchange all or part of the then outstanding and exercisable Rights at an exchange ratio of one share of Common Stock per Right, subject to the adjustments and limitations described in the Tax Benefits Preservation Plan.

On March 29, 2011, we amended the Tax Benefits Preservation Plan with respect to certain definitions contained in the plan, including the definition of "Acquiring Person", "Affiliate" and "Final Expiration Date". The definition of "Acquiring Person" was amended to include within the exemptions to the definition, certain entities that were not previously exempt from such definition. The definition of "Affiliate" was amended to remove from the definition the meaning ascribed to the term "Affiliate" in Rule 12b-2 under the Exchange Act. The definition of "Final Expiration Date" was amended to change the expiration date of the plan from the fifth anniversary of the date of the plan to March 31, 2014, subject to certain exceptions.

On June 17, 2011, we further amended the Tax Benefits Preservation Plan to reflect the Reclassification, effective as of June 17, 2011. As noted above, the amendment proportionally adjusted the initial purchase price for each one-hundredth of a share of our Series E Preferred Stock from $8.00 to $40.00.

While the Tax Benefits Preservation Plan was established to protect our ability to utilize our substantial tax assets, it should be noted that:

- the plan could have the effect of limiting transferability of our Common Stock because it makes it more difficult and more expensive to acquire our Common Stock;

- the plan could decrease the marketability of our Common Stock and deter a potential acquirer of our Common Stock or the Company;

- while the plan provides an economic disincentive for any one person or group to become a Threshold Holder and for any existing Threshold Holder to acquire more than a specified amount of additional shares, there can be no assurance that the plan will deter a shareholder from increasing its ownership interests beyond the limits set by the plan; and

- our determination that United has not experienced an "ownership change" as defined under Section 382 and that the plan should create a disincentive for one to occur is based on current law and that any change in applicable law may result in an ownership change.

For more information on our Tax Benefits Preservation Plan, as amended, see the information about the plan in th e "Risk Factors" section of this prospectus and the disclosure contained in our Registration Statement on Form 8-A filed with the SEC on February 24, 2011, our Current Report on Form 8-K, including the related exhibits, filed with the SEC on February 24, 2011 and our Current Reports on Form 8-K, including the related exhibits, filed with the SEC on March 31, 2011 and June 21, 2011.

Non-Voting Common Stock

Following the Reclassification, which was effective as of June 17, 2011, our authorized Non-Voting Common Stock consists of 30,000,000 shares, $1.00 par value per share. Except with respect to voting rights and as specifically set forth below, the Non-Voting Common Stock h as the same designations, powers, preferences, limitations, restrictions, and relative rights as, and i s identical in all respects to, our Common Stock. As of Augus t 8, 2011, 15,914,209 shares of our Non-Voting Common Stock were issued and outstanding.

No Voting Rights. Except as required by Georgia law or our Articles, holders of the Non-Voting Common Stock have no right to vote on any matter submitted to a vote at a meeting of our shareholders. The Articles provide that, in addition to any other vote required by law, the affirmative vote of the holders of a majority of the outstanding shares of the Non-Voting Common Stock, voting separately as a class, will be required to amend, alter or repeal any provision of the Articles that significantly and adversely affects the rights, preferences or privileges of the Non-Voting Common Stock.

Dividends. Subject to the preferential dividend rights, if any, of any preferred stock of United, the holders of Non-Voting Common Stock will be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors on the Common Stock. If a dividend is declared and paid with respect to the Common Stock, then the Board of Directors will declare and pay an equivalent dividend, on a per share basis, to the Non-Voting Common Stock. Likewise, if the Board of Directors declares and pays a dividend on the Non-Voting Common Stock, it will declare and pay an equivalent dividend, on a per share basis, on the Common Stock.

Distributions. After distribution in full of any preferential amount to be distributed to the holders of preferred stock of United, holders of Non-Voting Common Stock and Common Stock will be entitled to receive, in the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of United, all of United’s remaining assets of whatever kind available for distribution to the shareholders ratably in proportion to the number of shares of Common Stock and Non-Voting Common Stock held by them.

Adjustments. In the event of any stock split, combination or other reclassification of either the Common Stock or the Non-Voting Common Stock, the outstanding shares of the other class will be proportionately split, combined or reclassified in a similar manner, provided that in any such transaction, only holders of Common Stock will receive shares of Common Stock and only holders of Non-Voting Common Stock will receive shares of Non-Voting Common Stock.

Conversion. The Non-Voting Common Stock may be converted into Common Stock by any holder of Non-Voting Common Stock, other than the initial holder of such Non-Voting Common Stock or an affiliate thereof, who acquires one or more shares of Non-Voting Common Stock in an “Approved Transfer”. An “Approved Transfer” means a sale or other transfer (i) to an affiliate of the holder of the Non-Voting Common Stock to be transferred under common control with such holder’s ultimate parent, general partner or investment advisor but only if the transferee agrees in writing for the benefit of United to be bound by the terms of the applicable Investor Agreement; (ii) in a widely distributed public offering registered pursuant to the Securities Act; (iii) to a person that is acquiring at least a majority of United’s outstanding “voting securities” (as defined in the BHC Act and any rules or regulations promulgated thereunder) not including any voting securities such person is acquiring from the holder of the Non-Voting Common Stock to be transferred or its affiliates; or (iv) upon certification by the holder of the Non-Voting Common Stock to be transferred in writing to United that such holder believes that the transferee shall not, after giving effect to such transfer, own for purposes of the BHC Act, or the Change of Bank Control Act, and any rules and regulations promulgated thereunder, more than 2% of any class of voting securities of United outstanding at such time.

Mergers, Consolidations, Etc. In the event of any merger, consolidation, reclassification or other transaction in which the shares of United’s Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of Non-Voting Common Stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that each share of Common Stock would be entitled to receive as a result of such transaction, provided that at the election of such holder, any securities issued with respect to the Non-Voting Common Stock will be non-voting securities under the resulting corporation’s organization documents and United will make appropriate provisions and take such actions necessary to ensure that holders of the Non-Voting Common will retain securities with substantially the same rights and benefits as the Non-Voting Common Stock. In the event the holders of Common Stock are provided the right to convert or exchange Common Stock for stock or securities, cash and/or any other property, then the holders of the Non-Voting Common Stock will be provided the same right based upon the number of shares of Common Stock such holders would be entitled to receive if such shares of Non-Voting Common Stock were converted into shares of Common Stock immediately prior to such offering. In the event that United offers to repurchase shares of Common Stock from its shareholders generally, United will offer to repurchase Non-Voting Common Stock pro rata based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into shares of Common Stock immediately prior to such repurchase. In the event of any pro rata subscription offer, rights offer or similar offer to holders of Common Stock, United will provide the holders of the Non-Voting Common Stock the right to participate based upon the number of shares of Common Stock such holders would be entitled to receive if such shares were converted into shares of Common Stock immediately prior to such offering; provided that at the election of such holder, any shares issued with respect to the Non-Voting Common Stock will be issued in the form of Non-Voting Common Stock rather than Common Stock.

Restrictions on Transfer. Shares of the Non-Voting Common Stock may only be transferred in an Approved Transfer, as described above.

Preferred Stock

Under our Articles, we have the authority to issue up to 10,000,000 shares of preferred stock, $1.00 par value per share, issuable in specified series and having specified voting, dividend, conversion, liquidation, and other rights and preferences as our Board of Directors may determine, subject to limitations set forth in our Articles. The preferred stock may be issued for any lawful corporate purpose without further action by our shareholders. The issuance of any preferred stock having conversion rights might have the effect of diluting the interests of our other shareholders. In addition, shares of preferred stock could be issued with rights, privileges and preferences which would deter a tender or exchange offer or discourage the acquisition of control of United.

Of such authorized number of shares of preferred stock, (i) 1,000,000 shares of Junior Preferred Stock are authorized, with no shares issued or outstanding; (ii) 287,411 shares of Series A Preferred Stock are authorized, with 21,700 shares issued and outstanding; (iii) 180,000 shares of Series B Preferred Stock are authorized, with 180,000 shares issued and outstanding; (iv) 65,000 shares of Series C Preferred Stock are authorized, with no shares issued and outstanding; (v) 25,000 shares of Series D Preferred Stock are authorized, with 16,613 shares issued and outstanding; (vi) 1,000,000 shares of Series E Preferred Stock are authorized, with no shares issued and outstanding; (vii) 195,872 shares of Series F Preferred Stock are authorized, with no shares issued and outstanding; and (viii) 151,185 shares of Series G Preferred Stock are authorized, with no shares issued and outstanding.

Series D Preferred Stock

Dividends Payable on Shares of the Series D Preferred Stock. Holders of the Series D Preferred Stock are entitled to receive, on each share of the Series D Preferred Stock if, as and when declared by the Board of Directors, or any duly authorized committee of the Board of Directors, but only out of assets legally available for payment, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to 9.6875% plus the three-month LIBOR in effect on the last day of the month preceding the applicable Dividend Period (as defined below) on (i) $1,000 per share of the Series D Preferred Stock (the "Liquidation Amount") and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of the Series D Preferred Stock, if any. Dividends shall begin to accrue and be cumulative from the Closing Date and shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date), in each case whether or not declared, and shall be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year (each, a "Dividend Payment Date"), commencing May 15, 2011. In the event that any Dividend Payment Date would otherwise fall on a day that is not a business day, the dividend payment due on that date will be postponed to the next day that is a business day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a "Dividend Period".

With respect to the payment of dividends and the amounts to be paid upon liquidation, the Series D Preferred Stock will rank:

- senior to our Common Stock, our Junior Preferred Stock, our Series E Preferred Stock, and all other equity securities designated as ranking junior to the Series D Preferred Stock; and

- equally with our Series A Preferred Stock, our Series B Preferred Stock, our Series C Preferred Stock, our Series F Preferred Stock, our Series G Preferred Stock, and all other equity securities designated as ranking on a parity with the Series D Preferred Stock, or parity stock, with respect to the payment of dividends and distribution of assets upon any liquidation, dissolution or winding-up of United.

Subject to certain exceptions, no dividend shall be paid or declared on our Common Stock, our Junior Preferred Stock, our Series E Preferred Stock, or our other junior stock or parity stock, and we and our subsidiaries may not purchase, redeem or otherwise acquire for value or set aside any cash or property for the repurchase or redemption of any shares of our Common Stock, our Junior Preferred Stock, our Series E Preferred Stock, or our other junior stock or parity stock unless in each such case we have paid in full all dividends declared on the Series D Preferred Stock (or have declared all such dividends and set aside a sum sufficient for payment thereof).

Transferability. The Series D Preferred Stock is not subject to any contractual transfer restrictions.

Redemption. The Series D Preferred Stock is not redeemable prior to either February 22, 2014 or September 30, 2014, as determined by the Company's Board of Directors (the "Redemption Date"). After the Redemption Date, the Series D Preferred Stock will be redeemable at the Company's option, in whole but not in part, at a redemption price equal to the Liquidation Amount plus any accrued and unpaid dividends. The holders of Series D Preferred Stock do not have the right to require the redemption or repurchase of the Series D Preferred Stock.

Conversion. Holders of the Series D Preferred Stock shares will have no right to exchange or convert such shares into any other securities.

Liquidation Rights. In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of Series D Preferred Stock will be entitled to receive a liquidation preference in an amount in cash per share, referred to as the total liquidation amount, equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable, dividends on such amount), whether or not declared, to the date of payment. Holders of the Series D Preferred Stock will be entitled to receive the total liquidation amount out of our assets or proceeds thereof that are available for distribution to shareholders, subject to the rights of any creditors, before any distribution of such assets or proceeds after payment or provision for payment of our debts and other liabilities but before any distribution of assets is made to holders of is made to or set aside for the holders of our Common Stock and any other stock of United ranking junior to the Series D Preferred Stock as to such distribution.

If our assets are not sufficient to pay the total liquidation amount in full to all holders of the Series D Preferred Stock and all holders of any shares of outstanding parity stock, the amounts paid to the holders of Preferred Stock and other shares of parity stock will be paid pro rata in accordance with the respective liquidation amount due to those holders upon a liquidation. If the liquidation amount per share of the Series D Preferred Stock has been paid in full to all holders of the Series D Preferred Stock and other shares of parity stock, the holders of our Common Stock and any other stock of United ranking junior to the Series D Preferred Stock as to such distribution will be entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of the liquidation rights, the merger or consolidation of United with any other corporation or other entity, including a merger or consolidation in which the holders of the Series D Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of United, will constitute a liquidation, dissolution or winding up of United, but only to the extent that the holders of the Series D Preferred Stock receive in such transaction an amount equal to at least the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable, dividends on such amount).

Voting Rights. Except as indicated below or otherwise required by law, the holders of the Series D Preferred Stock will not have any voting rights. So long as any shares of the Series D Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required by law or by our Articles, the vote or consent of the holders of at least a majority of the shares of the Series D Preferred Stock at the time outstanding, voting separately as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary to:

- authorize, create, increase the authorized amount of or issue any class of securities ranking senior to the Series D Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of United;

- amend, alter or repeal any provision of the Articles so as to materially and adversely affect the rights, preferences, privileges or voting powers of the Series D Preferred Stock; or

- consummate a binding share exchange or reclassification involving the Series D Preferred Stock, or a merger or consolidation of United with another corporation or entity, unless in each case (i) the shares of the Series D Preferred Stock remain outstanding (and will not have been any adverse effect to the rights, privileges, preferences or otherwise of such Series D Preferred Stock) or are converted into or exchanged for preference securities of a surviving or resulting entity or its ultimate parent, and (ii) such shares remaining outstanding or such preference securities are securities in an issuer with a credit rating of at least as high a quality as the credit rating of United on the date immediately prior to the consummation of such transactions and have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, at least as favorable as the Series D Preferred Stock immediately prior to such consummation, taken as a whole.

DESCRIPTION OF WARRANTS

The following is a description of the material terms of the Warrants. This description is subject to and qualified in its entirety by reference to the Warrants, a form of which was included as an exhibit to our Current Report on Form 8-K filed on February 24, 2011, and the Share Exchange Agreement, dated as of February 22, 2011, a copy of which was filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2010.

Shares of Common Stock Subject to the Warrants

Pursuant to the Share Exchange Agreement we entered into with the Selling Shareholders, we granted warrants to each of the Master Fund and Value Partners to purchase a total of 1,551,126 Common Shares. The Warrant held by the Master Fund entitles its holder to purchase 1,509,380 Common Shares, subject to certain terms and conditions. The Warrant held by Value Partners entitles its holder to purchase 41,746 Common Shares, subject to certain terms and conditions.

Exercise of the Warrants

The right to purchase the Common Shares represented by the Warrants is exercisable, in whole or in part, at any time or from time to time after September 30, 2012, but in no event later than 5:00 p.m., New York City time on August 22, 2013.

The exercise price of the Warrants is $12.50 per share of our Common Stock. The Warrants may only be exercised with the payment of cash. Exercise of the Warrants is subject to the satisfaction or waiver of conditions set forth in the Share Exchange Agreement. Upon exercise of either of the Warrants, certificates for the Common Shares issuable upon exercise of such Warrant will be issued to the holder of such Warrant. We will at all times reserve the aggregate number of shares of our Common Stock for which the Warrant may be exercised. The exercise price applicable to the Warrants is subject to further adjustments described below under the heading “Adjustments to the Warrants”.

Rights as a Shareholder

The holders of the Warrants will have none of the rights or privileges that the holders of our Common Stock enjoy, including any voting rights, until (and then only to the extent) the Warrants have been exercised. The holders of the Warrants will have the right to receive notice of a change in control of United and have certain other rights to ensure they maintain equivalent rights in connection with a change in control, all as provided in the Warrants.

Transferability

Subject to compliance with applicable securities laws and transfer restrictions printed on the Warrants, holders of the Warrants are permitted to transfer, sell, assign or otherwise dispose of all or a portion of the Warrants at any time.

Adjustments to the Warrants

Adjustments in Connection with Stock Splits, Stock Dividends, Reclassifications, etc. The number of shares of Common Stock for which the Warrants may be exercised and the exercise price applicable to the Warrants will be proportionately adjusted in the event we subdivide, by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise, our Common Stock.

Other Distributions. If we declare any dividends or distributions other than our ordinary cash dividends on our Common Stock, upon a closing date under the Warrants, a dividend payment shall be made to the holder of the Warrants to reflect such dividend or distribution, as provided in the Warrants.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of shares of the Series D Preferred Stock, the Warrants and shares of the Common Stock by the initial beneficial owners thereof. We have based this summary upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated under the Code, as amended (the "Treasury Regulations"), administrative rulings and pronouncements and judicial decisions, in each case as of the date hereof. These authorities are subject to differing interpretations and are subject to change, perhaps retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions or that a court will not sustain any challenge by the IRS in the event of litigation.

This summary assumes that a beneficial owner will hold shares of the Series D Preferred Stock, the Warrants or shares of the Common Stock as capital assets within the meaning of section 1221 of the Code. This summary does not address the tax consequences arising under the laws of any state or local jurisdiction or Non-U.S. jurisdiction or any other U.S. federal tax consequences, such as estate and gift tax consequences. In addition, this summary does not address all tax considerations that might be applicable to your particular circumstances (such as the alternative minimum tax provisions of the Code), or to certain types of holders subject to special tax rules, including, without limitation, partnerships, banks, financial institutions or other "financial services" entities, broker-dealers, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, retirement plans, individual retirement accounts or other tax-deferred accounts, persons who use or are required to use mark-to-market accounting for federal income tax purposes, persons that hold shares of the Series D Preferred Stock, the Warrants or shares of the Common Stock as part of a "straddle", a "hedge", a "conversion transaction" or other arrangement involving more than one position, U.S. holders (as defined below) that have a functional currency other than the U.S. dollar and certain former citizens or permanent residents of the United States.

If a partnership holds shares of the Series D Preferred Stock, the Warrants or shares of the Common Stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares of the Series D Preferred Stock, the Warrants or shares of the Common Stock, you should consult your tax advisor.

If you are considering the purchase of shares of the Series D Preferred Stock, the Warrants or shares of the Common Stock, you should consult your own tax advisors concerning the U.S. federal income tax consequences to you in light of your particular facts and circumstances and any consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.

As used in this discussion, a "U.S. Holder" is a beneficial owner of shares of the Series D Preferred Stock, the Warrants, or shares of the Common Stock that is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

As used in this discussion, a "Non-U.S. Holder" is a beneficial owner of shares of the Series D Preferred Stock, the Warrants or shares of the Common Stock that is neither a U.S. Holder nor a partnership or other entity treated as a partnership for U.S. federal income tax purposes.

Consequences to U.S. Holders

Distributions on Series D Preferred Stock or Common Stock. Distributions made to U.S. Holders out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be included in the income of a U.S. Holder as dividend income and will be subject to tax as ordinary income. Dividends received by an individual U.S. Holder in taxable years beginning before January 1, 2013 that constitute "qualified dividend income" are generally subject to tax at a maximum rate of 15% applicable to net long-term capital gains, provided that certain holding period and other requirements are met. Dividends received by a corporate U.S. Holder, except as described in the next subsection, generally will be eligible for the 70% dividends-received deduction.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a U.S. Holder to the extent that the distributions do not exceed the U.S. Holder's adjusted tax basis in the stock to which such distribution relates, but rather will reduce the adjusted tax basis of such shares. To the extent that distributions in excess of our current and accumulated earnings and profits exceed the U.S. Holder's adjusted tax basis in the shares of stock to which the distribution relates, such distributions will be included in income as capital gain. In addition, a corporate U.S. Holder will not be entitled to the dividends-received deduction on this portion of a distribution.

We will notify holders of our shares after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, qualified dividend income and non-dividend distributions, if any.

Limitations on Dividends-Received Deduction. A corporate U.S. Holder may not be entitled to take the 70% dividends-received deduction in all circumstances. Prospective corporate investors in our Series D Preferred Stock or our Common Stock should consider the effect of:

- Section 246A of the Code, which reduces the dividends-received deduction allowed to a corporate U.S. Holder that has incurred indebtedness that is "directly attributable" to an investment in portfolio stock;

- Section 246(c) of the Code, which, among other things, disallows the dividends-received deduction in respect of any dividend on a share of stock that is held for less than the minimum holding period (generally, for Common Stock, at least 46 days during the 90 day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend); and

- Section 1059 of the Code, which, under certain circumstances, reduces the basis of stock for purposes of calculating gain or loss in a subsequent disposition by the portion of any "extraordinary dividend" (as defined below) that is eligible for the dividends-received deduction.

Extraordinary Dividends. A corporate U.S. Holder will be required to reduce its tax basis (but not below zero) in our Series D Preferred Stock or our Common Stock by the non-taxed portion of any "extraordinary dividend" if the stock was not held for more than two years before the earliest of the date such dividend is declared, announced, or agreed. Generally, the non-taxed portion of an extraordinary dividend is the amount excluded from income by operation of the dividends-received deduction. An extraordinary dividend generally would be a dividend that:

- equals or exceeds 5% of the corporate U.S. Holder's adjusted tax basis in the stock to which the dividend relates, treating all dividends having ex-dividend dates within an 85 day period as one dividend; or

- exceeds 20% of the corporate U.S. Holder's adjusted tax basis in the stock, treating all dividends having ex-dividend dates within a 365 day period as one dividend.

In determining whether a dividend paid on stock is an extraordinary dividend, a corporate U.S. Holder may elect to substitute the fair market value of the stock for its tax basis for purposes of applying these tests if the fair market value as of the day before the ex-dividend date is established to the satisfaction of the Secretary of the Treasury. An extraordinary dividend also includes any amount treated as a dividend in the case of a redemption that is either non-pro rata as to all stockholders or in partial liquidation of the corporation, regardless of the stockholder's holding period and regardless of the size of the dividend. Any part of the non-taxed portion of an extraordinary dividend that is not applied to reduce the corporate U.S. Holder's tax basis as a result of the limitation on reducing its basis below zero would be treated as capital gain and would be recognized in the taxable year in which the extraordinary dividend is received.

Corporate U.S. Holders should consult with their own tax advisors with respect to the possible application of the extraordinary dividend provisions of the Code to the ownership or disposition of Series D Preferred Stock, the Warrants, or the Common Stock in their particular circumstances.

Sale, Exchange, or other Taxable Disposition. Upon the sale, exchange, or other taxable disposition of our Series D Preferred Stock or the Common Stock, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, or other taxable disposition and the U.S. Holder's adjusted tax basis in such shares. The amount realized by the U.S. Holder will include the amount of any cash and the fair market value of any other property received upon the sale, exchange, or other taxable disposition of such shares. A U.S. Holder's tax basis in a share generally will be equal to the cost of the share to such U.S. Holder, which may be adjusted for certain subsequent events (for example, if the U.S. Holder receives a non-dividend distribution, as described above). Gain or loss realized on the sale, exchange, or other taxable disposition of our Series D Preferred Stock, the Warrants or our Common Stock generally will be capital gain or loss and will be long-term capital gain or loss if the shares have been held for more than one year. Net long-term capital gain recognized by an individual U.S. Holder before January 1, 2013 generally is subject to tax at a maximum rate of 15%. The ability of U.S. Holders to deduct capital losses is subject to limitations under the Code.

Taxation of the Warrants. A warrant is an option granted by an issuer of stock to acquire stock at a set price within a specified period. Warrants are generally taxed in the same manner as options. If the exercise price of the warrant is set at an amount equal to or greater than the stock's current trading value, then the receipt of such warrant is not currently taxable to the recipient. When the rights under the warrant are exercised and stock is acquired, the holding period for such shares begins on a date that the rights are exercised and the new shares are acquired. The basis in the shares received upon exercise includes the price paid, if any, for the warrant. If the Warrants are sold or disposed of at a gain before exercise, then such gain will constitute capital gain.

U.S. Holders should consult with their own tax advisors regarding the U.S. federal income tax consequences and the tax consequences of any other taxing jurisdiction relating to the ownership and disposition of the Warrants in light of their investment or tax circumstances.

Information Reporting and Backup Withholding. Generally, we must report to the IRS the amount of the payments of dividends on or the proceeds of the sale or other disposition of shares of our Series D Preferred Stock or shares of our Common Stock, the name and address of the recipient and the amount, if any, of tax withheld. These information reporting requirements apply even if no tax was required to be withheld, but they do not apply with respect to U.S. Holders that are exempt from the information reporting rules, such as corporations. A similar report is sent to the recipient.

In general, backup withholding (currently at the rate of 28%, but scheduled to increase to 31% for payments made after December 31, 2012) will apply to payments received by a U.S. Holder with respect to shares of our Series D Preferred Stock or shares of our Common Stock unless the U.S. Holder is (i) a corporation or other exempt recipient and, when required, establishes this exemption or (ii) provides its correct taxpayer identification number, certifies that it is not currently subject to backup withholding tax and otherwise complies with applicable requirements of the backup withholding tax rules. A U.S. Holder that does not provide us with its correct taxpayer identification number might be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder may be refunded or credited against the U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

Medicare Tax on Investment Income. On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010. This legislation requires certain individuals, estates and trusts to pay a 3.8% Medicare surtax on "net investment income" including, among other things, dividends and gain on sale in respect of securities like shares of our Series D Preferred Stock, the Warrants or shares of our Common Stock, subject to certain exceptions, for taxable years beginning after December 31, 2012. Prospective purchasers of shares of our Series D Preferred Stock, the Warrants or shares of our Common Stock should consult their own tax advisors regarding the effect, if any, of the legislation on their ownership and disposition of shares of our Series D Preferred Stock, the Warrants or shares of our Common Stock.

Consequences to Non-U.S. Holders

Distributions on Series D Preferred Stock or Common Stock. Distributions made to Non-U.S. Holders out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, and that is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, or a permanent establishment maintained in the United States if certain tax treaties apply, generally will be subject to U.S. federal income and withholding tax at a rate of 30% (or lower rate under an applicable treaty, if any). Payments subject to withholding of U.S. federal income tax may nevertheless be exempt from withholding (or subject to withholding at a reduced rate) if the Non-U.S. Holder provides us with a properly executed IRS Form W-8BEN (or successor form) claiming an exemption from, or reduction in, withholding under the benefit of a tax treaty, or IRS Form W-8ECI (or other applicable form) stating that a dividend paid on our shares is not subject to withholding tax because it is effectively connected with the conduct of a trade or business within the United States, as discussed below.

To claim benefits under an income tax treaty, a Non-U.S. Holder must certify to us or our agent, under penalties of perjury, that it is a non-United States person and provide its name and address (which certification may generally be made on an IRS Form W-8BEN, or a successor form), obtain and provide a taxpayer identification number, and certify as to its eligibility under the appropriate treaty's limitations on benefits article. In addition, special rules may apply to claims for treaty benefits made by Non-U.S. Holders that are entities rather than individuals. A Non-U.S. Holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Sale, Exchange, or other Taxable Disposition. A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any capital gain realized on the sale, exchange, or other taxable disposition of our Series D Preferred Stock, the Warrants or our Common Stock provided that: (a) the gain is not effectively connected with the conduct of a trade or business within the United States, or a permanent establishment maintained in the United States if certain tax treaties apply, (b) in the case of a Non-U.S. Holder that is an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, or other disposition of the shares, (c) the Non-U.S. Holder is not subject to tax pursuant to certain provisions of U.S. federal income tax law applicable to certain expatriates, and (d) we are not nor have we been a "United States real property holding corporation" for U.S. federal income tax purposes. An individual Non-U.S. Holder who is present in the United States for 183 days or more in the taxable year of sale, exchange, or other disposition of our Series D Preferred Stock, the Warrants or our Common Stock and if certain other conditions are met, will be subject to U.S. federal income tax at a rate of 30% on the gains realized on the sale, exchange, or other disposition of such shares.

We would not be treated as a "United States real property holding corporation" if less than 50% of our assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor. Even if we are treated as a "United States real property holding corporation," a Non-U.S. Holder's sale of our Series D Preferred Stock, the Warrants or our Common Stock nonetheless generally will not be subject to U.S. federal income or withholding tax, provided that (a) our stock owned is of a class that is "regularly traded," as defined by applicable Treasury regulations, on an established securities market, and (b) the selling Non-U.S. Holder held, actually or constructively, 5% or less of our outstanding stock of that class at all times during the five-year period ending on the date of disposition.

To the extent we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes and a Non-U.S. Holder held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of the class of stock and the non-U.S. Holder was not eligible for any treaty exemption, any gain on the sale of our Series D Preferred Stock, the Warrants or our Common Stock would be treated as effectively connected with a trade or business within the United States, the treatment of which is described below, and the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the IRS.

We believe that we are not currently, and do not anticipate becoming, a "United States real property holding corporation" for U.S. federal income tax purposes.

Income Effectively Connected with a Trade or Business within the United States. If a Non-U.S. Holder of our Series D Preferred Stock, the Warrants or our Common Stock is engaged in the conduct of a trade or business within the United States and if dividends on the shares, or gain realized on the sale, exchange, or other disposition of the shares, are effectively connected with the conduct of such trade or business (and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States), the Non-U.S. Holder, although exempt from U.S. federal withholding tax (provided that the certification requirements discussed above are satisfied), generally will be subject to U.S. federal income tax on such dividends or gain on a net income basis in the same manner as if it were a U.S. Holder. Non-U.S. Holders should read the material under the heading "—Consequences to U.S. Holders" above for a description of the U.S. federal income tax consequences of acquiring, owning, and disposing of our Series D Preferred Stock, the Warrants or our Common Stock. In addition, if such Non-U.S. Holder is a foreign corporation, it may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a trade or business in the United States, subject to certain adjustments.

Taxation of the Warrants. A warrant is an option granted by an issuer of stock to acquire stock at a set price within a specified period. Warrants are generally taxed in the same manner as options. If the exercise price of the warrant is set at an amount equal to or greater than the stock's current trading value, then the receipt of such warrant is not currently taxable to the recipient. When the rights under the warrant are exercised and stock is acquired, the holding period for such shares begins on a date that the rights are exercised and the new shares are acquired. The basis in the shares received upon exercise includes the price paid, if any, for the warrant. If the Warrants are sold or disposed of at a gain before exercise, then such gain will constitute capital gain.

Non-U.S. Holders should consult with their own tax advisors regarding the U.S. federal income tax consequences and the tax consequences of any other taxing jurisdiction relating to the ownership and disposition of the Warrants in light of their investment or tax circumstances.

Information Reporting and Backup Withholding. We will, when required, report to the IRS and to each Non-U.S. Holder the amount of any dividends paid to, and the tax withheld, if any, with respect to, such Non-U.S. Holder, regardless of whether any tax was actually withheld on such payments. Copies of these information returns might also be made available to the tax authorities of the country in which the Non-U.S. Holder resides under the provisions of a specific treaty or agreement. Backup withholding and information reporting will not apply to payments of dividends on shares of our Series D Preferred Stock or shares of our Common Stock by us or our agent to a Non-U.S. Holder if the Non-U.S. Holder certifies as to its Non-U.S. Holder status under penalties of perjury. Sales or exchanges of shares of our Series D Preferred Stock or shares of our Common Stock by a Non-U.S. Holder might be subject to information reporting, and might be subject to backup withholding at the applicable rate, currently 28% (but scheduled to increase to 31% for payments made after December 31, 2012), unless the seller certifies its Non-U.S. status (and certain other conditions are met) or otherwise establishes an exemption.

Backup withholding is not an additional tax. A Non-U.S. Holder might obtain a refund or a credit against such Non-U.S. Holder's U.S. federal income tax liability of any amounts withheld under the backup withholding rules provided the required information is timely furnished to the IRS.

Non-U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available.

Foreign Financial Institutions. On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment Act (the "Act"). The Act imposes withholding taxes on certain types of payments made to "foreign financial institutions" (as specifically defined in the Act) and certain other non-United States entities (including financial intermediaries) after December 31, 2012. The Act imposes a 30% withholding tax on "withholdable payments" to a foreign financial institution or to a foreign non-financial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. For these purposes, a "withholdable payment" includes any United States source payments of interest (including original issue discount), dividends, rents, compensation and other fixed or determinable annual or periodical gains, profits and income. If the payee is a foreign financial institution, it must enter into an agreement with the United States Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. Prospective purchasers of shares of our Series D Preferred Stock, the Warrants or shares of our Common Stock should consult their tax advisors regarding this legislation and the potential implications of this legislation on their particular circumstances.

LEGAL MATTERS

Kilpatrick Townsend & Stockton LLP will provide an opinion as to the legality of the Securities. As of the date of this prospectus, members of Kilpatrick Townsend & Stockton LLP participating in this matter own an aggregate of 8,800 shares of our Common Stock.

EXPERTS

The audited consolidated financial statements of United and its subsidiaries as of December 31, 2010 and 2009, and for the three-year period ended December 31, 2010, included in our Annual Report on Form 10-K for the year ended December 31, 2010, and the effectiveness of our internal control over financial reporting as of December 31, 2010, incorporated by reference in this prospectus have been audited by Porter Keadle Moore, LLP, independent registered public accounting firm, as stated in their report dated March 16, 2011, which is incorporated by reference herein, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus the information that we file with the SEC, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus. Other than information deemed "furnished" rather than "filed" under the Exchange Act, we incorporate by reference the following documents:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2010;
- our Quarterly Reports on Form 10-Q and Form 10-Q/A for the periods ended March 31, 2011 and June 30, 2011 , respectively;
- our Current Reports on Form 8-K filed on January 3, 2011, February 15, 2011, February 24, 2011, March 17, 2011, March 31, 2011, April 22, 2011 and June 21, 2011 (other than the portions of those documents furnished or not otherwise deemed to be filed); and
- our Proxy Statement related to our 2011 annual meeting of shareholders filed on April 25, 2011.

Documents incorporated by reference are available from United without charge. You may obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from Lois Rich, Investor Relations, United Community Banks, Inc., at 125 Highway 515 East, Blairsville, Georgia 30512, telephone number (706) 781-2265.

We maintain a website at http://www.ucbi.com where the incorporated documents listed above can be accessed. Neither our website nor the information on our website is included or incorporated in, or is a part of, this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Exchange Act, which means that we are required to file reports, proxy statements, and other information, all of which are available to the public on the Internet site maintained by the SEC at http://www.sec.gov. You may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

PROSPECTUS

16,613 SHARES OF SERIES D PREFERRED STOCK

WARRANTS TO PURCHASE UP TO 1,551,126 SHARES OF COMMON STOCK

UP TO 1,551,126 SHARES OF COMMON STOCK

__________ __, 2011

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions. All of the amounts shown are estimated, except the SEC registration fee.

SEC registration fee	$	4,179.84
Legal fees and expenses		15,000.00
Accounting fees and expenses		5,000.00
Miscellaneous		1,820.16
Total	$	26,000.00

Item 14. Indemnification of Directors and Officers.

Our Articles provide that no director shall be personally liable to United or our shareholders for breach of his or her duty of care or other duty as a director, but only to the extent permitted from time to time by the Georgia Business Corporation Code.

Our Bylaws require us to indemnify our directors, officers, employees, and agents against judgments, fines, penalties, amounts paid in settlement, and expenses, including attorney's fees, actually and reasonably incurred in connection with various types of legal actions or proceedings instituted by third parties if the actions of the director, officer, employee, or agent being indemnified meet the standards of conduct specified therein.

In addition, our Bylaws require us to indemnify our directors, officers, employees, and agents for expenses actually and reasonably incurred in connection with legal actions or proceedings instituted by or in the right of United to procure a judgment in our favor, if the actions of the director, officer, employee, or agent being indemnified meet the standards of conduct set forth therein. However, we will not indemnify a director, officer, employee, or agent for such expenses if such person is adjudged liable to us, unless so ordered by the court in which the legal action or proceeding is brought.

A determination concerning whether or not the applicable standard of conduct has been met by a director, officer, employee, or agent seeking indemnification must be made by (1) a disinterested majority of the Board of Directors, (2) our legal counsel, if a quorum of disinterested directors is not obtainable or if the disinterested directors so order, or (3) an affirmative vote of a majority of shares held by the shareholders. No indemnification may be made to or on behalf of a director, officer, employee or agent in connection with any other proceeding in which such person was adjudged liable on the basis that personal benefit was improperly received by him or her.

As provided under Georgia law, the liability of a director may not be eliminated or limited (1) for any appropriation, in violation of his duties, of any business opportunity of United, (2) for acts or omissions which involve intentional misconduct or a knowing violation of law, (3) for unlawful corporate distributions or (4) for any transaction from which the director received an improper benefit.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

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

Item 15. Recent Sales of Unregistered Securities.

The Private Placement

During the first quarter of 2011, United announced its plans to sell $380 million of Common Stock and convertible preferred stock in a private placement to a group of investors, referred to herein as the “Private Placement”. The Private Placement closed on March 30, 2011, at which time United issued to the investors (i) 3,467,687 shares of the Company’s Common Stock for $9.50 per share, (ii) 195,872 shares of Series F Preferred Stock and (iii) 151,185 shares of Series G Preferred Stock. Under the terms of the Private Placement and following receipt of required shareholder approvals, the Series F Preferred Stock was converted into 20,618,090 shares of Common Stock of United and the Series G Preferred Stock was converted into 15,914,209 shares of Non-Voting Common Stock of United. For additional information on the Private Placement, see United’s Current Report on Form 8-K filed on March 31, 2011.

The shares of Common Stock, Series F Preferred Stock and Series G Preferred Stock issued on March 30, 2011 to the investors were offered and sold in reliance upon the exemption from registration requirements of the Securities Act provided by Rule 506 of Regulation D under the Securities Act. The investors who received shares made representations to us as to their accredited investor status and as to their investment intent and financial sophistication.

The Share Exchange

On February 22, 2011, United entered into the Share Exchange Agreement with the Master Fund and Value Partners. Under the Share Exchange Agreement, (a) the Master Fund agreed to transfer to the Company 1,509,380 shares of United’s Common Stock in exchange for (i) 16,166.11 shares of the Company’s Series D Preferred Stock and (ii) warrants to purchase 1,509,380 shares of Common Stock and (b) Value Partners agreed to transfer to United 41,746 shares of Common Stock in exchange for (i) 446.89 shares of the Company’s Series D Preferred Stock and (ii) warrants to purchase 41,746 shares of Common Stock. The closing of the share exchange occurred on February 22, 2011. For additional information on the share exchange transaction, see United’s Current Report on Form 8-K filed on February 24, 2011.

The shares of Series D Preferred Stock and warrants to purchase shares of Common Stock issued on February 22, 2011 to the Master Fund and Value Partners were offered and sold pursuant to the exemption from registration requirements provided by Section 4(2) of the Securities Act for transactions by an issuer not involving any public offering. The Master Fund and Value Partners made representations to us as to their accredited investor status and as to their investment intent and financial sophistication. No public solicitation or advertisement was made or relied upon by the Master Fund or Value Partners in connection with the transaction.

Fletcher Option and Warrant Issuance

On April 1, 2010, United entered into a securities purchase agreement with Fletcher and the bank entered into an asset purchase and sale agreement with Fletcher International, Inc. and certain affiliates thereof. As part of the asset purchase agreement, Fletcher received a warrant to acquire 1,411,765 shares of United’s common stock at a price of $21.25 per share. In accordance with the terms of the securities purchase agreement, Fletcher has the right during the next two years to purchase up to $65 million of United’s Series C Preferred Stock. The Series C Preferred Stock pays a dividend equal to the lesser of 8% or LIBOR plus 4%. The Series C Preferred Stock is convertible by Fletcher into Common Stock at $26.25 per share (2,476,191 shares). If Fletcher has not purchased all of the Series C Preferred Stock by May 26, 2012, it must pay United 5% of the commitment amount not purchased by such date. In addition, Fletcher will receive an additional warrant to purchase $35 million of our Common Stock at $30.10 per share (1,162,791 shares) when it purchases the last $35 million of Series C Preferred Stock. All of the warrants settle on a cashless exercise basis and the net shares to be delivered upon cashless exercise will be less than what would have been issuable if the warrant had been exercised for cash.

The warrant issued on April 1, 2010 to Fletcher was offered and sold pursuant to the exemption from registration requirements provided by Section 4(2) of the Securities Act for transactions by an issuer not involving any public offering. No public solicitation or advertisement was made or relied upon by Fletcher in connection with the transaction.

Treasury Investment

On December 5, 2008, United participated in Treasury's CPP by issuing 180,000 shares of Series B Preferred Stock and a warrant to purchase 426,540 shares (219,909 shares, as adjusted for subsequent stock dividends and a 50% reduction following United's September 30, 2009 stock offering) of the Company's Common Stock at a price of $63.30 per share ($61.40 per share, as adjusted for subsequent stock dividends) for an aggregate purchase price of $180 million. The Series B Preferred Stock qualifies as Tier 1 capital under risk-based capital guidelines and will pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The Series B Preferred Stock may be redeemed at the stated amount of $1,000 per share plus any accrued and unpaid dividends without penalty and without the need to raise new capital, subject to Treasury's consultation with the recipient's appropriate regulatory agency. The Series B Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series B Preferred Stock.

The shares of the Series B Preferred Stock and warrant to purchase shares of Common Stock issued on December 5, 2008 to Treasury were offered and sold pursuant to the exemption from registration provided by Section 4(2) of the Securities Act for transactions by an issuer not involving any public offering. No public solicitation or advertisement was made or relied upon by Treasury in connection with the transaction.

Trust Preferred Securities Offering

On October 31, 2008, United formed United Community Statutory Trust II and United Community Statutory Trust III for the purpose of issuing Trust Preferred Securities in private placement offerings. United Community Statutory Trust II issued $11,767,000 of 9% fixed rate Trust Preferred Securities and United Community Statutory Trust II issued $1.2 million of variable rate Trust Preferred Securities that pay interest at a rate of prime plus 3%. The Trust Preferred Securities issued by both trusts mature on October 31, 2038 and are callable at par anytime after October 31, 2013. The Trust Preferred Securities were issued with warrants that make them convertible into United's Common Stock at the conversion price of $100.00 per share. The warrants may be exercised anytime prior to October 31, 2013, on which date the unexercised warrants expire. The Trust Preferred Securities qualify as Tier 1 Capital under applicable Risk-Based Capital guidelines.

The Trust Preferred Securities and warrants to purchase shares of Common Stock issued on October 31, 2008 were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act for transactions by an issuer not involving any public offering. No public solicitation or advertisement was made or relied upon by the purchasers in connection with the transaction.

Item 16. Exhibits and Financial Statement Schedules.

(a) The following exhibits are filed on behalf of the registrant as part of this registration statement:

Exhibit No.	**Description**
3.1	Restated Articles of Incorporation of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q/A for the period ended June 30, 2011, filed with the SEC on August 9, 2011).
3.2	Amended and Restated Bylaws of United Community Banks, Inc., as amended (incorporated herein by reference to Exhibit 3.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2011, filed with the SEC on May 4, 2011).
4.1	See Exhibits 3.1 and 3.2 for provisions of the Restated Articles of Incorporation of United Community Banks, Inc., as amended, and the Amended and Restated Bylaws, as amended, of United Community Banks, Inc., which define the rights of security holders.
4.2	Letter Agreement, dated December 5, 2008, by and between United Community Banks, Inc. and the United States Department of the Treasury (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on December 5, 2008).

4.3	Securities Purchase Agreement, dated as of April 1, 2010 (incorporated herein by reference to Exhibit 1.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on April 1, 2010), as amended by the Amendment to Securities Purchase Agreement, dated as of June 11, 2010 (incorporated herein by reference to Exhibit 1.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on June 14, 2010).
4.4	Form of Warrants to Purchase Shares of Common Stock of United Community Banks, Inc. (incorporated herein by reference to Exhibit 1.3 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on April 1, 2010), as amended by Amendment to Warrants to Purchase Shares of Common Stock of United Community Banks, Inc., dated as of June 11, 2010 (incorporated herein by reference to Exhibit 1.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on June 14, 2010).
4.5	Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on February 24, 2011), as amended by Amendment to Tax Benefits Preservation Plan, dated as of March 29, 2011 (incorporated herein by reference to Exhibit 4.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on March 31, 2011) and as amended by Second Amendment to Tax Benefits Preservation Plan, dated as of June 17, 2011 (incorporated herein by reference to Exhibit 1.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on June 21, 2011).
4.6	Form of Summary of Rights for Tax Benefits Preservation Plan, dated as of February 22, 2011, by and between United Community Banks, Inc. and Illinois Stock Transfer Company (incorporated herein by reference to Exhibit 4.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on February 24, 2011).
4.7	Form of Warrant to Purchase Common Stock (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc's Current Report on Form 8-K, filed with the SEC on February 24, 2011).
5	Opinion and Consent of Kilpatrick Townsend & Stockton LLP.
8	Opinion of KPMG LLP regarding certain tax matters.
10.1	United Community Banks, Inc.'s Profit Sharing Plan, dated as of March 9, 2001 (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-86876, filed with the SEC on April 24, 2002).
10.2	Amendment No. 1 to United Community Banks, Inc.'s Profit Sharing Plan, dated as of March 15, 2002 (incorporated herein by reference to Exhibit 4.4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-86876, filed with the SEC on April 24, 2002).
10.3	United Community Banks, Inc.'s 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 4.3 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-99849, filed with the SEC on September 19, 2002).
10.4	Amendment to United Community Banks, Inc.'s 2000 Key Employee Stock Option Plan, dated March 5, 2004 (incorporated herein by reference to United Community Banks, Inc.'s Registration Statement on Form S-4, filed with the SEC on September 9, 2004).
10.5	Split-Dollar Agreement between United and Jimmy C. Tallent dated June 1, 1994 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1994, File No. 0-21656).

10.6	Form of Amended and Restated Change of Control Severance Agreement by and between United Community Banks, Inc. and Jimmy C. Tallent, Guy W. Freeman, Rex S. Schuette and David Shearrow (incorporated herein by reference to Exhibit 10.8 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the SEC on February 27, 2009).
10.7	Employment Agreement by and between United Community Banks, Inc. and Glenn S. White (incorporated herein by reference to Exhibit 10.9 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the SEC on February 27, 2009).
10.8	United Community Banks, Inc.'s Amended and Restated Modified Retirement Plan, effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.10 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the SEC on February 27, 2009).
10.9	United Community Banks, Inc.'s Amended and Restated Deferred Compensation Plan, effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.11 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the SEC on February 27, 2009).
10.10	United Community Banks, Inc. Dividend Reinvestment and Share Purchase Plan (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-3D, File No. 333-127477, filed with the SEC on August 12, 2005).
10.11	United Community Banks, Inc. Employee Stock Purchase Plan, effective as of December 20, 2005 (incorporated herein by reference to Exhibit 4 to United Community Banks, Inc.'s Registration Statement on Form S-8, File No. 333-130489, filed with the SEC on December 20, 2005).
10.12	Amendment Number 2 to United Community Banks, Inc. 2000 Key Employee Stock Option Plan, dated April 26, 2006 (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, File No. 0-21656, filed with the SEC on August 8, 2006).
10.13	United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on May 1, 2007).
10.14	Form of Senior Executive Officer Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 0-21656, filed with the SEC on August 7, 2009).
10.15	Form of Senior Executive Officer Nonqualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 0-21656, filed with the SEC on August 7, 2009).
10.16	Form of Senior Executive Officer Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 0-21656, filed with the SEC on August 7, 2009).

10.17	United Community Banks, Inc.'s Management Incentive Plan (incorporated herein by reference to Exhibit 10.5 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on May 1, 2007).
10.18	Amendment No. 1 to United Community Banks, Inc.'s Amended and Restated 2000 Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on April 13, 2007).
10.19	Subordinated Term Loan Agreement, dated as of August 29, 2008, among United Community Bank, as borrower, the lenders from time to time party thereto, and SunTrust Bank as administrative agent (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s current report on Form 8-K, filed with the SEC on August 28, 2008).
10.20	Letter Agreement, dated December 5, 2008, between United Community Banks, Inc. and the United States Treasury, with respect to the issuance and sale of Series B Preferred Stock and the Warrant (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc.'s current Report on Form 8-K, filed with the SEC on December 5, 2008).
10.21	Form of Senior Executive Officer Waiver, dated December 5, 2008, by Jimmy C. Tallent, Guy W. Freeman, Rex S. Schuette, David Shearrow and Glenn S. White (incorporated herein by reference to Exhibit 10.23 to United Community Banks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 0-21656, filed with the SEC on February 27, 2009).
10.22	Asset Purchase Agreement, dated April 1, 2010 by and among United Community Bank and Fletcher International, Inc. and certain affiliates thereof who may become parties thereto as purchasers (incorporated herein by reference to Exhibit 1.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on April 1, 2010).
10.23	Securities Purchase Agreement, dated April 1, 2010 between United Community Banks, Inc. and Fletcher International, Ltd. (incorporated herein by reference to Exhibit 1.2 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on April 1, 2010).
10.24	Amendment to Securities Purchase Agreement, dated June 11, 2010 between United Community Banks, Inc. and Fletcher International, Ltd. (incorporated herein by reference to Exhibit 1.1 to United Community Banks, Inc.'s Current Report on Form 8-K, filed with the SEC on June 14, 2010).
10.25	Share Exchange Agreement dated as of February 22, 2011, by and among United Community Banks, Inc. and Elm Ridge Offshore Master Fund, Ltd and Elm Ridge Value Partners L.P. (incorporated herein by reference to Exhibit 10.25 to United Community Banks, Inc. ' s Annual Report on Form 10-K for the year ended December 31, 2010, File No. 001 -35095, filed with the SEC on March 16, 2011).
10.26	Investment Agreement, dated as of March 16, 2011, between United Community Banks, Inc. and Corsair Georgia, L.P. (incorporated herein by reference to Exhibit 10.1 to United Community Banks, Inc. ' s Current Report on Form 8-K, filed with the SEC on March 17, 2011).
10.27	Form of Subscription Agreement, dated as of March 16, 2011, between United Community Banks, Inc. and each Additional Investor (incorporated herein by reference to Exhibit 10.2 to United Community Banks, Inc. ' s Current Report on Form 8-K, filed with the SEC on March 17, 2011).
10.28	Asset Purchase and Sale Agreement, dated as of April 18, 2011, among United Community Bank, CF Southeast, LLC and CF Southeast Trust 2011-1 (incorporated herein by reference to Exhibit 10.3 to United Community Banks, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2011, filed with the SEC on May 4, 2011).

12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of United (incorporated herein by reference to Exhibit 21 to United Community Banks, Inc.'s Annual Report on Form 10- K for the year ended December 31, 2010, File No. 001-35095, filed with the SEC on March 16, 2011).
23.1	Consent of Porter Keadle Moore, LLP.
23.2	Consent of Kilpatrick Townsend & Stockton LLP (included as part of Exhibit 5).
23.3	Consent of KPMG LLP.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) 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 public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by 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.

(6) For the purpose of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to rule 424(b)(1), or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(7) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 2 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Blairsville, state of Georgia, on August 10 , 2011.

UNITED COMMUNITY BANKS, INC.

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

(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the registration statement has been signed by the following persons in the capacities indicated on August 10 , 2011.

Signature	Title
/s/ Jimmy C. Tallent Jimmy C. Tallent	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Rex S. Schuette Rex S. Schuette	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Alan H. Kumler Alan H. Kumler	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
* Robert L. Head, Jr.	Chairman of the Board
* W.C. Nelson, Jr.	Vice Chairman of the Board
* Robert Blalock	Director
* Cathy Cox	Director
* Hoyt O. Holloway	Director
* Peter E. Raskind	Director
* John D. Stephens	Director
* Tim Wallis	Director

By: /s/ Jimmy C. Tallent
Jimmy C. Tallent
Attorney-in-Fact
(Pursuant to a Power of Attorney)

EXHIBIT INDEX

Exhibit No.	**Description**
5	Opinion of Kilpatrick Townsend & Stockton LLP.
8	Opinion of KPMG LLP regarding certain tax matters.
23.1	Consent of Porter Keadle Moore, LLP.
23.3	Consent of KPMG LLP.

EXHIBIT 5

KILPATRICK TOWNSEND & STOCKTON LLP

www.kilpatricktownsend.com

Suite 2800 1100 Peachtree St.
Atlanta GA 30309-4528
t 404 815 6500 f 404 815 6555

August 10 , 2011

United Community Banks, Inc.
125 Highway 515
Blairsville, Georgia 30512

Re: United Community Banks, Inc.
Registration Statement on Form S-1 (File No. 333-174420)

Ladies and Gentlemen:

We have acted as counsel to United Community Banks, Inc., a Georgia corporation (the “Company”), in connection with the Registration Statement on Form S-1 (the “Registration Statement”) filed with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended, related to the potential resale from time to time by Elm Ridge Offshore Master Fund, Ltd. and Elm Ridge Value Partners, L.P. (collectively, the “Selling Shareholders”) of the following securities of the Company: (i) 16,613 shares of the Company’s Cumulative Perpetual Preferred Stock, Series D, par value $1.00 per share (the “Series D Preferred Stock”); (ii) warrants dated February 22, 2011 (the “Warrants”) to purchase up to an aggregate 1,551,126 shares of the Company’s Common Stock, par value $1.00 per share (the “Common Stock”); and (iii) the 1,551,126 shares of Common Stock issuable upon exercise of the Warrants (the “Warrant Shares”, and together with the Series D Preferred Stock and the Warrants, the “Securities”). The Securities were sold pursuant to a Share Exchange Agreement, dated as of February 22, 2011, between the Company and the Selling Shareholders.

In such capacity, we have examined the originals, or duplicates or conformed copies, of such documents, corporate records, certificates of public officials and officers of the Company, and other instruments we have deemed relevant and necessary for purposes of the opinions hereinafter set forth. In addition, we have examined the Registration Statement and have made such other investigation of law and fact as we have deemed necessary in order to enable us to render this opinion.

With respect to matters of fact, we have relied upon information provided to us by the Company with no further investigation. With respect to all examined documents, we have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to us as certified, conformed or photographic copies, and as to certificates of public officials, we have assumed the same to have been properly given and to be accurate. We have also assumed that (i) the Registration Statement and any amendments thereto (including post-effective amendments) have become effective and will continue to be effective at the time of the resale of any Securities; (ii) if necessary, a prospectus supplement will have been prepared and filed with the Commission describing any Securities offered thereby or any Selling Shareholders; (iii) all Securities will be sold in the manner stated in the Registration Statement and, if necessary, the applicable prospectus supplement; and (iv) at the time of the offering, there will not have occurred any change in the law affecting the authorization, execution, delivery, validity or enforceability of the Securities.

Based on and subject to the foregoing, it is our opinion that (i) the Series D Preferred Stock and the Warrants and, upon exercise in accordance with the Warrants, the Warrant Shares, to be sold by the Selling Shareholders, have been duly authorized by appropriate corporate actions and approved by the Board of Directors; (ii) the Series D Preferred Stock and the Warrants and, upon exercise in accordance with the Warrants, the Warrant Shares, when sold in the manner and for the consideration contemplated by the Registration Statement, will be validly issued, fully paid and non-assessable; and (iii) the Warrants constitute legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

The opinion provided in subsection (iii) above is subject to the following exceptions, limitations and qualifications: (i) the effect of bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors (including, without limitation, the effect of statutory or other laws regarding preferential transferees); and (ii) the effect of general equitable principles (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding at law or in equity, and the discretion of the court before which any proceeding therefor may be brought.

The opinions set forth herein are limited to the laws of the State of Georgia and any federal laws of the United States of America, and we do not express any opinion herein concerning any other law. This opinion letter is provided solely in connection with the offer and sale of the Securities by the Selling Shareholders and may not be relied upon, quoted or used for any other purpose without our prior written consent. We hereby consent to the use of this opinion as an exhibit to the Registration Statement and further consent to the use of our name in the "Legal Matters" section of the prospectuses constituting a part of the Registration Statement.

KILPATRICK TOWNSEND & STOCKTON LLP

By: /s/ James W. Stevens
James W. Stevens, a Partner

KPMG LLP
345 Park Avenue
New York, NY 10154

Telephone *12 758 9700*
Fax *12 758 9819*
Internet *ww.us.kpmg.com*

March 29, 2011

Mr. Rex S. Schuette
Executive Vice President & Chief Financial Officer
United Community Banks, Inc.
125 Highway 515 East
Blairsville, Georgia 30512

United Community Banks, Inc.
Section 382 Ownership Change Analysis

Dear Mr. Schuette:

As requested, we have analyzed the changes in the stock ownership history of United Community Banks, Inc. (the “Company” or “UCB”) (together with its subsidiaries, the “UCB Group”) from January 1, 2008 through the proposed common equity recapitalization (the “Capital Raise”) (the “Analysis Period”) in accordance with the provisions of section 382.[1] Our work was conducted to determine whether the UCB Group experienced or will experience any ownership changes within the meaning of section 382(g) during the Analysis Period.

This letter summarizes our conclusions and reviews certain assumptions and transactions underlying the computations supporting our conclusions. Our conclusions are set forth below and are supported by the attached Exhibits.

The Exhibits to this letter are as follows:

Exhibit 1	Facts, Assumptions and Representations letter dated March 29, 2011 (the “Representation Letter”), including the Transaction Chronology exhibit attached thereto
Exhibit 2	Section 382 Owner Shift Percentages

Our conclusions are also based on the Facts, Assumptions and Representations stated in the Representation Letter. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Representation Letter (including the appendix thereto).

Scope of Opinion

IN ACCORDANCE WITH OUR AGREEMENT, ANY TAX ADVICE IN THIS LETTER IS NOT INTENDED OR WRITTEN BY KPMG TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

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[1] Unless otherwise indicated, all “section” references are to the Internal Revenue Code of 1986, as amended, and all “Treas. Reg. §” references are to the Treasury Regulations promulgated thereunder.

KPMG LLP is a Delaware limited liability partnership, the U.S.
member firm of KPMG International Cooperative, a Swiss entity.

Our advice in this letter is limited to the conclusions specifically set forth herein under the heading **Opinion** and is rendered only with respect to the specific matters discussed herein. KPMG expresses no opinion with respect to any other federal, state, local, or foreign tax or legal aspect of the transactions described herein. No inference should be drawn on any matter not specifically addressed.

Our conclusions set forth in this letter are not binding upon any tax authority, including the Internal Revenue Service ("Service" or "IRS"), or any court and no assurance can be given that a position contrary to that expressed herein will not be asserted by a tax authority and upheld by a court. In rendering these opinions, we are relying upon the relevant provisions of the Internal Revenue Code of 1986, as amended, the regulations thereunder, and judicial and administrative interpretations thereof, all as of the date of this report. However, all the foregoing authorities are subject to change or modification that can be retroactive in effect and, therefore, could also affect our opinions. We undertake no responsibility to update our conclusions for any subsequent change or modification.

In various sections of this letter, for ease of understanding and as a stylistic matter, language may be used (e.g., use of the word "will") which might indicate we have a possible view of an issue at a standard different from "should." It is our intent that our conclusions and views on any issue contained herein do not exceed a "should" standard (*i.e.*, there is a 70-percent or greater likelihood that those consequences will prevail if challenged by the IRS).

Our conclusions contained in this letter are based on the Statement of Facts, Assumptions and Representations Letter dated March 29, 2011, which is attached as Exhibit 1 to this letter. In addition, you have instructed us to use certain information provided by the Company to KPMG. If any of the facts, assumptions or representations contained in this letter or in any of the various Exhibits are not entirely complete or accurate, it is imperative that we be informed immediately in writing because the incompleteness or inaccuracy could cause us to change our conclusions. ***Therefore, it is essential that before any reliance is placed on the conclusions contained in this letter, the Company should carefully review the accuracy and completeness of the facts, assumptions, and representations provided herein and in the various Exhibits.***

Finally, KPMG is rendering this letter only to UCB and this letter cannot be relied upon without the written permission of KPMG by any other person.

Opinion

Based upon available publicly filed documents issued through the date of this Opinion Letter, and the Facts, Assumptions and Representations stated in the Representation Letter, we conclude that the UCB Group should not have experienced (and should not experience as a result of the Capital Raise) an ownership change during the Analysis Period.[2]

Discussion

Section 382 and the Treasury Regulations issued thereunder are extremely complex. The following is a general description of the provisions, their applications, and their relevance to UCB.

(I) Section 382 – In General

Section 382 generally provides that, after an ownership change, the amount of a loss corporation's taxable income for any post-change year that may be offset by pre-change losses and certain "recognized built-in losses" shall not exceed the section 382 limitation for that year.[3] Section 382 generally does not restrict the offset of NOLs allocated to or arising after the ownership change ("post-change NOLs") against future income. As discussed below, however, certain built-in losses recognized after the ownership change during a prescribed period may be treated as though they are pre-change losses, subject to a section 382 limitation. The section 382 limitation applies on an annual basis to tax years ending after the date of the ownership change.

A section 382 ownership change occurs when, generally over a three-year testing period, the stock ownership percentages (by value) of "5-percent shareholders" have increased, in aggregate, by more than 50 percentage points over such shareholders' lowest ownership percentages within the testing period.

As discussed in more detail below, a 5-percent shareholder is a person who directly or indirectly (through certain constructive ownership rules) owns 5 percent or more of the total value of the outstanding stock of the loss corporation.[4] For purposes of determining the percentage of stock owned by a person, each share of all the outstanding shares of stock that have the same "material terms" is treated as having the same value.[5] Therefore, for example, a control premium or blockage discount is disregarded in determining the percentage of stock owned by any person.[6] If a 5-percent owner is an individual or certain other specified persons, it constitutes a 5-percent shareholder. If a 5-percent owner is an entity (*i.e*., a corporation, partnership or trust), the loss corporation is required to look through the entity (and through any higher tier entity) in order to determine which owners of the entity are indirectly 5-percent shareholders of the loss corporation.[7] It is the ownership of these ultimate 5-percent shareholders that determines whether a greater than 50 percentage point increase has occurred. "Indirect" ownership by 5-percent individual shareholders is established by complex attribution rules, which apply a "percentage look-through" approach to corporations, partnerships or other entities which directly (or indirectly) hold more than 5 percent of the loss corporation. These entities are referred to as first-tier entities or higher-tier entities.

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[2] You have instructed us to assume that no additional shareholders will be identified through public filings occurring after the date of issuance of this letter. We note that any such additional filings could identify further shifts that give rise to an ownership change. Moreover, we note that the conclusion that the UCB Group should not have experienced an ownership change during the Analysis Period does not address whether any tax attributes (including built-in losses) of corporations whose stock or assets were acquired by the UCB Group are limited under section 382 as a result of an ownership change of such corporation or groups of corporations.
[3] Section 382(a).
[4] Section 382(k)(7).
[5] Treas. Reg. § 1.382-2(a)(3)(i).
[6] *Id.*
[7] Section 382(l)(3).

In general, an "ownership change" occurs under section 382 when, on a particular "testing date," the percentage stock ownership (by value) of one or more "5-percent shareholders" has increased by more than 50 percentage points over the lowest percentage stock ownership (by value) held by such shareholders at any time during a prescribed "testing period."[8] The determination of the percentage ownership interest of any shareholder is made on the basis of value.[9] That is, in determining whether there is a more-than-50-percentage point increase, all transactions, whether related or unrelated, occurring during the testing period that affect the stock ownership (by value) of any 5-percent shareholders whose percentage stock ownership (by value) has increased as of the close of the testing date are taken into account.

Below is an overview of the definitions of the above-stated section 382 terminologies.

(II) Definitions and Operating Rules Under Section 382 and Regulations

A. Loss Corporation

Section 382 only applies to "loss corporations." A loss corporation is defined in section 382 as a corporation entitled to use an NOL carryover or having an NOL for the taxable year in which the ownership change occurs. In addition, a loss corporation includes any corporation with a "net unrealized built-in loss" ("NUBIL," discussed in more detail below) within the meaning of section 382(h)(3). Section 383 effectively applies the rules of section 382 to limit the use of certain capital losses and excess credits. Consequently, the term "loss corporation" also includes a corporation that is entitled to use a capital loss carryover or a capital loss arising in the tax year of the ownership change, a foreign tax credit, a general business tax credit and/or a minimum tax credit.

In a consolidated group context, where the loss carryovers of the consolidated group are attributable to the various corporations included in the consolidated group in accordance with the principles under Treas. Reg. § 1.1502-21(b)(1)(iv), essential to the application of section 382 is the identification of the relevant "loss corporation," the stock ownership of which is tracked in determining whether such "loss corporation" has an ownership change. Section 382 does not contain any provisions relating to its application to consolidated groups. On June 25, 1999, final consolidated section 382 regulations were adopted.[10] The current regulations generally apply to testing dates occurring on or after June 25, 1999.[11]

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[8] Section 382(g).
[9] Section 382(k)(6)(C).
[10] T.D. 8824, 1999-2 C.B. 62.
[11] Treas. Reg. §1.1502-99(a).

The general approach of the final consolidated section 382 regulations is to treat a consolidated group as a single entity. Treas. Reg. § 1.1502-91 through –93 set forth the rules governing ownership changes under section 382 for members of consolidated groups and the applicable section 382 limitation with respect to certain tax attributes of those members. These rules generally provide that an ownership change and the resulting section 382 limitation are determined with respect to the attributes for the loss group on a single entity basis and not for its members separately.

In general, Treas. Reg. §1.1502-91(c)(1) defines a loss group as a consolidated group that (i) is entitled to use an NOL carryover to the taxable year that did not arise in a separate return limitation year ("SRLY"); (ii) has a consolidated NOL for the taxable year in which a testing date of the common parent occurs (determined by treating the common parent as a loss corporation); or (iii) has a net unrealized built-in loss (determined by treating the date on which the determination is made as though it were a change date). Treas. Reg. §1.1502-98 extends the application of Treas. Reg. §§1.1502-91 through 1.1502-96 to section 383, with appropriate adjustments to reflect that section 383 applies to credits and net capital losses. As a result, the definition of loss group is extended under Treas. Reg. §1.1502-98 to include a consolidated group that is entitled to use a capital loss or credit carryover or a capital loss arising in the tax year of the ownership change, a foreign tax credit, a general business tax credit and/or a minimum tax credit.

Generally, under Treas. Reg. § 1.1502-92(b)(1), a loss group (or loss subgroup) has an ownership change with respect to its consolidated tax attributes (*i.e*., tax attributes described in Treas. Reg. § 1.1502-91(c)(1)(i) or tax attributes that are treated as being so described pursuant to Treas. Reg. § 1.1502-96(a)(2)(i)) if the loss group's parent undergoes an ownership change, as determined under section 382(g) and Treas. Reg. § 1.382-2T (the "Parent Change Method").

Under Treas. Reg. §1.1502-92(c), a supplemental rule (the "Supplemental Method") applies in addition to (and not instead of) the Parent Change Method. Thus, there is an ownership change for the loss group if an ownership change occurs under either method. Specifically, the Supplemental Method applies to cases in which (i) a 5-percent shareholder of the parent increases its interest in the parent and either that 5-percent shareholder or another person or persons acting pursuant to a plan or arrangement increases its interest in one of the subsidiaries of the loss group within a three-year period ending in a consolidated return year, or if shorter, the period after the most recent ownership change, and (ii) either (A) the parent (or loss subgroup parent) has actual knowledge of the increase in the 5-percent shareholder's ownership interest in the stock of the subsidiary (or has actual knowledge of the plan or arrangement) before the date that the group's income tax return is filed for the taxable year that includes the date of that increase; or (B) at any time during the prescribed period the 5-percent shareholder of the common parent is also a 5-percent shareholder of the subsidiary whose percentage increase in the ownership of the stock of the subsidiary would be taken into account in determining if the subsidiary has an ownership change (determined as if the subsidiary was a loss corporation and applying the principles of Treas. Reg. §1.382-2T(k), including the principles relating to duty to inquire). For example, if a shareholder acquires 45 percent of the stock of the loss group parent in a share issuance and also acquires 20 percent of the stock of one of the subsidiaries, such shareholder would be treated as if it acquired additional parent shares equal to the value of the subsidiary's shares for purposes of computing owner shifts for the loss group.

In addition, under limited circumstances, pursuant to another anti-abuse provision in the consolidated return regulations, a subsidiary included in a loss group or subgroup may have an ownership change determined on a separate entity basis, rather than by reason of an ownership change of its loss group or subgroup parent. In particular, under Treas. Reg. § 1.1502-96(b)(1), a subsidiary will have such separate entity ownership change if it has an ownership change (by treating the subsidiary as not being a member of a consolidated group), in the event of either (i) the deemed exercise of an option or options (other than option with respect to stock of the common parent) held by person (or persons acting pursuant to a plan or arrangement) to acquire more than 20 percent of the stock of the subsidiary under Treas. Reg. § 1.382-4(d), or (ii) an increase by one or more 5-percent shareholders, acting pursuant to a plan or arrangement to avoid an ownership change of a subsidiary, in their percentage ownership by more than 50 percentage points during the testing period through the acquisition (or deemed acquisition pursuant to Treas. Reg. § 1.382-4(d)) of stock of the subsidiary and in higher tier members (taking into account the option attribution rules).[12]

As stated in the **FACTS** section of the Representation Letter, the UCB Group became a “loss group” for the first time, during the year ended December 31, 2008. The first tax year when UCB Consolidated Group incurred a federal consolidated NOL was the tax year ending December 31, 2008. In 2009, the UCB Consolidated Group also incurred a federal NOL. The 2008 NOL was carried back in its entirety to 2006, but such carryback did not create a minimum tax credit. As a result of the carryback of the 2009 NOL, a minimum tax credit was created in the tax year ending December 31, 2008, which was carried forward. (Minimum tax credits arise in the year after the year in which alternative minimum tax is paid.) As discussed above, a loss corporation is defined in section 382 as a corporation entitled to use an NOL carryover or having an NOL for the taxable year in which the ownership change occurs, or is entitled to use a capital loss carryover or a capital loss arising in the tax year of the ownership change, a foreign tax credit, a general business tax credit and/or a minimum tax credit, or has a NUBIL. Accordingly, the UCB Group became a loss group for the first time on January 1, 2008, the first day of its 2008 tax year.

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[12] If a subsidiary has an ownership change as a result of the application of Treas. Reg. § 1.1502-96(b)(1), the amount of consolidated taxable income for any post-change year that may be offset by the pre-change losses of the subsidiary shall not exceed the section 382 limitation for such subsidiary, determined solely by reference to the value of the subsidiary’s stock (taking into account the anti-duplication of value principles set forth in Treas. Reg. § 1.1502-93(b)(2)(ii)).

Because no shareholders acquired or will acquire shares of any subsidiaries of UCB during the Analysis Period, the Supplemental Method should not apply. You have represented in Representation 25 that to the best of your knowledge, (i) no person (or persons acting pursuant to a plan or arrangement) held an option or options to acquire more than 20 percent of the stock of any of UCB's consolidated subsidiaries during the Analysis Period, and (ii) there was no increase by one or more 5-percent shareholders, acting pursuant to a plan or arrangement to avoid an ownership change of a subsidiary, in their percentage ownership by more than 50 percentage points during the Analysis Period through the acquisition (or deemed acquisition pursuant to the section 382 option anti-abuse regulations in Treas. Reg. § 1.382-4(d)) of stock of the subsidiary and in higher tier members (taking into account the option attribution rules). Therefore, Treas. Reg. § 1.1502-92(b)(1) should apply to effectively treat UCB as the "loss corporation" for section 382 purposes with respect to the consolidated NOL and capital loss carryovers of the UCB Group.

B. Testing Date and Testing Period

A testing date generally occurs whenever the percentage stock ownership (by value) of any 5-percent shareholder changes (unless the change is solely due to a fluctuation in the relative value of different classes of stock).[13] Thus, a disproportionate issuance of stock to existing shareholders or to new investors would trigger a testing date, as would the transfer by an existing 5-percent shareholder of some or all of its stock to a third party or an existing shareholder. Also, where a loss corporation has a 5-percent shareholder, which is itself a corporation or partnership, a shift in the ownership among the shareholders of the corporation or partners of the partnership could also trigger a testing date.

In general, the testing period is the three-year period preceding a given testing date. Thus, each 5-percent shareholder's percentage on the testing date must be compared against his/her minimum percentage at any time during the prior three years. The testing period may be less than three years, based upon the facts. In particular, if the loss corporation has been in existence for less than three years or if the loss corporation has experienced an ownership change within the previous three years, then the testing period will begin on the loss corporation's date of inception or previous ownership change date and end on the testing date. The testing period does not begin before the earlier of the first day of the first taxable year from which there is a carryforward of a loss or of an excess credit to the first post-change year or the taxable year in which the transaction being tested occurs.[14]

As stated above, the UCB Group became a loss group for section 382 purposes, in the tax year ending December 31, 2008. Pursuant to section 382(i)(3) and Treas. Reg. §1.382-2T(d)(3), the testing period does not start before the earlier of (i) the beginning of the year for which the loss corporation sustained the oldest loss or excess credit that survives the ownership change, or (ii) the taxable year in which the testing date occurs. Thus, the UCB Group's testing period should begin on January 1, 2008.

[13] Treas. Reg. §1.382-2(a)(4) and section 382(l)(3)(C).
[14] Section 382(i)(3). The principles of section 382(i)(3) generally apply to loss groups. Treas. Reg. §1.1502-91(b)(1).

C. Stock Interests

(1) In General

For section 382 purposes, ownership percentages are based on the value of equity characterized as stock (including, in rare circumstances, stock that would be issued upon the deemed exercise of an option or similar interest). Under section 382(k)(6)(A), *all* stock interests are treated as "stock" for purposes of determining ownership changes, except for preferred stock described in section 1504(a)(4). Preferred stock described in section 1504(a)(4) means stock that:

- is not entitled to vote,
- is limited and preferred as to dividends and does not participate in corporate growth to any significant extent,
- has redemption and liquidation rights which do not exceed the issue price of such stock (except for a reasonable redemption or liquidation premium), and
- is not convertible into another class of stock.

If stock would meet these criteria but for voting rights in the event of dividend arrearages, the regulations support "not stock" treatment.[15]

(2) Special Rules Relating to Instruments Issued to U.S. Treasury under the Emergency Economic Stabilization Act of 2008 ("EESA")

Notice 2010-2 provides that preferred stock issued to the U.S. Treasury under the Capital Purchase Program for publicly traded issuers ("Public CPP") is disregarded for determining owner shifts under section 382, whether held by Treasury or a subsequent owner. In effect, Notice 2010-2 treats preferred stock issued to the U.S. Treasury under the Public CPP plan as stock described in section 1504(a)(4).

(3) Stock Treated as Non-Stock

Certain ownership interests that constitute stock are treated as non-stock if: (1) the likely participation in future corporate growth is disproportionately small when compared to the value of such stock as a proportion of the total value of all the outstanding stock of the corporation;[16] (2) treating the interest as non-stock would cause an ownership change; and (3) the amount of pre-change losses exceeds a *de minimis* threshold (the "Stock Treated as Non-Stock Rule").[17] The *de minimis* threshold effectively requires determination of the annual limitation resulting as if an ownership change occurred on the testing date and as if the amount of net unrealized built-in loss is a pre-change loss. The *de minimis* threshold is twice the annual limitation (without regard to adjustments for recognized built-in gains).[18]

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[15] Treas. Reg. §1.382-2(a)(3)(i).
[16] The legislative history underlying the grant of regulatory authority to the Treasury indicates that both common stock and preferred stock potentially could satisfy this prong of the test. Specifically, the legislative history provides that "it may be appropriate to disregard preferred stock (even though voting) or common stock where the likely percentage participation of such stock in future corporate growth is disproportionately small compared to percentage value of the stock as a proportion of total stock value, at the time of issuance or transfer." H. Rept. No. 99-841, II-172 (1986). Thus, for example, preferred stock that is section 1504(a)(4) stock except for voting rights and that represents 20 percent of the value of a corporation could meet this prong because (i) it is limited and hence unlikely to participate in corporate growth, and (ii) its value (i.e., 20 percent of the corporation) is disproportionate compared to its likely participation in corporate growth. As another example, a class of common stock with a large preference, and with a relatively small entitlement to distributions or assets in excess of the preference, could satisfy this prong because the large preference would cause the stock's value to be disproportionately small relative to its participation in future corporate growth.
[17] Section 382(k)(6)(B)(ii); Treas. Reg. § 1.382-2T(f)(18)(ii).
[18] Treas. Reg. § 1.382-2T(f)(18)(ii)(C).

In the instant case, the only interests that should constitute stock of UCB for section 382 purposes include only the Common Stock, the Series F Convertible Preferred Stock (which will automatically convert into voting Common Shares upon shareholder approval), and the Series G Convertible Preferred Stock (which will automatically convert into Nonvoting Common Shares upon shareholder approval, which, when transferred, will automatically convert into the voting Common Shares). Accordingly, the Stock Treated as Non-Stock Rule should not apply to treat any UCB stock as non-stock for section 382 purposes.

(4) Non-Stock Treated as Stock

Certain non-stock instruments are treated as stock if, at the time the instrument is issued or transferred, (1) the interest offers a potentially significant participation in the growth of the corporation, (2) treating the interest as stock would cause an ownership change, and (3) the amount of pre-change losses would exceed a certain *de minimis* threshold (the "Non-Stock Treated as Stock Rule").[19]

In this case, UCB issued Series B Preferred Stock under the TARP CPP program. As such, UCB's Series B Preferred Stock should be considered section 1504(a)(4) stock and thus should not be treated as stock. In addition to the Series B Preferred Stock, UCB has Series A Preferred Stock outstanding. You have instructed us to assume in Assumption 4 in the Representation Letter that the Series A Preferred Stock (i) is not entitled to vote, (ii) is limited and preferred as to dividends and do not participate in corporate growth to any significant extent, (iii) has redemption and liquidation rights which do not exceed the issue price (except for a reasonable redemption or liquidation premium), and (iv) is not convertible into another class of stock. Thus, the Series A Preferred Stock should be considered section 1504(a)(4) stock and thus should not be treated as stock. UCB entered into an agreement on April 1, 2010, with Fletcher International, Ltd. ("Fletcher"), pursuant to which Fletcher has the right to purchase $65 million of Series C Convertible Preferred Stock from UCB by May 26, 2012. The Series C Convertible Preferred Stock will be convertible into common stock at a rate of $5.25 per share of common stock, subject to anti-dilution adjustments to reflect stock splits and reverse stock splits. You have instructed us to assume that the Series C Convertible Preferred Stock is not outstanding stock under applicable corporate law, and that Fletcher will not exercise its right to purchase Series C Convertible Preferred Stock on or before the closing of, or in connection with the Capital Raise. On February 22, 2011, UCB issued Series D Preferred Stock to Elm Ridge Offshore Master Fund, Ltd. ("Elm Ridge Master Fund") and Elm Ridge Value Partners, L.P. ("Elm Ridge Value Fund") (together with Elm Ridge Master Fund, "Elm Ridge") in exchange for all of the Common Stock held by Elm Ridge on such date**.** You have instructed us to assume that the Series D Preferred Stock (i) is not entitled to vote, (ii) is limited and preferred as to dividends and does not participate in corporate growth to any significant extent, (iii) has redemption and liquidation rights which do not exceed the issue price (except for a reasonable redemption or liquidation premium), and (iv) is not convertible into another class of stock. Thus, the Series D Preferred Stock should be considered section 1504(a)(4) stock and thus should not be treated as stock. Finally, based on Representation 20, the Non-stock Treated as Stock Rule should not apply to treat any non-stock instruments of UCB as stock for section 382 ownership change computation purposes.

[19] Treas. Reg. § 1.382-2T(f)(18)(iii). For purposes of this rule, the definition of the *de minimis* threshold is the same as that for the "Stock Treated as Non-stock Rule." Treas. Reg. § 1.382-2T(f)(18)(iii)(C).

(5) Options and Warrants

In connection with the definition of “stock,” section 382(k)(6)(B) directs the Secretary to issue any necessary regulations to treat warrants, options, contracts to acquire stock, convertible debt interests, and other similar interests as stock. In addition, section 382(l)(3)(A)(iv) states that, “[e]xcept as provided in regulations, an option to acquire stock is treated as exercised if such exercise results in an ownership change.” For testing dates on or after November 5, 1992, Treas. Reg. § 1.382-4(d) (the “Section 382 Option Regulations”) contains the operating rules to determine whether an option to acquire stock is treated as if it were exercised for section 382 purposes.

a) Determination of Whether an Instrument is an Option or Stock

Under Treas. Reg. § 1.382-4(d)(9)(i), for purposes of applying the Section 382 Option Regulations, an option is defined as a contingent purchase, warrant, convertible debt, put, stock subject to a risk of forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.[20]

An interest described as an option under Treas. Reg. § 1.382-4(d)(9)(i) may not always be subject to the rules provided in the Section 382 Option Regulations. In particular, Treas. Reg. § 1.382-4(d)(9)(iv) provides that the Section 382 Option Regulations do not affect the determination under general principles of tax law (such as substance over form) of whether an instrument is an option or stock. For example, outside of the context of section 382, an option that is deep-in-the-money has been viewed by the Service in a Revenue Ruling as “stock” for federal income tax purposes under substance-over-form principles. In Revenue Ruling 82-150, 1982-2, C.B. 110, the Service ruled that certain holders of an option that could be exercised at any time were treated as owning the shares of the underlying stock since the exercise price of their options was only 30 percent of the fair market value of the underlying shares of stock as measured on the date of the option issuance. In reaching its conclusion, the Service relied on substance-over-form principles. The Service reasoned that if the option holder furnishes or will furnish substantially all of the funds at risk, the option holder is viewed as acquiring control and assuming the benefits and burdens of ownership of the stock. In Private Letter Ruling 9757021 (Aug. 21, 1997),[21] citing Revenue Ruling 82-150, the Service ruled that the holders of deep-in-the-money warrants (with $0.01 per share exercise price) are treated as the owners of the underlying stock for federal income tax purposes. Though not applying Revenue Ruling 82-150 to the facts in question, in a field service advice that deals with a section 382 issue, the Service cited the Revenue Ruling and stated that the holder of a deep-in-the-money warrant is treated as the owner of the underlying stock.[22]

[20] Unless otherwise indicated, the term “option” referred to in this Opinion Letter means “option” as defined under Treas. Reg. § 1.382-4(d)(9)(i).
[21] Although taxpayers cannot rely upon private letter ruling or, field service advice or cite them as precedent, we consider them to illustrate the Service’s thinking on a particular issue. Therefore, we cite private letter rulings and field service advice in this letter not as precedential authority, but merely to demonstrate the Service’s past resolution of similar issues.
[22] FSA 199914002 (Dec. 4, 1998).

You have represented in Representation 9 in the Representation Letter that no option or warrant was outstanding during the Analysis Period with an exercise price substantially less than the fair market value of UCB's Common Stock underlying the option or warrant on the date of grant. Thus, none of UCB's options, warrants, or other equity awards issued and outstanding during the Analysis Period should be considered "stock" for purposes of the section 382 ownership change computation under substance-over-form principles.

(b) Option Deemed Exercise Rule (or, the "Section 382 Option Anti-Abuse Rule")

Even if an option is not treated as "stock" for federal income tax purposes based on the rationale of Revenue Ruling 82-150, an option could be treated as if it were exercised and thus treated as stock for section 382 purposes under the Section 382 Option Regulations. In particular, Treas. Reg. § 1.382-4(d)(2) treats an option to acquire a loss corporation's stock as exercised if any of three tests are satisfied: the ownership test, the control test, or the income test. All three tests first look to whether the option was issued, transferred, or structured (alone or in combination with other arrangements) with "a principal purpose" of avoiding or ameliorating the impact of an ownership change.[23] For these purposes, the term "option" includes warrants and similar interests.[24]

"A principal purpose" to avoid or ameliorate the impact of ownership change does not by itself treat an option as exercised. Assuming "a principal purpose" exists, each of the three tests has another prong which must be satisfied in order to treat an option as exercised under these rules:

(1) the ownership test requires the option (alone or in combination with other arrangements) to provide the holder, prior to its exercise or transfer, with a substantial portion of the attributes of ownership of the underlying stock (discussed in more detail below);[25]

(2) the control test requires the holder and related persons to have direct and indirect ownership in the loss corporation of more than 50 percent;[26]; and

[23] Treas. Reg. §§ 1.382-4(d)(3), (4) and (5).
[24] Treas. Reg. § 1.382-4(d)(9)(i).
[25] Treas. Reg. § 1.382-4(d)(3).
[26] Treas. Reg. § 1.382-4(d)(4).

(3) the income test requires that there is an arrangement, prior to exercise or transfer of the option, to facilitate the creation of income (including accelerating income or deferring deductions) or value (including unrealized built in gains). [27]

You have represented in Representation 10 in the Representation Letter that no options or warrants were issued, transferred or structured during the Analysis Period for a principal purpose of avoiding or ameliorating the impact of an ownership change, other than warrants issued to Elm Ridge (the "Warrants"). As discussed in the separate section under the heading "*Capital Raise – Proposed Transaction*," the Warrants also should not be treated as exercised into stock under section 382(l)(3)(A)(v) and Treas. Reg. § 1.382-4(d)(2). Accordingly, we have not treated any of the holders of any options, warrants, or similar interests of UCB as owning the underlying shares of UCB Common Stock for purposes of the section 382 ownership change calculations.

D. 5-Percent Shareholders, First & Higher-Tier Entities and Public Groups

(1) In General

A "5-percent shareholder" generally means any person who owns 5 percent or more (by fair market value) of the stock of the loss corporation.[28]

Under Treas. Reg. § 1.382-2T(g)(1), the term "5-percent shareholder" includes (i) an individual who owns either a direct ownership interest in the stock of the loss corporation of 5 percent or more, or an indirect interest (determined based on the constructive ownership rules in section 318, as modified under section 382(l)(3)(A)) in the stock of the loss corporation of 5 percent or more by virtue of an ownership interest in any one first-tier entity or higher-tier entity (discussed below); and (ii) a public group determined under the aggregation rules ("Aggregation Rules") or the segregation rules ("Segregation Rules") provided in Treas. Reg. § 1.382-2T(j)(1), (2), or (3). In addition, a group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of 5 percent or more of the stock of the loss corporation (the "Coordinated Acquisition Group") are treated as an entity, the owners of which can also be collectively treated as a 5-percent shareholder. [29]

Below is a discussion of the definitional and operating rules in determining a shareholder's percentage ownership of the stock of the loss corporation and thus, in identifying 5-percent shareholders.

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[27] Treas. Reg. § 1.382-4(d)(5).
[28] Section 382(k)(6)(C), (7).
[29] Treas. Reg. § 1.382-3(a)(1)(i).

(2) The Aggregation Rules

As stated above, individual shareholders may be treated as holding "indirect" ownership of a loss corporation through first-tier entities or higher-tier entities. A "first-tier entity" is defined as an entity that, at any time during the testing period, owns a 5 percent or more direct ownership interest in the loss corporation.[30] A "higher tier entity" is any entity that, at any time during the testing period, owns a 5 percent or more direct ownership interest in a first tier entity or in any higher tier entity.[31] A "highest tier entity" is a first tier entity or a higher tier entity that is not owned, in whole or in part, at any time during the testing period by a higher tier entity. [32] A loss corporation is required to identify first-tier entities and higher-tier entities, as well as any 5-percent owners of each highest tier entity who indirectly own, at any time during the testing period, 5 percent or more of the loss corporation through the ownership interest in such highest tier entity.[33] "5-percent owner" is a defined term that includes an individual that owns a 5 percent or more direct ownership interest in a first tier entity or a higher-tier entity.[34] Any such 5-percent owner is treated as a 5-percent shareholder. All other shareholders of the highest tier entity are aggregated into a public group of the highest tier entity. [35] If such aggregated public group indirectly owns 5 percent or more of the loss corporation on the testing date, it is treated as a 5-percent shareholder. If such aggregated public group owns less than 5 percent of the loss corporation on the testing date, it is treated as part of the public group of the next lower tier entity. [36]

On December 11, 2009, Elm Ridge Master Fund became the owner of a direct ownership in interest UCB that exceeded 5 percent. Therefore, we have treated Elm Ridge Master Fund as a first-tier entity. You have represented to us in Representation 16 that Elm Ridge Master Fund first acquired shares in UCB (the "Initial 2009 Shares") in the September 2009 Offering. The Initial 2009 Shares represented a less-than-5-percent interest in UCB. Therefore, at such time, the investors in Elm Ridge Master Fund (the "Elm Ridge Master Group") were treated as part of the direct public groups of UCB (which was the next lower tier entity). However, on December 11, 2009, Elm Ridge Master Fund acquired an amount of stock (the "Additional 2009 Shares") necessary for the Elm Ridge Master Group to become a 5-percent shareholder (*i.e.*, the Elm Ridge Master Group indirectly owned 5 percent or more of UCB as of such date).

Unless a different proportion is established by the loss corporation or the IRS, the acquisition of loss corporation stock by a 5-percent shareholder on any date on which more than one public group of the loss corporation exists by virtue of the Segregation Rules (discussed below) is treated as being made proportionately from each public group existing immediately before such acquisition.[37] Therefore, we have treated the acquisition of the Additional 2009 Shares as being made proportionately from each public group existing immediately before such acquisition.

[30] Treas. Reg. § 1.382-2T(f)(9).
[31] Treas. Reg. § 1.382-2T(f)(14).
[32] Treas. Reg. § 1.382-2T(f)(16).
[33] Treas. Reg. § 1.382-2T(j)(1)(iv).
[34] Treas. Reg. § 1.382-2T(f)(10).
[35] *Id.*
[36] *Id.*
[37] Treas. Reg. § 1.382-2T(j)(2)(vi).

However, there is a question as to how to account for the Initial 2009 Shares. The Initial 2009 Shares may be reflected as initially owned by direct public groups of UCB and then as being held by the Elm Ridge Master Group once Elm Ridge Master Fund acquired more than 5 percent of UCB's stock. Treas. Reg. § 1.382-2T(k)(2) provides that, to the extent the loss corporation has actual knowledge on or after any testing date regarding the ownership interest in the loss corporation by members of one public group and the ownership interest of those members in the loss corporation as members in another such public group, the loss corporation may take such ownership into account for purposes of determining whether an ownership change occurred on that testing date.[38] Because there is actual knowledge that there was an overlap between the members of the Elm Ridge Master Group that indirectly held the Initial 2009 Shares (through Elm Ridge Master Fund) as part of the direct public groups of UCB and the members of the Elm Ridge Master Group that indirectly held the Initial 2009 Shares through the Elm Ridge Master Fund as a 5-percent shareholder, we have taken such ownership into account pursuant to Treas. Reg. § 1.382-2T(k)(2).

Specifically, there is actual knowledge that Elm Ridge Master Fund acquired the Initial 2009 Shares in an issuance of stock for cash to which section 1032 applied (the September 2009 Offering). Pursuant to Treas. Reg. § 1.382-2T(j)(2)(iii)(B), when there is a transfer by a loss corporation of its stock in a transaction to which Section 1032 applies, each direct public group that exists immediately after such transaction is treated as segregated, such that each direct public group that existed immediately before the transaction (each a "historic public group") is treated separately from the direct public group that acquires stock of the loss corporation in the transaction (the "segregated public group"). Treas. Reg. § 1.382-2T(j)(2)(iii)(B) presumes that the segregated public group does not include any members of any historic public group that existed immediately before the transaction.[39] This general rule is modified pursuant to the Cash Issuance Exception (discussed below), which treats a portion of the issued stock as issued to the historic public group and a portion as issued to a segregated public group. The Cash Issuance Exception is based on the presumption that there is likely to be an overlap between the less-than-5-percent shareholders who acquire stock in such an issuance and the loss corporation's existing historic public group. [40]

Since (i) Treas. Reg. § 1.382-2T(k)(2) permits a loss corporation to take into account actual knowledge of overlapping ownership in multiple public groups, and (ii) there is actual knowledge that the members of the Elm Ridge Master Group were members of the segregated public group of UCB resulting from the September 2009 Offering rather than the historic public group of UCB (because you have represented to us that you have actual knowledge that Elm Ridge Master Fund did not own any UCB shares prior to acquiring the Initial 2009 Shares), we have treated the Initial 2009 Shares indirectly owned by the Elm Ridge Master Group as shares that would otherwise be allocated to the segregated public group resulting from the September 2009 Offering.

[38]Treas. Reg. § 1.382-2T(k)(2). An additional provision of Treas. Reg. § 1.382-2T(k)(2) is discussed below.
[39] *See also*, T.D. 8149 ("[t]he temporary regulations presume that no person who is a member of a public group identified under the aggregation rules has an ownership interest in another public group."). As discussed in more detail below, under the Segregation Rule, certain specified transactions result in the creation of new public groups. Each new public group determined under the Segregation Rule is treated as a 5-percent shareholder separate from other public groups existing prior to such specified transactions, even if the segregated group directly and indirectly owns less than 5 percent of the stock of the loss corporation. Treating a public group as a new public group (separate from existing public groups) under the Segregation Rule results in maximum owner shift because the new public group is deemed to own none of the loss corporation stock before the transaction (so that all of the new public group's stock ownership is treated as an increase in ownership by a 5-percent owner).
[40] 2010-27 I.R.B. 10 ("[T]he cash issuance exception … is justified on the grounds that there is likely to be substantial overlap between Small Shareholders who acquire stock in such an issuance and the existing Small Shareholder ownership base.")

(3) Identification of 5-Percent Shareholders of Companies Subject to SEC Reporting Requirements

Under Treas. Reg. § 1.382-2T(k)(1), for stock that is subject to the U.S. Securities and Exchange Commission ("SEC") reporting requirements of Regulation 13D and 13G (or any rule or regulation promulgated by the SEC to generally the same effect), the loss corporation may rely on the existence or absence of filings of Schedules 13D and 13G (or any similar schedules) to identify all of the shareholders of the issuer of such stock who have a direct ownership interest in such issuer of 5 percent or more (the "K1 Presumption Rule").

Under Treas. Reg. § 1.382-2T(k)(2), if the loss corporation has actual knowledge of stock ownership on any test date (or acquires such knowledge before the date that the income tax return is filed for the taxable year in which the testing date occurs) by an individual who would be a 5-percent shareholder, but for the application of the stock attribution rules provided in Treas. Reg. § 1.382-2T(h)(2)(iii), (h)(6)(iii), or (g)(2), or a 5-percent shareholder that would be taken into account, but for the attribution rules provided in Treas. Reg. § 1.382-2T(h)(2)(iii), (h)(6)(iii), or (g)(3), the loss corporation must take such stock ownership into account for purposes of determining whether an ownership change has occurred on that testing date (the "K2 Actual Knowledge Rule") . Stated differently, the Actual Knowledge Rule turns off only the application of the simplifying stock attribution rules provided in Treas. Reg. § 1.382-2T(h)(2)(iii), (h)(6)(iii), (g)(2), and (g)(3), and not the K1 Presumption Rule. In numerous private letter rulings, the Service has consistently taken the position that for section 382 purposes, a 5-percent shareholder or a first-tier entity must be the "economic owner" of the loss corporation stock.[41] Generally, an economic owner is a person who has the right to the dividends and proceeds from the sale of company stock.[42] An investment adviser that has the power to vote and/or dispose of company stock but does not have economic ownership of the stock is not the economic owner of the stock.[43]

(4) Duty to Ascertain Stock Ownership of Identified 5-Percent Shareholders

Under the regulations, a loss corporation has a duty to determine the stock ownership on each testing date and the changes in the stock ownership during the testing period of: (i) any individual shareholder who has a direct ownership interest of 5 percent or more in the loss corporation; (ii) any first-tier entity or higher-tier entity that owns an indirect ownership interest of 5 percent or more in the loss corporation; and (iii) any individual who indirectly owns 5 percent or more of the stock of the loss corporation by reason of owning a 5 percent or more interest in another entity that directly or indirectly owns stock of the loss corporation.[44]

UCB applied the K1 Presumption Rule in identifying its 5-percent shareholders for section 382 purposes. UCB had the following Schedule 13G filers during the Analysis Period:

- Barclays Global Investors, NA ("Barclays");

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[41] *See e.g.*, PLR 200818020 (Jan. 29, 2008); PLR 200747016 (Aug. 20, 2007); PLR 9533024 (May 19, 1995); PLR 9610012 (Dec. 5, 1995); PLR 9725039 (Mar. 26, 1997).
[42] PLR 200818020 (Jan. 29, 2008); PLR 200747016 (Aug. 20, 2007); PLR 9533024 (May 19, 1995).
[43] *Id.*
[44] Treas. Reg. § 1.382-2T(k)(3).

- Blackrock, Inc. (“Blackrock”); and

- Elm Ridge Capital Management, LLC;

- Vanguard Group, Inc. (“Vanguard”)

Based upon the disclosure contained in Item 6 on Barclays’ Schedule 13G filings, we determined that no filer included on Barclays’ Schedule 13G filing should be treated as a 5-percent “economic owner” of UCB’s shares.[45] Therefore, we determined that the owners of Barclays should not be included as a 5 percent shareholder of UCB.

Blackrock’s Schedule 13G filings were unclear as to the “economic ownership” of UCB’s stock. In particular, Item 6 on BlackRock's Schedule 13Gs (filed in January 2010 and February 2011) reported that "no one person's interest in the common stock of United Community Banks, Inc.’s shares is more than 5 percent," but did not explicitly state that BlackRock is holding the shares on behalf of its clients. In Representation 15 in the Representation Letter, you represented that Blackrock has represented to UCB that Blackrock is acting as an investment advisor, and that to the best of Blackrock’s knowledge, no client of Blackrock owns 5 percent of UCB’s stock. Therefore, the owners of Blackrock should not be included as a 5 percent shareholder of UCB.

Finally, in Representation 16 of the Representation Letter, you represented that Elm Ridge Capital Management, LLC is not the “economic owner” of any UCB shares reported on its Schedules 13G filed with the SEC; instead, Elm Ridge Master Fund and Elm Ridge Value Fund economically own the UCB shares reported on Elm Ridge Capital Management’s Schedule 13G. You have also represented in Representation 16 that UCB has received representations from Elm Ridge Capital Management LLC that Elm Ridge Master Fund and Elm Ridge Value Fund have not acted in concert to acquire shares of UCB, Accordingly, the owners of Elm Ridge Capital Management, LLC should not be a 5 percent shareholder of UCB. Based on Representation 16 and the share information regarding Elm Ridge Master Fund and Elm Ridge Value Fund provided by UCB, the owners of Elm Ridge Master Fund, but not Elm Ridge Value Fund, should be a 5-percent shareholder of UCB for section 382 purposes.

Vanguard reported greater than 5 percent ownership of UCB stock in a Form 13Fs filed with the SEC, as well as a Schedule 13G filed with the SEC on February 14, 2011. On its Schedule 13G filed on February 14, 2011, Vanguard indicated the type of reporting person is an investment advisor. In addition, Item 6 of the Schedule 13G was reflected as “N/A.” In Representation 18 of the Representation Letter, you represented that UCB received representations from Vanguard that (i) the shares held by Vanguard (as reflected on both the Form 13F and the Scheduled 13G) are economically held by several investment funds which are managed by Vanguard, none of which owns 5 percent or more of UCB’s stock, and (ii) the Vanguard funds did not coordinate their acquisitions (discussed below) of UCB stock. As a result, the owners of Vanguard should not be treated as a 5-percent shareholder of UCB for section 382 purposes.

[45] The Item 6 disclosure language in Barclay’s Schedule 13G is identical to the disclosure of the filing for Filer 3 in PLR 200747016 (Aug. 20, 2007).

In addition to the Schedule 13G filers described above, UCB had several other entities that required consideration with respect to the identification of 5 percent shareholders. Based on UCB's internal documents, [Wellington Management Company] ("Wellington"), which did not file any Schedule 13D or 13G, held greater than 5 percent of UCB's stock upon the closing of the September 2009 Offering. In Representation 17 of the Representation Letter, you represented that UCB received representations from Wellington that the shares acquired by Wellington in the September 2009 Offering were held by Wellington in its capacity as an investment advisor, and that none of Wellington's clients owned 5 percent or more of UCB. Accordingly, the owners of Wellington should not be included as a 5 percent shareholder of UCB for section 382 purposes. In addition, you provided information to us indicating that (i) Wellington's clients sold an amount of their UCB shares during the quarter ended December 31, 2009 that reduced their ownership interest in UCB common stock below 5 percent as of December 31, 2009, and then sold all of their remaining Common Shares by March 31, 2010, and (ii) Wellington's clients do not own any Common Shares as of the date of this letter.

As stated in Representation 19 of the Representation Letter, based upon available stock ownership information as of September 30, 2010 provided by UCB, it would have been theoretically possible that Buckhead Capital Management ("Buckhead"), which has never owned the requisite 5 percent of UCB stock for Schedule 13D or G purposes, may own 5 percent or more of UCB stock following the Exchange but prior to Capital Raise, if Buckhead's stock interest in UCB remained unchanged or not materially decreased since September 30, 2010. However, UCB has received representations from Buckhead that (i) Buckhead disposed of a portion of its UCB shares during the fourth quarter of 2010, and as of December 31, 2010, Buckhead only owned 11,000 shares of UCB Common Stock, representing less than 5 percent of the outstanding stock of UCB; (ii) Buckhead is an investment advisor that holds the Common Stock for the benefit of its clients, and (iii) no single client of Buckhead owned [or will own] 5 percent or more of the stock of UCB stock following the Exchange. Thus, the owners of Buckhead should not be treated as a 5-percent shareholder of UCB for section 382 purposes during the Analysis Period.

Finally, you have further instructed us to assume that (i) there will be no future SEC filings after the date of this opinion (other than by persons acquiring shares on the date of the Capital Raise and solely with respect to shares acquired on or after such date) reflecting ownership of stock by persons other than those identified above during the Analysis Period (Assumption 1), and (ii) no shareholder that owned directly or indirectly less than 5 percent of UCB's Common Stock at any time before the Exchange would have owned greater than 5 percent of UCB's Common Stock following the Exchange but prior to the Capital Raise (Assumption 8).

(5) Coordinated Acquisition of Stock

Section 382 generally focuses on persons that acquire more than 5 percent of the shares of a loss corporation and treats as separate shareholders the owners of entities that own 5 percent or more of the loss corporation.[46] Treas. Reg. § 1.382-3(a)(1) provides that an entity is any corporation, estate, trust, association, company, partnership or similar organization. An entity also includes a group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of stock.

[46] Treas. Reg. § 1.382-2T(g)(1)(iv).

Based on Representations 13, and 30 through 33, no group of persons should be treated as an entity during the Analysis Period by reason of the coordinated acquisition rule. See below for a more detailed analysis of the coordinated acquisition of stock issue with respect to the Capital Raise.

Based on the foregoing analysis**,** Elm Ridge Master Fund should be treated as the only entity that owned 5 percent or more, directly or indirectly, of UCB's stock during the Analysis Period. Accordingly, the beneficial owners of Elm Ridge Master Fund collectively should be treated as the only 5-percent shareholder of UCB, other than the direct public groups, prior to the Capital Raise.

(6) The Segregation Rules

a) General

As noted above, the Segregation Rule generally treats certain transactions as if a new public group separate from any pre-existing public groups acquired the stock. In effect, the section 382 rules presume that persons representing a completely new set of investors purchase such shares. Thus, this set of investors will generally constitute a public group and is treated as a 5-percent shareholder separate from other 5-percent shareholders or previously identified public groups treated as 5-percent shareholders.[47]

Transactions subject to the Segregation Rule include the following transactions in which shares are issued to or acquired from less-than-5-percent shareholders:

- An equity structure shift that is a tax-free acquisitive reorganization;[48]
- A transfer of loss corporation shares by the loss corporation;[49]
- A redemption transaction (*i.e.*, a transaction in which the loss corporation acquires its shares in exchange for property); [50]
- A deemed acquisition of stock of the loss corporation under the Option Deemed Exercise Rule; [51] and

An issuance of a right to acquire stock to the members of more than one public group (for purposes of testing whether the persons acquiring the rights to acquire stock are treated as having acquired the underlying stock under the Section 382 Option Regulations). [52]

In addition, a company may rebut the full segregation presumption, and, in certain cases, potentially may improve its position, if it has actual knowledge of an overlap in the constituents of the new group acquiring shares and the pre-existing shareholder groups.[53]

[47] Treas. Reg. § 1.382-2T(j)(2)(iii)(B)-(C). Since Elm Ridge Offshore Master Fund Ltd. should be the only 5-percent shareholder of UCB, and Elm Ridge Offshore Master Fund has owned its shares for less than three years, the application of the Segregation Rule to first- and higher-tier entities should not impact UCB.
[48] Treas. Reg. § 1.382-2T(j)(2)(iii)(B); section 382(g)(3)(A)(i).
[49] *Id.*
[50] Treas. Reg. § 1.382-2T(j)(2)(iii)(C).
[51] Treas. Reg. § 1.382-2T(j)(2)(iii)(D).
[52] Treas. Reg. § 1.382-2T(j)(2)(iii)(F).
[53] Treas. Reg. §1.382-2T(j)(2)(iii)(A).

For testing dates occurring during tax years beginning after November 4, 1992, the regulations provide two key exceptions to the full segregation presumption. These special rules alleviate some of the impact that the full segregation presumption can have on a corporation. The two exceptions to the full segregation presumption are known as the "small issuance" exception and the "cash issuance" exception, discussed below. For purposes of applying the small issuance exception and the cash issuance exception, two or more issuances are treated as a single issuance if the issuances occur (i) at approximately the same time and pursuant to the same plan or arrangement, or (ii) if a principal purpose of issuing the stock in separate transactions rather than in a single issuance is to minimize or avoid an owner shift.[54]

b) Small Issuance Exception

The small issuance exception treats a new issuance of shares as if the shares are acquired entirely by the pre-existing public groups.[55] In general, this exception applies to an issuance in a given year consisting of less than ten percent of the number of shares of such class or of the equity value of the corporation outstanding at the beginning of the tax year. However, the loss corporation may not apply the small issuance exception on a class-by-class basis if, during the taxable year, more than one class of stock is issued in a single issuance (or two or more issuances that are treated as a single issuance).[56] Furthermore, the small issuance exception does not apply to any portion of a single issuance that exceeds the ten percent limit, nor to any portion of a series of separate issuances which are pursuant to a single plan where the shares issued under that plan exceed the ten percent limit.[57] In chronological order, each issuance, whether to the public or to 5-percent shareholders (or first/higher tier entities), that qualifies as a small issuance based on its size, reduces the number of shares (or dollar value of shares) to which the small issuance can be applied. Note that the small issuance exception generally does not apply to those "equity structure shifts" that involve a tax-free issuance of stock for stock or securities of another corporation [58]

The shares eligible for the small issuance exception are treated as issued to the pre-existing groups pro rata based upon the relative value held by each public group. Thus, the owner shift impact of an issuance is reduced to the extent that the shares are treated as being issued to a public group that does not contribute to an owner shift on the testing date.

Based upon the stock transactions detailed in the Representation Letter and the Transaction Chronology, several issuances of stock occurring during the Analysis Period qualified for the small issuance exception.

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[54] Treas. Reg. § 1.382-3(j)(8).
[55] Treas. Reg. §1.382-3(j)(2).
[56] Treas. Reg. §1.382-3(j)(2)(iii)(D).
[57] Treas. Reg. §1.382-3(j)(8).
[58] Treas. Reg. §1.382-3(j)(6); Treas. Reg. §1.382-2T(e)(2)..

c) Cash Issuance Exception

The cash issuance exception allows a portion of stock issued (for cash) to the public to be treated as acquired by pre-existing public groups and the remaining stock, if any, not acquired by identified 5-percent shareholders as acquired by a new segregated public group.[59] Pursuant to the cash issuance exception, issuances of stock solely for cash are partially exempt from the full segregation presumption. The exemption applies to the percentage of stock issued for cash that equals 50 percent of the aggregate percentage owned by public groups immediately before the issuance. This exception generally is of material benefit only if a significant portion of the corporation's stock before the issuance is held by pre-existing public groups (rather than non-public 5-percent shareholders) that have declining ownership percentages during the testing period. In addition, the total amount of stock qualifying for this exception cannot exceed the total amount of stock issued in the issuance less the amount of that stock that is owned by a 5-percent shareholder (other than a direct public group) immediately after the issuance.[60] If both the cash issuance exception and the small issuance exception potentially apply to an issuance, the small issuance exception "trumps," and the cash issuance exception only applies to the portion of the issuance (if any) not exempted under the small issuance exception.

Based upon the stock transactions detailed in the Representation Letter and the Transaction Chronology, the September 2009 Offering should qualify for the cash issuance exception, but not the small issuance exception. In addition, shares issued as part of the Capital Raise should qualify for the cash issuance exception. The application of the cash issuance exception to the Capital Raise is discussed in more detail below.

d) Application of Segregation Rule to Acquisitions of Shares Made by the Loss Corporation or a 5-Percent Shareholder

When a loss corporation redeems or reacquires its shares from its less-than-5-percent shareholders, those shares are treated as being acquired proportionately from each public group existing immediately before such transaction.[61] Similarly, where a 5-percent shareholder acquires shares from less-than-5 percent shareholders, those shares are treated as being acquired proportionately from each public group existing immediately before such transaction.[62]

e) Ownership Presumptions

Once a shareholder's interest falls below 5 percent, UCB has several options on how to treat the shareholder's ownership for the remainder of the testing period. First, although not required, UCB may rely on "actual knowledge" of the shares owned by the ultimate shareholder that falls below 5 percent and continue to track these shares separately.[63] Second, UCB can rely on the ownership presumptions of Treas. Reg. §1.382-2T(j)(1)(v) and/or Treas. Reg. §1.382-2T(g)(5)(i)(B) and can assume that the interests of the shareholder remains constant (except for transactions described in Treas. Reg. §1.382-2T(j)(2)(vi)) for the remainder of the testing period once the shareholder's interests drops below 5 percent.[64] If UCB has actual knowledge that the shareholder has owned the shares since before the beginning of the testing period, UCB should be able treat the shares as owned at all times by the public groups existing before the beginning of the testing period, which generally should reduce the shift.[65]

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[59] Treas. Reg. §1.382-3(j)(3).
[60] Treas. Reg. §1.382-3(j)(4).
[61] Treas. Reg. § 1.382-2T(j)(2)(vi). However, it should be noted that redemptions from the public can still give rise to owner shifts because the redeemed public shareholders are segregated from the non-redeemed public shareholders. Treas. Reg. § 1.382-2T(j)(2)(iii)(C).
[62] *Id.*
[63] *See e.g.*, PLRs 200024047 (June 19, 2000), 9234034, (May 28, 1992), and 9104043, (October 31, 1990) permitting taxpayers to use actual knowledge.
[64] *See also*, PLRs 200326003, (June 27, 2003) and 9147031, (August 23, 1991).
[65] *See* Ruling 1 in PLR 200024047, (June 19, 2000).

(III) ***The Proposed Transaction***

To meet and maintain capital requirements, UCB will issue and sell Common Stock and Convertible Preferred Stock of UCB to investors through private placements in a transaction to which section 1032 applies (the aforementioned Capital Raise). The investors are expected to consist of two large investors (the "Anchor Investors," or each, an "Anchor Investor") and a number of small investors (the "Additional Investors," or each, an "Additional Investor") who, in the aggregate, are expected to purchase shares of Common Stock and Convertible Preferred Stock representing approximately 69.66 percent of the value of the Common Stock and Convertible Preferred Stock outstanding at closing, after giving effect to the consummation of the Capital Raise.

On February 22, 2011, UCB issued 16,613 shares of newly designated Series D Preferred Stock and the Warrants to Elm Ridge Master Fund and Elm Ridge Value Fund in exchange for all of the Common Stock (7,755,631 shares) held by Elm Ridge (the "Exchange" and together with the Capital Raise, the "Proposed Transaction"). The Series D Preferred Stock is non-voting, non-convertible, limited and preferred as to dividends without any significant growth participation, and redeemable at UCB's option after three years. The Series D Preferred Stock was fully transferable as of its issue date. The Warrants have an exercise price of $2.50 per share, subject to customary anti-dilution adjustments. In addition, Elm Ridge and UCB agreed that UCB would increase the exercise price of the Warrants to 125 percent of the trading price of UCB's stock on the date of the Capital Raise, if such an agreement is necessary to obtain a favorable private letter ruling from the Internal Revenue Service (discussed in more detail below). You have represented in Representation 36 of the Representation Letter that UCB will increase the exercise price of the Warrants if the trading price of the Common Stock on the date of the Capital Raise exceeds $2.00 per share.[66] The Warrants are not exercisable until after September 30, 2012, and will expire on August 22, 2013. The Warrants and the Series D Preferred Stock may be separately transferred.

UCB received a private letter ruling from the Internal Revenue Service ("IRS") dated March 29, 2011, in which the IRS has ruled as follows:

- The Warrants are not treated as exercised at the time of the Exchange under Section 382(l)(3)(A)(iv) and Treas. Reg. § 1.382-4(d)(2).

[66] If UCB increases the exercise price above $2.50 but less than $3.00, the number of Series D Preferred Shares issued under the Elm Ridge Exchange Agreement will automatically increase based on the same calculation used by the parties to determine the number of Series D Preferred Shares issued at closing of the Exchange. If UCB increases the exercise price above $3.00, the numbers of Preferred Shares issued under the Elm Ridge Exchange Agreement will automatically increase by an amount equal to the sum of (A) the number of additional Series D Preferred Shares issued under (i) above plus (B) Series D Preferred Shares with a liquidation value of 7,755,631 times the difference between the new exercise price and $3.00.

- The Exchange is taken into account in determining the amount of Common Stock held by direct public groups on the Closing Date and, accordingly, Elm Ridge will not be treated as owning any UCB "stock" immediately before the issuance of Common Stock and Convertible Preferred Stock in the Capital Raise for purposes of applying the "cash issuance exception" of Treas. Reg. § 1.382-3(j)(3).

- None of the Anchor Investors, the Additional Investors or any combination thereof, who receive Common Stock or Convertible Preferred Shares in the Capital Raise will be treated as a group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of stock within the meaning of Treas. Reg. § 1.382-3(a)(1)(i).

As a result, the Warrants should not be treated as exercised into UCB stock for section 382 purposes. In addition, you have instructed us in Assumption 5 of the Representation Letter to assume that the Series D Preferred Stock is section 1504(a)(4) stock. Accordingly, we have not treated the Series D Preferred Stock as stock for purposes of the section 382 owner shift computations.

Anchor Investors

The Capital Raise will have two Anchor Investors – Corsair Capital LLC ("Corsair") and K 422 Holdings South, LLC ("King Street South"), which will acquire shares of Common Stock and Convertible Preferred Stock equal to 22.5 percent and 5.27 percent, respectively, by fair market value, of the Common Stock and Convertible Preferred Stock outstanding as of the closing date of the Capital Raise. The Anchor Investors will invest approximately $151.6 million.

As stated in Representation 28 in the Representation Letter, UCB has received representations from Corsair Capital and King Street South that their members or partners (1) do not own, directly or indirectly, any shares of Common Stock prior to the Capital Raise, and (2) will not acquire Common Stock and/or Convertible Preferred Stock in any other manner so as to increase their ownership in UCB in excess 22.52 percent and 5.27 percent, respectively, acquired through the Capital Raise.

Additional Investors

UCB will also issue Common Stock to a number of other investors as part of the Capital Raise, none of whom will own more than 4.9 percent of the value of UCB's Common Stock and Convertible Preferred Stock ("Additional Investors"). The Additional Investors will acquire Common Stock and Convertible Preferred Stock equaling approximately 41.87 percent of the total value of the Common Stock and Convertible Preferred Stock outstanding at the closing date of the Capital Raise, in exchange for $228.4 million in aggregate.

You have instructed us to assume in Assumption 7 in the Representation Letter that none of the Additional Investors will own, directly or indirectly more than 4.9 percent of the total value of UCB shares of Common Stock and Convertible Preferred Shares following the Capital Raise.

Cash Issuance Exception – Coordinated Acquisition

As stated above, the cash issuance exception to the segregation presumptions permits a portion of stock issued (for cash) to the public to be treated as acquired by pre-existing direct public groups and the remaining stock, if any, not acquired by identified 5-percent shareholders as acquired by a new segregated public group.[67] This exception is only potentially applicable with respect to shares issued to less-than--5-percent shareholders. As discussed above, persons (including otherwise less-than-5-percent shareholders) who have a formal or informal understanding among themselves to make a coordinated acquisition of stock of 5 percent or more of a loss corporation are collectively treated as an “entity” for purposes of section 382. Shares issued to such deemed entity are not eligible for the cash issuance exception.

In determining whether or not such formal or informal understanding required for a coordinated acquisition has occurred, the Treasury Regulations provide that a “principal element in determining if such understanding exists is whether the investment decision of each member of the group is based upon the investment decision of one or more other members.”[68]

The Treasury Regulations provide two examples to illustrate the coordinated acquisition concept. In one example, the loss company was concerned about a potential hostile takeover. The loss company’s management met with potential investors who are friendly to management in order to convince these investors to purchase stock. The investment was based upon the understanding that management will assemble a group that in the aggregate will purchase more than 50 percent of the loss company’s stock. Under these facts, the Treasury Regulations concluded that the investors had a “formal or informal understanding” among themselves and thus made a coordinated acquisition which resulted in the investors being treated as a single 5 percent shareholder.[69]

In the second example, an investment advisor believed that a loss company’s stock was undervalued and it recommended to a number of its clients that they should acquire the loss company’s stock. Acting on the investment advisor’s recommendation, a number of unrelated individuals purchased the loss company’s stock. Each client’s decision was not based upon the investment decisions made by any other client. Under these facts, the Treasury Regulations conclude that there was no “formal or informal understanding” among the investors and thus no coordinated acquisition.[70] The Treasury Regulations add that this conclusion would be the same if the investment advisor is also the underwriter (without regard to whether it is a firm commitment or best efforts underwriting) for a primary or secondary offering of the corporation’s stock. [71]

[67] Treas. Reg. § 1.382-3(j)(3).
[68] *Id.*
[69] Treas. Reg. §1.382-3(a)(1)(ii) Example 2.
[70] Treas. Reg. §1.382-3(a)(1)(ii) Example 3. In distinguishing between the two regulatory examples, one commentator has noted that an acquisition is treated as coordinated where investors’ decisions are dependent upon the decisions of other members and is not treated as coordinated where the investors are making their own decisions. B. Bittker and J. Eustice, *Federal Income Taxation of Corporations and Shareholders*, ¶14.43[6][a] note 212 (7th ed., 2006).
[71] Treas. Reg. § 1.382-3(a)(1)(ii) Example 3(iii).

In the hostile takeover example, a group was formed that in the aggregate would purchase more than 50 percent of the loss company's stock. This example, however, should not be read to mean that a coordinated acquisition could be found merely because a decision to invest is dependent on there being sufficient other investors to subscribe to an offering. Under that reading, any offering in which a required level of participation is required would constitute a coordinated acquisition—an extreme result. Instead, we believe that the takeover example should be viewed as applying where there is a common objective among investors other than merely making an investment to earn what the investor believes is an attractive return.[72] This conclusion is supported by the alternative version of the second example, wherein a firm commitment or best efforts underwriter recommends to a number of clients that they acquire the loss company's stock.[73] At least in some circumstances, an offering undertaken through such an underwriter will be dependent on the offering being adequately subscribed.

In this case, there is no common objective among the shareholders other than an intention to invest in an attractive investment (which is similar to the objective found in the investment advisor and underwriter examples in which no coordinated acquisition was found).

In this case, based on representations received by UCB from each of the Additional Investors and the Anchor Investors (each, an "Investor" and collectively, the "Investors"), you have instructed us to assume that (a) each Investor participating in the Capital Raise has reached its own decision to invest in the Company independently from any Anchor Investor and any other Additional Investors; (b) none of the Investors have entered into any agreement or understanding with any other Investor to act in concert for the purpose of exercising a controlling influence over the Company or any of its subsidiaries, including any agreements or understandings regarding the voting or transfer of shares of the Company; (c) none of the Investors have shared with any other Investor in the Other Private Placements proprietary due diligence materials prepared by such Investor or its Investment Manager or any of its other advisors or representatives (acting in their capacity as such) and used by its investment committee as the basis for purposes of making its investment decision with respect to the Company or any Company Subsidiary;[74] (d) none of the Investors have been induced by, or have induced, any other Investor, to enter into the Capital Raise (other than with respect to the condition that the Capital Raise be fully subscribed); and (e) none of the Investors have entered into any agreement with one another with respect to the Capital Raise.[75]

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[72] This may explain why Treasury specifically stated in the takeover example that all of the investors were friendly with management. *See also*, Priv. Ltr. Rul. 201010009 (March 12, 2010) (ruling that 2 large investors and a number of smaller investors who, after being approached by the corporation, acquired common stock and warrants in a private placement, which was intended to raise capital on behalf of the corporation, will not be treated as a group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of stock within the meaning of Treasury Regulations § 1.382-3(a)(1)(i)).

[73] Treas. Reg. § 1.382-3(a)(1)(ii) Example 3(iii).

[74] Several Investors have modified this representation (c) as follows:

> [n]one of the Investors have shared with any other Investor in the Other Private Placements proprietary due diligence materials prepared by such Investor or its Investment Manager or any of its other advisors or representatives (acting in their capacity as such) and used as the basis for making its investment decision with respect to the Company or any Company Subsidiary, it being understood and agreed by the parties to the agreement that the concept of the sharing of proprietary due diligence materials refers to the Investor taking proprietary due diligence and conveying it to another Investor, and that if the Investor and any other Investors retain the same Investment Manager, and such Investment Manager prepares due diligence materials on behalf of the Investor and one or more of such other Investors, such activity is not considered the sharing of proprietary due diligence material, even if the advice or material given to the Investor and such other Investors is identical.

[75] See Representation 30 and Assumption 9 of the Representation Letter.

We note that even if it were the case that the investment decisions of one Investor were entirely based on the investment decision of a second Investor, the second Investor should not be considered a member of a coordinated acquisition group; therefore, the investment decision of the first Investor still would not be based on “one or more other members” of the group. In this regard, it is important to return to the language of the Treasury Regulations. As stated above, the Treasury Regulations provide that a principal element in determining if an understanding exists is “whether the investment decision of *each* member of the group is based upon the investment decision of one or more other members.”[76] This means that each member of any purported group must be relying upon the decision of somebody else. Any Investor that does not rely upon the investment decision of one or more other members cannot be part of the coordinated acquisition. An Investor that did not base its investment decisions upon the investment decision of any other Investor; under the language of the Treasury Regulations, therefore, cannot be part of any purported group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of stock. Thus, even if the investment decisions of any Investors are influenced, for example, by their confidence that the largest Investor has chosen to invest after conducting extensive due diligence, the decisions of such “influenced” Investors would not be based on the investment decision of “one or more other members” of the group.

Based upon the representations described above, UCB received a private letter ruling from the Service in which the IRS ruled as follows:

- None of the Anchor Investors, the Additional Investors or any combination thereof, who receive Common Stock or Convertible Preferred Shares in the Capital Raise will be treated as a group of persons who have a formal or informal understanding among themselves to make a coordinated acquisition of stock within the meaning of Treas. Reg. § 1.382-3(a)(1)(i).

Accordingly, we have not treated any of the Investors as making a coordinated acquisition within the meaning of Treas. Reg. § 1.382-3(a)(1)(i).

Cash Issuance Exception – “Immediately Before”

Each direct public group that exists “immediately” before an issuance to which the cash issuance exception applies is treated as acquiring its proportionate share of stock exempted under the cash issuance exception. Since the Exchange occurred prior to the Capital Raise and Elm Ridge Master Fund was the only non-direct public group 5 percent shareholder of UCB, the amount of stock held by direct public groups “immediately” before the Capital Raise should equal 100 percent. UCB received a private letter ruling from the Service in which the IRS ruled as follows:

- The Exchange is taken into account in determining the amount of Common Stock held by direct public groups on the Closing Date and, accordingly, Elm Ridge Master Fund will not be treated as owning any UCB “stock” immediately before the issuance of Common Stock in the Capital Raise for purposes of applying the “cash issuance exception” of Treas. Reg. § 1.382-3(j)(3).

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[76] Treas. Reg. §1.382-3(a)(1) (emphasis added).

Accordingly, we have treated the direct public groups that exist immediately before the Capital Raise as UCB's shareholders (i.e., after taking into account the redemption of Elm Ridge's common shares in the Exchange) in applying the cash issuance exception rule to the Capital Raise in the section 382 owner shifts computations.

(IV) Future Transactions

As stated above, our analysis only takes into account potential 5-percent shareholders that have filed Schedule 13Ds or Schedule 13Gs through the date of the Representation Letter and UCB has instructed us to assume that there will be no future filings (other than by Corsair and King Street South) reflecting ownership of stock by other persons during the Analysis Period. It is possible that other investors have already become 5-percent shareholders prior to the Capital Raise but have not yet filed a Schedule 13D or Schedule 13G.

* * * * *

We sincerely appreciate this opportunity to be of service to you. Please contact me at (212) 872-6274, Mark Hoffenberg at (202) 533-4058, or David Helenbrook at (404) 222-3177 if you have any questions or comments regarding our analysis.

Very truly yours,

KPMG LLP

/s/ Mary Fung

Mary Fung
Tax Managing Director

cc: Mark Hoffenberg – KPMG Washington National Tax
David Helenbrook – KPMG Atlanta

EXHIBIT 12

UNITED COMMUNITY BANKS, INC.
RATIO OF EARNINGS TO FIXED CHARGES (Regulation S-K 503 (d))

	Six Months Ended June 30,	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**	**2006**
EARNINGS						
+ Pre-tax income from continuing operations	(224,782)	(432,292)	(319,499)	(101,811)	88,974	107,777
+ Fixed charges	46,849	116,686	176,574	230,528	277,614	209,871
+ Amortization of capitalized interest	-	-	-	-	-	-
- Capitalized interest	-	-	-	-	-	-
- Preferred Series A dividends (pre-tax equivalent)	(10)	(20)	(22)	(24)	(28)	(30)
- Preferred Series B dividends (pre-tax equivalent)	(6,952)	(13,846)	(13,846)	(962)	-	-
- Preferred Series B accretion (pre-tax equivalent)	(1,047)	(2,004)	(1,890)	(127)	-	-
- Preferred Series D dividends (pre-tax equivalent)	(903)	-	-	-	-	-
Total earnings	(186,845)	(331,476)	(158,683)	127,604	366,560	317,618
Interest on deposits	28,755	81,732	141,377	198,301	229,591	169,297
Total earnings exc. deposit int.	(215,600)	(413,208)	(300,060)	(70,697)	136,969	148,321
FIXED CHARGES						
+ Interest expensed	37,558	100,071	159,734	228,265	276,434	208,815
+ Interest capitalized	-	-	-	-	-	-
+ Interest included in rental expense	379	745	1,082	1,150	1,152	1,026
+ Preferred Series A dividends (pre-tax equivalent)	10	20	22	24	28	30
+ Preferred Series B dividends (pre-tax equivalent)	6,952	13,846	13,846	962	-	-
+ Preferred Series B accretion (pre-tax equivalent)	1,047	2,004	1,890	127	-	-
+ Preferred Series D dividends (pre-tax equivalent)	903	-	-	-	-	-
Total fixed charges	46,849	116,686	176,574	230,528	277,614	209,871
Interest on deposits	28,755	81,732	141,377	198,301	229,591	169,297
Total fixed charges exc. deposit int.	18,094	34,954	35,197	32,227	48,023	40,574
RATIO OF EARNINGS TO FIXED CHARGES						
Including interest on deposits	(3.99) x	(2.84) x	(.90) x	.55x	1.32x	1.51x
Excluding interest on deposits	(11.92) x	(11.82) x	(8.53) x	(2.19) x	2.85x	3.66x
DEFICIENCY (503(d) 1(A)) with deposit int	233,694	448,162	335,257	102,924	-	-
DEFICIENCY (503(d) 1(A)) without deposit int	233,694	448,162	335,257	102,924	-	-

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 16, 2011, relating to our audit of the consolidated financial statements and internal control over financial reporting, included in the Annual Report of United Community Banks, Inc. and subsidiaries on Form 10-K, for the year ended December 31, 2010. We hereby consent to the incorporation by reference of said report in this Amendment No. 2 to the Registration Statement of United Community Banks, Inc. on Form S-1 and to the use of our name as it appears under the caption “Experts.”

/s/ PORTER KEADLE MOORE, LLP

Atlanta, Georgia
August 10 , 2011

EXHIBIT 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
United Community Banks, Inc.

We consent to the inclusion of our tax opinion dated March 29, 2011, as an Exhibit to United Community Banks, Inc.'s Registration Statement on Form S-1 dated August 10, 2011.

/s/ KPMG LLP
Atlanta, Georgia
August 10, 2011