UNITED COMMUNITY BANKS INC
Form DEF 14A
March 23, 2007

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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6 (6) (2)

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Under Rule 14A-12

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

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of class of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):____________________

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o Check box if any part of the fee is offset as provided by Exchange Act Rule O-11 (a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:____________________

(2) Form, Schedule or Registration Statement No.:____________________

(3) Filing Party:____________________

(4) Date Filed:____________________

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63 HIGHWAY 515
BLAIRSVILLE, GEORGIA 30514-0398

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be Held on April 25, 2007

The Annual Meeting of Shareholders of United Community Banks, Inc. will be held on April 25, 2007 at 2:00 p.m. at Brasstown Valley Resort, Young Harris, Georgia:

1. To elect eleven directors to constitute the Board of Directors to serve until the next annual meeting and until their successors are elected and qualified.

2. To approve the Amended and Restated 2000 Key Employee Stock Option Plan.

3. To approve the Management Annual Incentive Plan.

4. To consider and act upon any other matters that may properly come before the meeting and any adjournment thereof.

Only shareholders of record at the close of business on March 7, 2007 will be entitled to notice of, and to vote at, the meeting. A proxy statement and a proxy solicited by the Board of Directors are enclosed.

To ensure that your vote is recorded promptly, please vote as soon as possible. Most shareholders have three options for submitting their vote. If you are a shareholder of record, you may vote (1) by telephone if you reside in the United States, Canada or the U.S. territories, (2) via the Internet (see the instructions on the proxy card), or (3) by completing, signing and mailing the proxy card in the enclosed postage paid envelope. If you have Internet access, we encourage you to record your vote on the Internet. It is convenient and it saves significant postage and processing costs. If you attend the meeting you may, if you wish, withdraw your proxy and vote in person.

If your shares are held in street name , that is held for your account by a broker or other nominee, your will receive instructions from the holder of record that you must follow for your shares to be voted.

BY ORDER OF THE BOARD OF DIRECTORS,

Jimmy C. Tallent,
President and Chief Executive Officer
March 23, 2007

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE, INTERNET, OR COMPLETE AND RETURN THE ENCLOSED PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED AT THE MEETING IF YOU DO NOT ATTEND

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March 23, 2007

63 HIGHWAY 515
BLAIRSVILLE, GEORGIA 30514-0398

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of United Community Banks, Inc. for use at the 2007 Annual Meeting of Shareholders to be held on Wednesday, April 25, 2007 at 2:00 p.m., at Brasstown Valley Resort, Young Harris, Georgia, and at any adjournments or postponements of the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters set forth in the accompanying notice of meeting, including the election of eleven directors, the approval of the Amended and Restated 2000 Key Employee Stock Option Plan (the ***Amended Equity Plan***), the approval of the Management Annual Incentive Plan (the ***Incentive Plan***) and any other matters that may properly come before the meeting.

Who is entitled to vote?

All shareholders of record of United s common stock at the close of business on March 7, 2007, which is referred to as the record date, are entitled to receive notice of the Annual Meeting and to vote the shares of common stock held by them on the record date. Each outstanding share of common stock entitles its holder to cast one vote for each matter to be voted upon.

How do I cast my vote?

If you hold your shares of common stock in your own name as a holder of record and you have Internet access, United prefers that you vote your shares via the Internet at cesvote.com. Alternatively, you may vote your shares by telephone if you reside in the United States, Canada or the U.S. territories, or by marking, signing, dating and returning the proxy card in the postage-paid envelope provided to you or you may vote in person at the Annual Meeting. If your shares of common stock are held in street name , that is held for your account by a broker, bank or other nominee, you will receive instructions from your nominee which you must follow in order to have your shares voted.

Proxies that are executed and returned or submitted through the Internet, but do not contain any specific instructions on any proposal, will be voted FOR the proposals specified herein.

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What are the quorum and voting requirements?

The presence, in person or by proxy, of holders of at least a majority of the total number of outstanding shares of common stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. As of the record date, there were 43,026,669 shares of common stock outstanding and entitled to vote at the Annual Meeting.

The required vote for each item of business at the Annual Meeting is as follows:

1. For Proposal 1, the election of directors, those nominees receiving the greatest number of votes at the Annual Meeting shall be deemed elected, even though the nominees may not receive a majority of the votes cast. However, as described in Corporate Governance Majority Vote Requirement , under certain instances, nominees who are elected receiving less than a majority vote may be asked to resign.

2. For Proposal 2, the approval of the Amended Equity Plan, an affirmative vote of a majority of the shares voted on the proposal.

3. For Proposal 3, the approval of the Incentive Plan, an affirmative vote of a majority of the shares voted on the proposal.

4. For any other business at the Annual Meeting, the vote of a majority of the shares voted on the matter, assuming a quorum is present, shall be the act of the shareholders on that matter, unless the vote of a greater number is required by law.

How are votes counted?

Abstentions and broker non-votes will be counted only for purposes of establishing a quorum, but will not otherwise affect the vote. Broker non-votes are proxies received from brokers or other nominees holding shares on behalf of their clients (in street name) who have not been given specific voting instructions from their clients with respect to non-routine matters. Typically, the election of directors is considered a routine matter by brokers and other nominees allowing them to have discretionary voting power to vote shares they hold on behalf of their clients for the election of directors. Approvals of the Amended Equity Plan and Incentive Plan are not considered routine matters by brokers and other nominees.

Because directors are elected by a plurality of the votes cast, except as described in Corporate Governance Majority Vote Requirement , the directors that get the most votes will be elected even if such votes do not constitute a majority. Directors cannot be voted against and votes to withhold authority to vote for a certain nominee will have no effect if the nominee receives a plurality of the votes cast. For all other proposals that come before the meeting, you may vote for or against the proposal.

If you hold your shares of common stock in your own name as a holder of record, and you fail to vote your shares, either in person or by proxy, the votes represented by your shares will be excluded entirely from the vote.

Will other matters be voted on at the Annual Meeting?

We are not aware of any other matters to be presented at the Annual Meeting other than those described in this proxy statement. If any other matters not described in the proxy statement are properly presented at the meeting, proxies will be voted in accordance with the best judgment of the proxy holders.

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Can I revoke my proxy instructions?

If you are a record holder, you may revoke your proxy by:

- filing a written revocation with the Secretary of United at the following address: P.O. Box 398, Blairsville, Georgia 30514-0398;

- filing a duly executed proxy bearing a later date; or

- appearing in person and electing to vote by ballot at the Annual Meeting.

Any shareholder of record as of the record date attending the Annual Meeting may vote in person by ballot whether or not a proxy has been previously given, but the presence (without further action) of a shareholder at the Annual Meeting will not constitute revocation of a previously given proxy.

Any shareholder holding shares in street name by a broker or other nominee must contact the broker or nominee to obtain instructions for revoking the proxy instructions.

What other information should I review before voting?

The 2006 annual report to shareholders and the annual report on Form 10-K filed with the Securities and Exchange Commission, including financial statements for the year ended December 31, 2006, is enclosed with this proxy statement. The annual report is not part of the proxy solicitation material. An additional copy of the annual report on Form 10-K may be obtained without charge by:

- accessing United s website at ucbi.com;

- writing to the Secretary of United at the following address: P.O. Box 398, Blairsville, Georgia 30514-0398; or

- accessing the EDGAR database at the SEC s website at sec.gov.

You may also obtain copies of United s Form 10-K from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, Room 1580, F. Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information.

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PROPOSAL 1: ELECTION OF DIRECTORS

Introduction

The Bylaws of United provide that the number of directors may range from eight to 14. The Board of Directors of United has set the number of directors at 11. The number of directors may be increased or decreased from time to time by the Board of Directors by resolution, but no decrease shall have the effect of shortening the term of an incumbent director. The terms of office for directors continue until the next Annual Meeting and until their successors are elected and qualified.

Information Regarding Nominees for Director

The following information has been furnished by the respective nominees for director as of March 1, 2007. All of the nominees for director are existing directors that have been nominated by Board of Directors for re-election. Each nominee has been or was engaged in his present or last principal employment, in the same or a similar position, for more than five years.

Name (Age)	Information About Nominee	Director Since
Jimmy C. Tallent (54)	President and Chief Executive Officer of United	1988
Robert L. Head, Jr. (67)	Chairman of the Board of United; Owner of Head Construction Company and Head-Westgate Corp., commercial construction companies, Blairsville, Georgia	1988
W. C. Nelson, Jr. (63)	Vice Chairman of the Board of United; Owner of Nelson Tractor Company, Blairsville, Georgia	1988
A. William Bennett (65)	Partner in Bennett, Davidson & Associates, LLP, Certified Public Accountants, Washington, Georgia	2003
Robert H. Blalock (59)	Owner of Blalock Insurance Agency, Inc., Clayton, Georgia	2000
Guy W. Freeman (70)	Executive Vice President and Chief Operating Officer of United	2001
Thomas C. Gilliland (59)	Executive Vice President, Secretary and General Counsel of United	1992
Charles E. Hill (69)	Retired Director of Pharmacy at Union General Hospital, Blairsville, Georgia	1988
Hoyt O. Holloway (67)	Owner of H&H Farms, poultry farm, Blue Ridge, Georgia	1993
Clarence W. Mason, Sr. (71)	Owner of Mason Lawn and Garden, Blue Ridge, Georgia	1992
Tim Wallis (55)	Owner of Wallis Printing Co., Rome, Georgia	1999

There are no family relationships between any director, executive officer, or nominee for director of United or any of its subsidiaries.

Director Emeritus

In January 2006, the Honorable Zell B. Miller, 75, was re-elected by the Board of Directors of United to serve as a Director Emeritus. This is an elected role by the Board that provides leadership, counsel and guidance on various issues and policies that could affect United. Prior to becoming a member of the U.S. Senate, Mr. Miller served as a member of the Board of Directors of United from 1999

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to 2000. Mr. Miller was a U. S. Senator from 2000 to 2005 and previously served two terms as Governor and four terms as Lt. Governor of the State of Georgia.

Potential New Director

On February 6, 2007, United announced a definitive agreement to acquire Gwinnett Commercial Group, Inc. and its wholly-owned subsidiary First Bank of the South. Under terms of the agreement, after the closing of the transaction United plans to increase the size of its Board from 11 members to 12 and appoint John D. Stephens, the current Chairman of the Board of Gwinnett Commercial, to the Board of Directors. The transaction is expected to close in May 2007.

Board of Directors and Committees

The Board of Directors held seven meetings during 2006. All of the directors attended at least 75 percent of the meetings of the Board and meetings of the committees of the Board on which they served that were held during 2006. Directors are expected to be present at all Annual Meetings of United.

The Board has considered and determined that a majority of the members of the Board of Directors are independent as independent is defined under applicable federal securities laws and the Nasdaq Marketplace Rules. During 2006, the independent directors were Directors Nelson, Bennett, Blalock, Hill, Holloway and Mason. In January 2007, the Board determined that Director Wallis was also independent. The independent directors meet in executive sessions every quarter without management.

The Board currently has, and appoints members to, three standing committees: the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee. Each member of these Committees is independent and each Committee has a charter approved by the Board, which is available on United s website, ucbi.com.

The current members of the Committees are identified below (M member; C chairman):

Name	Compensation	Audit	Nominating/ Corporate Governance
W. C. Nelson, Jr.	M	C	M
A. William Bennett	C	M	C
Robert H. Blalock	M		M
Charles E. Hill	M		M
Hoyt O. Holloway	M	M	M
Clarence W. Mason, Sr.	M		M
Tim Wallis	M		M

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Compensation Committee

The Compensation Committee is responsible for establishing and administering the policies that govern the compensation arrangements for executive officers and other senior officers. The Compensation Committee is also responsible for oversight and administration of certain executive and employee compensation and benefit plans, including the 2000 Key Employee Stock Option Plan (the ***Existing Equity Plan***), the Deferred Compensation Plan, the Modified Retirement Plan and the Employee Stock Purchase Plan. It periodically reviews and makes recommendations to the Board with respect to Directors Compensation. The Compensation Committee met six times during 2006.

Audit Committee

The Audit Committee assists the Board in its general oversight and serves as an independent and objective party to monitor United s financial reporting process and internal control systems, to review and assess the performance of the independent registered public accountants and internal auditing department, and to facilitate open communication among the independent registered public accountants, senior and financial management, the internal auditing department, and the Board of Directors. Certain specific responsibilities of the Audit Committee include recommending the selection of independent registered public accountants, meeting with the independent registered public accountants to review the scope and results of the annual audit, reviewing with management and the internal auditor the systems of internal controls and internal audit reports, ensuring that United s books, records, and external financial reports are in accordance with U.S. generally accepted accounting principles, and reviewing all reports of examination made by regulatory authorities and ascertaining that any and all operational deficiencies are satisfactorily corrected.

The Board of Directors has determined that all of the members of the Audit Committee have sufficient knowledge in financial and accounting matters to serve on the audit committee, including the ability to read and understand fundamental financial statements. In addition, the Board of Directors has determined that Mr. Bennett qualifies as an audit committee financial expert in accordance with the applicable rules and requirements of the SEC and Nasdaq.

The Audit Committee met nine times during 2006.

Nomination/Corporate Governance Committee

The Nominating/Corporate Governance Committee reviews United s corporate governance policies and guidelines and monitors compliance with those policies and guidelines In addition, the Nominating/Corporate Governance Committee is responsible for identifying individuals qualified to become Board members and recommending to the Board of Directors nominees for election and candidates for each committee appointed by the Board. The Nominating/Corporate Governance Committee met one time during 2006.

Vote Required

Each proxy executed and returned by a shareholder will be voted as specified thereon by the shareholder. If no specification is made, the proxy will be voted for the election of the nominees named above to constitute the entire Board of Directors. If any nominee withdraws or for any reason is not able to serve as a director, the proxy will be voted for such other person as may be designated by the Board of Directors as a substitute nominee, but in no event will the proxy be voted for more than eleven nominees. Management of United has no reason to believe that any nominee will not serve if elected. All of the nominees are currently directors of United.

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Pursuant to the Georgia Business Corporation Code, Directors are elected by a plurality of the votes cast by the holders of the shares entitled to vote in an election at a meeting at which a quorum is present, even though the nominees may not receive a majority of the votes cast. However, as described in Corporate Governance Majority Vote Requirement , under certain instances, nominees who are elected receiving less than a majority vote may be asked to resign. A quorum is present when the holders of a majority of the shares outstanding on the record date are present at a meeting in person or by proxy. An abstention or a broker non-vote will be included in determining whether a quorum is present at the meeting, but will not have an effect on the outcome of a vote.

Recommendation

The Board of Directors unanimously recommends a vote FOR each nominee for director.

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PROPOSAL 2: APPROVAL OF THE AMENDED AND RESTATED 2000 KEY EMPLOYEE STOCK OPTION PLAN

Introduction

The Board adopted the Amended and Restated 2000 Key Employee Stock Option Plan (the ***Amended Equity Plan***), on March 15, 2007 at the recommendation of the Compensation Committee, subject to the shareholder approval solicited by this proxy statement. Shareholder approval of the Amended Equity Plan is required by the Nasdaq Marketplace Rules and to provide the incentive stock option recipients with the favorable tax treatment afforded options under Section 422 of the Internal Revenue Code of 1986, as amended (the ***Code***). Shareholder approval of the Amended Equity Plan is also sought to comply with and to continue to qualify the Amended Equity Plan under Section 162(m) of the Code. If this Proposal is adopted, the Amended Equity Plan set forth in Appendix A hereto will be adopted. The Existing Equity Plan was previously approved by the shareholders of United and the Existing Equity Plan will continue without the amendments in the Amended Equity Plan if shareholder approval of the Amended Equity Plan is not received.

The objectives of the Amended Equity Plan are: (1) to attract, motivate and retain employees of United (hereinafter ***participants***) by providing compensation opportunities that are competitive with other companies; (2) to provide incentives to participants who contribute significantly to the long-term performance and growth of United and its affiliates; and (3) to align the long-term financial interests of participants in the Amended Equity Plan with those of shareholders.

The Amended Equity Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (***ERISA***).

Nature of the Amendments

The amendments incorporated into the Amended Equity Plan modify the Existing Equity Plan to: (1) increase the aggregate number of shares available for issuance under the Amended Equity Plan to a total of 2,500,000, which includes the 808,562 shares currently available for issuance under the Existing Plan; (2) provide that the number of shares that may be granted as certain full-value awards will be 400,000 shares, provided that such full value grants made in excess of 400,000 shares will be counted as 1.5 shares against the maximum number of shares authorized; (3) clarify that shares received pursuant to or represented by an award which are then used to pay the exercise price or withholding taxes are not available for reissuance under the Amended Equity Plan; (4) provide that the minimum time vesting period and minimum performance-based vesting period for restricted stock and restricted stock units are three years and one year, respectively; (5) prohibit repricing of awards granted under the Amended Equity Plan; and (6) change the definition of retirement from the attainment of age 65 to the earlier of the attainment of age 65 or the retirement age under any other benefit plan applicable to a participant.

If the Amended Equity Plan is adopted, 1,000,000 of the shares available may be granted as incentive stock options. However, during 2006 United elected to issue only non-qualified stock options to realize the benefits associated with tax deductibility of the value realized by the optionee upon the exercise of the stock options. As of December 31, 2006, the sum of United s outstanding stock options, restricted stock and restricted stock units and shares currently available for grant totaled 3,436,825. This total divided by the number of outstanding shares of 42,890,863 resulted in an overhang for United of 8.0%. Increasing the number of shares available for grant to 2,500,000 and increasing the outstanding shares for United s pending acquisition of Gwinnett Commercial Group, Inc. would cause United s overhang to equal 10.6% compared with an average of 14.1% for a peer group of high-performing bank holding companies with under $8.1 billion in assets selected by an outside consultant.

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The outstanding awards under the Existing Equity Plan will continue to remain outstanding in accordance with their terms.

Description of the Amended Equity Plan

The following is a description of the principal provisions of the Amended Equity Plan. This summary is qualified in its entirety by reference to the full text of the Amended Equity Plan attached as Appendix A to this proxy statement.

General

The Amended Equity Plan is administered by the Compensation Committee of the Board or such other committee consisting of two or more members as may be appointed by the Board to administer the Amended Equity Plan. If any member of the Committee does not qualify as (i) a Non-Employee Director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, and (ii) an outside director within the meaning of Section 162(m) of the Code, a subcommittee of the Committee shall be appointed to grant awards to Named Executive Officers and to other officers who are subject to Section 16 of the Securities Exchange Act of 1934, and each member of such subcommittee shall satisfy the requirements of (i) and (ii) above. References to the Committee in this Proposal 2 shall include and, as appropriate, apply to any such subcommittee. Subject to the requirement that shareholder approval be obtained for certain types of amendments, the Amended Equity Plan may be amended by the Committee, in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any awards previously granted under the Amended Equity Plan, unless the participants affected by such amendment provide their written consent.

Under the Amended Equity Plan, participants may be granted stock options (incentive and nonqualified), stock appreciation rights (***SARs***), restricted stock, restricted stock units and performance shares. The maximum number of incentive stock options that may be issued under this Plan is 1,000,000. The number of shares that may be granted in the form of restricted stock, restricted stock units or performance shares (***Full Value Grants***) is 400,000 shares, provided that Full Value Grants made in excess of 400,000 shares will be counted against the maximum number of shares such that the maximum is reduced 1.5 shares for each share subject to the Full Value Grants. Except to the extent the Committee determines that an award shall not comply with the performance-based compensation provisions of Section 162(m) of the Code, the maximum number of shares subject to options and SARs that, in the aggregate, may be granted pursuant to awards in any one calendar year to any one participant shall be 100,000 shares, and the maximum number of shares of restricted stock, restricted stock units and performance shares that may be granted, in the aggregate, pursuant to awards in any one calendar year to any one participant shall be 66,666 shares.

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property, any reorganization or any partial or complete liquidation of United, such adjustment shall be made in the number and class of shares which may be delivered under the Amended Equity Plan, and in the number and class of and/or price of shares subject to outstanding awards granted under the Amended Equity Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

The shares to be delivered under the Amended Equity Plan will be made available from authorized but unissued shares of common stock, from treasury shares, from shares purchased in the open market or otherwise. Shares awarded or subject to purchase under the Amended Equity Plan and that are not delivered or purchased, or are reacquired by United as a result of forfeiture or termination, expiration, or cancellation of an award, will again be available for issuance under the Amended Equity Plan.

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The Committee will determine the individuals to whom awards will be granted, the number of shares subject to an award and the other terms and conditions of an award. To the extent provided by law, the Committee may delegate to one or more persons the authority to grant awards to individuals who are not Named Executive Officers. As applicable, when used in this description of the Amended Equity Plan, the term Committee also refers to any such individual to whom the Committee has delegated some of its authority to grant awards. The Committee may also provide in option or other agreements relating to awards under the Amended Equity Plan for automatic accelerated vesting and other rights upon the occurrence of a change in control or upon the occurrence of other events as may be specified in such agreements.

Stock Options

The number of shares subject to a stock option, the type of stock option (i.e., incentive stock option or nonqualified stock option), the exercise price of a stock option (which shall be not less than the fair market value of a share on the date of grant) and the period of exercise (including upon termination of employment) will be determined by the Committee and set forth in an option or other agreement, provided that no option will be exercisable more than 10 years after the date of grant.

Options granted under the Amended Equity Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, including conditions related to the employment of, or provision of services by, a participant. The option price upon exercise shall be paid to United in full: (a) in cash; (b) by cash equivalent approved by the Committee; (c) by tendering previously acquired shares having an aggregate fair market value at the time of exercise equal to the total exercise option price, or (d) by a combination of (a), (b) and (c). The Committee may also allow cashless exercises as permitted under the Federal Reserve Board s Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Amended Equity Plan s purpose and applicable law.

SARs

SARs granted under the Amended Equity Plan entitle the participant to receive an amount payable in shares or cash, or both, as determined by the Committee, equal to the excess of the fair market value of a share on the day the SAR is exercised over the specified exercise price, which will not be less than the fair market value of a share on the grant date of the SAR. The exercise period of a SAR may not exceed 10 years. SARs may be granted in tandem with a related stock option or independently. The Committee shall determine and set forth in an agreement relating to the award or other agreement the extent to which SARs are exercisable after termination of employment.

Restricted Stock and Restricted Stock Units

Restricted stock is an award of United common stock that vests over time and is subject to forfeiture in certain circumstances. Restricted stock awards may be made either alone, in addition to, or in tandem with other types of awards permitted under the Amended Equity Plan and may be current grants of restricted stock or deferred grants. The terms of restricted stock awards, including the restriction period, performance targets applicable to the award, and the extent to which the participant will have the right to receive unvested restricted stock following termination of employment or other events, will be determined by the Committee and be set forth in an agreement relating to such award. The restriction period for restricted stock and restricted stock units that are not subject to performance conditions will not be less than three years (but graded vesting may be provided) and for performance-based awards the restriction period will not be less than one year. Unless otherwise set forth in an agreement relating to a restricted stock award, the participant receiving restricted stock shall have all of the rights of a shareholder of United, including the right to vote the shares and the right to receive dividends, provided that the Committee may require that any dividends on such shares of restricted stock be automatically deferred and reinvested in additional restricted stock or may require that dividends on such shares be paid to United to be held for the account of the grantee.

A restricted stock unit is an unsecured promise to transfer a share of United common stock or equivalent cash at a specified future date, such as a fixed number of years, retirement, or other termination of employment (which date may be later than the vesting date of the award at which time the right to receive the share becomes nonforfeitable). Restricted stock units represent the right to receive a specified number of shares at such times, and subject to such restriction period and other conditions, as the Committee determines. A participant to whom restricted stock units are awarded has no rights as a shareholder with respect to the shares represented by the restricted stock units, unless and until shares are actually delivered to the participant in settlement of the award. However, restricted stock units may have dividend-equivalent rights, if provided for by the Committee.

Performance Shares

Performance shares are awards granted in terms of a stated potential maximum number of shares, with the actual number and value earned to be determined by reference to the satisfaction of performance targets established by the Committee. Such awards may be granted subject to any restrictions, in addition to performance conditions, deemed appropriate by the Committee. Except as otherwise provided in an agreement relating to performance shares, a participant shall be entitled to receive any dividends declared with respect to shares that have been earned but that have not yet been distributed to the participant and shall be entitled to exercise full voting rights with respect to such shares.

Performance Measures

If awards granted or issued under the Amended Equity Plan are intended to qualify under the performance-based compensation provisions of Section 162(m) of the Code, the performance measure(s) to be used for purposes of such awards shall be chosen by the Committee from among the following (which may relate to United or a business unit, division or subsidiary): net operating income or growth in such net operating income; operating earnings per share or growth in such operating earnings per share; annual growth in consolidated total revenue, loans and deposits; changes or increases in market share; earnings before taxes or the growth in such earnings; stock price or the growth in such price; return on equity, tangible equity, and assets or the growth on such returns; total shareholders return or the growth in such return; contribution to geographic expansion; level of expenses or the reduction of expenses, overhead ratios or changes in such ratios, efficiency ratios or changes in such ratios; loan quality or the changes in the level of loan quality or changes in the ratios of net charge-offs to loans or non-performing assets to assets; customer satisfaction scores or changes in scores; and/or, economic value added or changes in such value added. The Committee can establish other performance measures for awards granted to participants that are not Named Executive Officers, or for awards granted to Named Executive Officers that are not intended to qualify under the performance-based compensation provisions of Section 162(m) of the Code. In measuring performance, the Committee may adjust United s financial results to exclude the effect of unusual charges or income items that distort year-to-year comparisons of results and other events, including acquisitions or dispositions of businesses or assets, de novo expansions, recapitalizations, reorganizations or reductions-in-force. With respect to Named Executive Officers, the Committee shall consider the provisions of Section 162(m) in making adjustments for awards intended to comply with Section 162(m). The Committee may also make adjustments to eliminate the effect of changes in tax or accounting rules and regulations.

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Repricing

The Amended Equity Plan prohibits United from reducing the exercise price of outstanding options or SARs without first receiving shareholder approval.

Deferral Rights

The Committee may permit a participant to defer to another plan or program such participant s receipt of shares or cash that would otherwise be due to such participant by virtue of the exercise of an option or SAR, the vesting of restricted stock or RSUs, or the earning of a performance share award. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

Duration of Plan

The Amended Equity Plan shall be effective on March 15, 2007 if approved by shareholders and will remain in effect until March 14, 2017.

Federal Income Tax Consequences

The following is a brief summary of the current United States federal income tax consequences of awards made under the Amended Equity Plan. This summary is general in nature and is not intended to cover all tax consequences that may apply to participants and United. Further, the provisions of the Code and the regulations and rulings thereunder relating to these matters may change.

Stock Options

A participant will not recognize any income upon the grant of a stock option. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding for United employees) upon exercise of a nonqualified stock option equal to the excess of the fair market value of the shares purchased over the exercise price, and United will be entitled to a corresponding deduction. A participant will not recognize income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option, provided that the incentive stock option is exercised either while the participant is an employee of United or within three months (one year if the participant is disabled within the meaning of Section 22(e)(3) of the Code) following the participant s termination of employment. If shares acquired by such exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of such shares will be taxed as a long-term capital gain or loss, and United will not be entitled to any deduction. If, however, such shares are disposed of within the above-described period, then in the year of such disposition, the participant will recognize income taxable as ordinary income equal to the excess of (i) the fair market value of such shares on the date of exercise or, if less, the amount realized upon such disposition, over (ii) the exercise price. In such case, United will be entitled to a corresponding deduction.

SARs

A participant will not recognize any income upon the grant of a SAR. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding for United employees) upon exercise of a SAR equal to the fair market value of any shares delivered and the amount of any cash paid to the participant upon such exercise, and United will be entitled to a corresponding deduction.

Restricted Stock

A participant will not recognize taxable income at the time of the grant of a restricted stock award and United will not be entitled to a tax deduction at such time, unless the participant makes an election under a special Code provision to be taxed at the time such restricted stock award is granted. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding for United employees) at the time the restrictions on such restricted stock award lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The amount of ordinary income recognized by a participant making the above-described special election or upon the lapse of the restrictions is deductible by United as compensation expense. In addition, a participant receiving dividends with respect to shares subject to a restricted stock award for which the above-described election has not been made and prior to the time the restrictions lapse will recognize taxable compensation (subject to income tax withholding for United employees), rather than dividend income, in an amount equal to the dividends paid, and United will be entitled to a corresponding deduction.

Restricted Stock Units

A participant will not recognize taxable income at the time of grant of a restricted stock unit, and United will not be entitled to a tax deduction at such time. When the participant receives shares pursuant to vesting or a distribution election for the restricted stock unit, the federal income tax consequences applicable to restricted stock awards, described above, will apply to the participant, and United will have a tax deduction.

Performance Shares

A participant will not recognize taxable income upon the grant of a performance share award, and United will not be entitled to a tax deduction at such time. Upon the settlement of a performance share award, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding for United employees) in an amount equal to the fair market value of any shares delivered and the amount of any cash paid to the participant, and United will be entitled to a corresponding deduction.

Compliance with Section 162(m) of the Code

Section 162(m) of the Code denies an income tax deduction to an employer for certain compensation in excess of $1,000,000 per year paid by a publicly-traded corporation to a Named Executive Officer. Compensation realized with respect to stock options awarded under the Amended Equity Plan, including upon exercise of a nonqualified stock option or upon a disqualifying disposition of an incentive stock option, as described above, will be excluded from this deductibility limit if it satisfies certain requirements, including a requirement that the Amended Equity Plan (as hereby amended) be approved by United s shareholders at the Annual Meeting. In addition, other types of awards under the Amended Equity Plan may be excluded from this deduction limit if they are conditioned on the achievement of one or more of the performance measures described above, as required by Section 162(m) of the Code. To satisfy the requirements that apply to performance-based compensation, those performance measures must be approved by our current shareholders, and approval of the Amended Equity Plan will also constitute approval of those measures.

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2007 Plan Awards

The Compensation Committee currently plans to grant approximately 500,000 non-qualified stock options and 50,000 restricted stock awards to senior executives and other employees at its discretion during 2007 under the Amended Equity Plan if it is approved or the Existing Equity Plan if the Amended Equity Plan is not approved.

Information regarding 2006 awards made under the Existing Plan to our Named Executive Officers is provided in Stock Option and Restricted Stock Grants . In 2006, 105,000 non-qualified stock options and 14,000 restricted stock awards were granted to all senior executives as a group, and 386,900 non-qualified stock options and 21,125 restricted stock awards were granted to all employees other than senior executives as a group. By way of background, please see Compensation Discussion and Analysis for our discussion of United s executive compensation.

Vote Required

Assuming the presence of a quorum, the affirmative vote of a majority of the shares voted on Proposal 2 is required for approval of the Amended Equity Plan.

Recommendation

The Board of Directors unanimously recommends a vote FOR approval of the Amended Equity Plan, including the material terms of the performance measures under which certain awards may be granted.

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PROPOSAL 3: APPROVAL OF THE MANAGEMENT ANNUAL INCENTIVE PLAN

The Board of Directors adopted the Management Annual Incentive Plan (the *Incentive Plan*) effective as of January 1, 2007, and is proposing the Incentive Plan for approval by the shareholders of United. The following description of the material features of the Incentive Plan is a summary only and is qualified in its entirety by reference to the Incentive Plan, a copy of which is attached as Appendix B to this proxy statement. Shareholder approval of the Incentive Plan is sought in order to qualify the Incentive Plan under Section 162(m) of the Code and thereby to allow United to deduct for federal income tax purposes all compensation paid under the Incentive Plan to Named Executive Officers.

General

The purpose of the Incentive Plan is to advance the growth and financial success of United by offering performance incentives to designated executives who have significant responsibility for such success. The Incentive Plan will be administered by the Compensation Committee or other committee designated by the Board, subject to the Committee s right to delegate to the Chief Executive Officer, and others, responsibility for administration of the Incentive Plan. To the extent such a delegation of authority has been made, the term Committee in this Proposal 3 should be read as Committee or its delegate . Persons eligible to participate in the Incentive Plan are executives of United, its operating units or its affiliates, who are in management positions designated as eligible for participation by the Committee.

The Incentive Plan is not subject to the provisions of ERISA. The Incentive Plan may be amended, suspended or terminated by the Committee at any time, subject to ratification by the Board and to the consent of each participant whose rights would be adversely affected with respect to an award that has been determined and approved.

Awards Under the Incentive Plan

Prior to, or as soon as practical after, the commencement of each fiscal year, the Committee will establish plan rules for that year with respect to the following matters: (1) employees who are eligible to participate; (2) the performance objectives for each participant, which performance objectives will include one or more of the performance measures set forth below; (3) the target award, maximum award and threshold award that can be received by each participant, and the method for determining such award; (4) the form of payment of an incentive award; and (5) the terms and conditions subject to which any incentive award may become payable. Performance measures for Named Executive Officers will include one or more of the following (which may relate to United as a whole or a business unit, division or subsidiary, as appropriate), as determined by the Committee: net operating income or the growth in such net operating income; operating earnings per share or the growth in such operating earnings per share; annual growth in consolidated total revenue, loans and deposits; changes or increases in market share; earnings before taxes or the growth in such earnings; stock price or the growth in such price; return on equity, tangible equity, and assets or the growth on such returns; total shareholders return or the growth in such return; contribution to geographic expansion; level of expenses or the reduction of expenses, overhead ratios or changes in such ratios, efficiency ratios or changes in such ratios; loan quality or the changes in the level of loan quality or changes in the ratios of net charge-offs to loans or non-performing assets to assets; customer satisfaction scores or changes in scores; and/or, economic value added or changes in such value added. The Committee can establish other performance measures for awards granted to participants who are not Named Executive Officers.

After the end of each fiscal year, the Committee will certify the extent to which the performance objectives have been achieved for that year. In measuring performance, the Committee may adjust United s financial results to exclude the effect of unusual charges or income items that distort year-to-year comparisons of results and other events, including acquisitions or dispositions of businesses or

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assets, de novo expansions, recapitalizations, reorganizations or reductions-in-force. With respect to certain Named Executive Officers, the Committee shall consider the provisions of Section 162(m) in making adjustments for awards intended to comply with Section 162(m). The Committee may also make adjustments to eliminate the effect of changes in tax or accounting rules and regulations. The percentage of pay at risk under the Incentive Plan is increased by position according to relative levels of responsibility and influence on business unit and corporate objectives. The award percentage is discounted for performance below the target down to a minimum threshold and below the minimum threshold no award is due and an enhanced payout percentage is provided to motivate performance above target up to a maximum.

Cash bonus awards shall be approved by the Committee, subject to ratification by the Board when required under the Incentive Plan or desired by the Committee, based on the Incentive Plan rules then in effect and the achievement of performance criteria as certified by the Committee. The Committee may in its discretion grant awards to deserving participants, except certain Named Executive Officers, notwithstanding levels of achievement of performance criteria. The maximum award that may be paid to an individual participant for a plan year shall be $2 million.

Awards will generally be made in lump sum cash payments or in such other form as the Committee may specify at the beginning of the year. Payment will be made as soon as practicable after the determination of awards.

A partial incentive award may be authorized by the Committee for a participant who is terminated without cause (as determined by the Committee), or who retires, dies or becomes permanently and totally disabled during the fiscal year. Otherwise, no award will be paid to a participant who is not an active employee of United, an operating unit or an affiliate at the end of the fiscal year to which the award relates. In general, unless the Committee has established a different rule with respect to some or all participants, upon the occurrence of a change in control, the participant s incentive award for that year will be deemed to have been fully earned at the target award level, will be prorated for the portion of the year that has elapsed, and will be paid within thirty days after the effective date of the change in control. If a participant is entitled to a pro rata award under the Incentive Plan upon a change in control, and also to a similar pro rata award under a change in control, employment agreement or severance agreement for the same fiscal year, the participant will receive the larger pro rata award but not both awards.

Federal Income Tax Consequences

An award under the Incentive Plan will constitute compensation taxable as ordinary income (and subject to income tax withholding) to the participant to the extent it is paid in cash or immediately available equity-based awards. Generally, United will be entitled to a corresponding deduction.

Section 162(m) of the Code limits to $1,000,000 the amount of compensation that may be deducted by United in any tax year with respect to a Named Executive Officer, with an exception for certain performance-based compensation. The Incentive Plan is designed, and is to be administered, in such a manner as to qualify payments to Named Executive Officers for that performance-based exception, except to the extent the Compensation Committee determines that such compliance is not required or not advisable in the best interests of United.

2007 Incentive Plan Awards

For fiscal year 2007, each Named Executive Officer currently serving as an employee and certain other executives have been granted an opportunity to receive a cash incentive award under the Incentive Plan based upon performance objectives established with respect to fiscal year 2007. Because the performance periods have not yet been completed, the amount of annual incentive compensation to be

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paid in the future to United s current or future Named Executive Officers and other executives cannot be determined at this time. Actual amounts will depend on actual performance measured against the attainment of the pre-established performance goals.

If approved, approximately five individuals will participate in 2007 in the Incentive Plan. As stated, it is not known what awards will be made under the Incentive Plan for fiscal year 2007 payable in 2008. By way of background, please see Compensation Discussion and Analysis for a discussion of United s executive compensation.

Vote Required

Assuming the presence of a quorum, the affirmative vote of a majority of the shares voted on Proposal 3 is required for approval of the proposal.

Recommendation

The Board of Directors unanimously recommends a vote FOR approval of the Incentive Plan, including the material terms of the performance measures under which certain awards may be granted.

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CORPORATE GOVERNANCE

Director Nominations

General

The Board of Directors nominates individuals for election to the Board based on the recommendations of the Nominating/Corporate Governance Committee. A candidate for the Board of Directors must meet the eligibility requirements set forth in United s bylaws and in any Board or committee resolutions.

Nominating/Corporate Governance Committee Procedures

The Nominating/Corporate Governance Committee considers qualifications and characteristics that it, from time to time, deems appropriate when it selects individuals to be nominated for election to the Board of Directors. These qualifications and characteristics may include, without limitation, the individual s interest in United, his or her United shareholdings, independence, integrity, business experience, education, accounting and financial expertise, age, diversity, reputation, civic and community relationships, and knowledge and experience in matters impacting financial institutions. In addition, prior to nominating an existing director for re-election to the Board of Directors, the Nominating/Corporate Governance Committee will consider and review an existing director s Board and committee attendance and performance.

Shareholder Nominations

The Board of Directors and Nominating/Corporate Governance Committee of the Board will consider all director nominees properly recommended by any United shareholders in accordance with the analysis described above. Any shareholder wishing to recommend a candidate for consideration as a possible director nominee for election at an upcoming meeting of shareholders must provide timely, written notice to the Board of Directors in accordance with the procedures available on United s website ucbi.com. The following is a summary of these procedures:

In order to be considered timely, a nomination for the election of a director must be received by United no less than 120 days before the anniversary of the date United s proxy statement was mailed to shareholders in connection with the previous year s Annual Meeting.

A shareholder nomination for director must set forth, as to each nominee such shareholder proposes to nominate:

1. the name and business or residence address of the nominee;

2. an Interagency Biographical and Financial Report available from the Federal Deposit Insurance Corporation completed and signed by the nominee;

3. the number of shares of common stock of United which are beneficially owned by the person;

4. the total number of shares that, to the knowledge of nominating shareholder, would be voted for such person; and

5. the signed consent of the nominee to serve, if elected.

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The notice by a nominating shareholder shall also set forth:

1. the name and residence address of such nominating shareholder; and

2. the class and number of shares of common stock of United which are beneficially owned by such shareholder.

Notices shall be sent to the Secretary, United Community Banks, Inc., P.O. Box 398, Blairsville, Georgia 30514-0398. There were no director nominations proposed for this year s Annual Meeting by any shareholder.

Majority Vote Requirement

United s Board of Directors adopted a policy in 2006 that nominees for director who are elected but receive less than a majority of the votes cast for the election of directors be asked to resign. United s policy allows the Board to waive this majority vote requirement where a general campaign against the election of a class of directors of public companies resulted in a United nominee being elected with less than a majority vote without consideration of the particular facts and circumstances applicable to the individual United nominee. A waiver of the majority vote requirement will not be permitted if the votes cast resulted from a campaign directed specifically against the election of an individual United nominee, even in circumstances where a majority of the Board of Directors disagrees with those voting against that director s election.

Code of Ethical Conduct

United has adopted a Code of Ethical Conduct designed to promote ethical conduct by all of United s directors and principal financial and executive officers. The Code of Ethical Conduct complies with the federal securities law requirement that issuers have a code of ethics applicable to principal financial officers and with applicable Nasdaq Marketplace Rules. United s Code of Ethical Conduct is available on its website and was filed as Exhibit 14 to its Annual Report on Form 10-K for the year ended December 31, 2003. United has not had any amendment to or waiver of the Code of Ethical Conduct. If there is an amendment or waiver, United will post any such amendment or waiver on the company s website, ucbi.com.

Shareholder Communication

The Board of Directors maintains a process for shareholders to communicate with the Board. Shareholders wishing to communicate with the Board of Directors should send any communication in writing to the Secretary, United Community Banks, Inc. P.O. Box 398, Blairsville, Georgia 30514-0398. Any such communication must state the number of shares beneficially owned by the shareholder making the communication. The communication will be forwarded to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is illegal or otherwise inappropriate, in which case the communication will be disregarded.

Certain Relationships and Related Transactions

United has a written related person transaction policy that governs the review, approval and ratification of any transaction that would be required to be disclosed by United pursuant to Item 404 of Regulation S-K under the Securities Act of 1933. The Board of Directors of United or the Audit Committee must approve all such transactions under the policy.

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Mr. Head, Chairman of the Board of Directors of United, is the owner of a construction company that United and its bank subsidiaries engaged during 2006 to perform various construction projects totaling $1,219,000.

United s subsidiary banks have had, and expect to have in the future, banking transactions in the ordinary course of business with directors and officers of United and other related persons, on the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with unaffiliated third parties. Such transactions have not involved more than the normal risk of collectability or presented other unfavorable features.

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COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Overview

The Compensation Committee of the Board of Directors of United has the important responsibility of ensuring that United s executive compensation policies and practices are based on three simple principles:

Pay competitively within United s industry to attract and retain key employees;

Pay for performance to motivate United s key employees; and

Design compensation programs with a balance between short-term and long-term objectives.

None of the members of the Compensation Committee has been an officer or employee of United, and the Board has considered and determined that all of the members are independent as independent is defined under the Nasdaq Marketplace Rules. All members of the Compensation Committee have a significant proportion of their net worth invested in shares of United which aligns their interests with the long-term interests of other shareholders. The Compensation Committee s charter is available in the corporate governance section of United s website, ucbi.com.

To assist it in determining how best to achieve the above objectives, the Compensation Committee in 2004 conducted an interview process with several prominent compensation consulting firms that had no previous relationships with United, and selected Watson Wyatt & Co. for a three-year engagement to advise it and the Board on executive compensation.

In addition to its focus on compensation matters, the Compensation Committee occasionally recommends policies related to leadership development and retention for consideration by the Board of Directors. For example, a year ago the Compensation Committee proposed guidelines for stock ownership by senior and executive management, which guidelines were subsequently adopted by the Board.

Beginning in 2005, the Compensation Committee began to study the design and functioning of a pay for performance plan for the cash compensation of executive management. This study was inspired by the desirability of linking salary and bonuses to objective standards of performance, in addition to preparing for compliance with the limitations on executive compensation deduction under Section 162(m) of the Code. In 2006, the Compensation Committee designed a preliminary plan using performance targets and established bonuses based on achievement of those targets.

A very important element of compensation in United s industry is the provision of long-term incentives in the form of equity awards such as stock options, restricted stock, and restricted stock units. The Compensation Committee is charged with the responsibility of determining these awards each year, and with granting those awards pursuant to the Existing Equity Plan. In late 2006, it became apparent that the availability of shares for grant remaining in the Existing Equity Plan might only be adequate for 2007 s anticipated grants, and therefore it seemed prudent to the Compensation Committee to propose amendments to the Existing Equity Plan to increase the pool of available shares for approval by the shareholders at the Annual Meeting. Watson Wyatt was engaged to provide a special report on the practices of our peer group companies as information useful in deciding on the size of the increase, and the Compensation Committee incorporated that advice in its decision to increase the authorized shares under the Amended Equity Plan. This Amended Equity Plan also allowed an opportunity to make changes to certain provisions of the Existing Equity Plan that enhance its compatibility with current standards of corporate governance.

Philosophy

United s compensation programs are designed to attract and retain key employees, motivating them to achieve and rewarding them for superior performance. Different programs are geared to short and long-term performance with the goal of increasing shareholder value over the long term. Executive compensation programs impact all employees by setting general levels of compensation and helping to create an environment of goals, rewards and expectations. Because United believes the performance of every employee is important to the company s success, it is mindful of the effect of executive compensation and incentive programs on all of its employees.

United believes that the compensation of the company s senior executives should reflect their success as a management team and as individuals in attaining key operating objectives, such as growth of revenue, loans and deposits; growth of operating earnings and earnings per share; growth or maintenance of market share, long-term competitive advantage, customer satisfaction and operating efficiencies; and, ultimately, in attaining long-term growth in the market price of United s stock. United believes that the performance of the senior executives in managing the company, considered in light of general economic and specific company, industry and competitive conditions, should be the basis for determining their overall compensation. United also believes that their compensation should not be based on the short term performance of United s stock, whether favorable or unfavorable, but rather that the price of United s stock will, in the long-term, reflect the company s operating performance, and ultimately, the management of the company by its executives. United seeks to have the long-term performance of its stock reflected in executive compensation through its stock option and other equity incentive programs.

Administration

Generally, the Compensation Committee reviews the performance and approves all compensation of United s senior executives and, based upon this evaluation, establishes their compensation. For all senior executives other than the Chief Executive Officer, the Chief Executive Officer makes recommendations to the Compensation Committee.

Though not members of the Compensation Committee, Jimmy Tallent, United s Chief Executive Officer, Rex Schuette, United s Executive Vice President and Chief Financial Officer, and Thomas Gilliland, United s Executive Vice President, Secretary and General Counsel, are invited to most Compensation Committee meetings along with Robert Head, Chairman of the Board of Directors and Zell Miller, Director Emeritus. Although all invitees may participate in discussions and provide information that the Compensation Committee considers (except for discussions with respect to any invitee s own compensation, in which an executive does not participate), invitees do not participate in voting and decision-making.

In setting and approving compensation of senior executives, the Compensation Committee considers objective measurements of business performance, the accomplishment of strategic and financial objectives, the development of management talent within the company, and other matters relevant to the short-term and the long-term success of the company and the enhancement of shareholder value in the broadest sense.

In performing its responsibilities for executive compensation, the Compensation Committee has sole authority to, and does to the extent it deems necessary or desirable, retain and consult with outside professional advisors. During 2006, Watson Wyatt & Co. advised the Compensation Committee and the Board on executive compensation. Watson Wyatt reported directly to the Compensation Committee. Watson Wyatt performed a study of the compensation of executive management of companies within the

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industry and with companies of comparable size. The groups used to compare executive compensation include (1) a peer group of 14 bank holding companies with asset sizes ranging from $5 to $7 billion and a median of $6.1 billion (the ***Peer Group***) and a reference group of eight bank holding companies with asset sizes ranging from $7 to $9 billion with a median asset size of $8.4 billion (the ***Reference Group***), approximately the asset size to which United may grow to in the next three years based on recent growth. The Compensation Committee also compared United s executive compensation to published executive compensation surveys, including bank holding companies with similar asset sizes, compiled with the assistance of Watson Wyatt (the ***Published Surveys***).

Elements of Compensation

Compensation for each senior executive is allocated among annual base salary, annual cash bonus awards and equity incentive compensation awards. The Compensation Committee chooses to pay each element of compensation in order to attract, retain and motivate highly qualified executive talent, reward superior annual performance and provide incentive for their balanced focus on long-term strategic goals and increasing shareholder value as well as short-term performance. The amount of each element of compensation is determined by or under the direction of the Compensation Committee, which uses the following factors to determine the amount of salary and other benefits to pay each executive: performance against corporate and individual objectives for the previous year; difficulty of achieving desired results in the coming year; value of their unique skills and capabilities to support United s long-term performance; performance of their general management responsibilities; and, contribution as a member of the executive management team. These elements are designed to be competitive with comparable employers and to align the senior executives incentives with the long-term interests of United s shareholders. Although the Compensation Committee does not set overall compensation targets and then allocate among the elements, it does review total compensation when making decisions on each element of compensation to ensure that the total compensation for each senior executive is justified and appropriate in the best interests of the company.

The following is a summary of the Compensation Committee s actions during 2006 with respect to annual base salary, annual cash bonus awards and equity incentive compensation awards.

Annual Base Salary. United strives to provide its senior executives with a level of assured cash compensation in the form of annual base salary that is competitive with companies in the financial services industry and companies that are comparable in size and performance.

The Compensation Committee reviews base salaries annually and makes adjustments, in light of past individual performance as measured by both financial and non-financial factors and the potential for making significant contributions in the future, to ensure that salary levels remain appropriate and competitive. With respect to all senior executives, other than the Chief Executive Officer, the Compensation Committee also considers Mr. Tallent s recommendations and assessment of each officer s performance, his or her tenure and experience in his or her respective positions, and internal comparability considerations.

In 2006, the Compensation Committee raised Mr. Tallent s annual base salary 7% from $450,000 to $480,000 and approved raises of 3 to 6% for Mr. Schuette, Mr. Gilliland, Mr. Freeman United s Executive Vice President and Chief Operating Officer, and Mr. Williams United s Executive Vice President Risk Management (together with Mr. Tallent, the ***Named Executive Officers***).

Annual Cash Bonuses. The Compensation Committee believes that its senior executives annual cash bonus should be linked directly to achievement of specified financial and non-financial objectives. Annual cash bonuses for 2006, paid in the first quarter of 2007, were based on a preliminary pay for performance plan adopted in 2006. In connection with such plan, the Compensation Committee considered the non-financial factors discussed earlier and various financial performance measures, including operating earnings per share; returns on equity, tangible equity and assets; revenue, loan and deposit growth; operating efficiency; loan and credit quality; and customer satisfaction scores.

Due to United s outstanding financial performance across all measures for 2006, including operating earnings per share growth of 16%, the Compensation Committee awarded a cash bonus of $650,000, or 135% of annual base salary, to Mr. Tallent and awarded cash bonuses ranging from 49% to 103% of annual base salaries to the other Named Executive Officers.

The experience with this preliminary pay for performance plan led the Compensation Committee to formally adopt the plan as the Management Annual Incentive Plan as of January 1, 2007, and has submitted this incentive plan for approval as Proposal 3.

Equity Incentive Awards. The Compensation Committee has designed United s equity incentive awards to serve as the primary vehicle for providing long-term incentives to the senior executives and key employees. United also regards equity incentive awards as a key retention tool. These considerations are paramount in the Compensation Committee s determination of the type of an award to grant and the number of underlying awards to be granted. Because of the direct relationship between the value of an option and the market price of United s common stock, United believes that granting stock options is the best method of motivating senior executives to manage the company in a manner that is consistent with the long-term interests of United s shareholders.

Equity incentive awards were granted under the Existing Equity Plan, which is a broad-based, shareholder approved plan covering senior executives and other key management personnel. The Existing Equity Plan permits United to grant stock options, restricted stock and restricted stock units and provides additional flexibility, if circumstances of United s business and opportunities warrant, to grant other forms of equity-based compensation. Prior to 2003, the primary forms of equity compensation that United awarded were incentive stock options and non-qualified stock options. United selected this form because of the favorable accounting treatment. However, in 2004 in anticipation of a possible change in the accounting treatment for stock options, the Compensation Committee began granting a limited number of restricted stock awards to senior executives in lieu of stock options. In 2006, for United s senior executives, the Compensation Committee granted 75% of the value of all equity compensation awards in non-qualified stock options and 25% in restricted stock awards.

When awarding grants, the Compensation Committee set option exercise prices during 2006 at the market closing price on the date prior to the date of grant. Beginning in 2007, the Compensation Committee will set the option exercise price based on the closing market price on the date of grant. Both stock options and restricted stock awards vest over a number of years in order to encourage employee retention and focus management s attention on sustaining financial performance and building shareholder value over an extended term. Typically, vesting is in equal increments over a four year period from the date of the grant.

The Existing Equity Plan does not permit the grant price for options to be reduced after the initial grant date. Because senior executives may not exercise options until they vest and because the exercise price of the options is the fair market value of the underlying stock on the date of grant, senior executives do not realize any benefit from stock options unless United s stock price appreciates over the vesting period.

During 2006, options to acquire 491,900 shares of common stock were awarded by the Compensation Committee, including options to acquire 85,500 shares of common stock awarded to the Named Executive Officers. Additionally, 35,125 restricted stock awards were awarded during 2006, including 12,000 restricted stock units to the Named Executive Officers.

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Retirement and Other Benefits.

The Compensation Committee believes that retirement and deferred compensation benefits provide financial security to executives and their families for the executives service to the company. As a result, United has adopted the following two plans:

Modified Retirement Plan. United maintains a modified retirement plan (the ***Modified Retirement Plan***) for its senior executives and certain other key personnel. See the disclosure provided in Executive Compensation Pension Benefits for a description of the material terms of the Modified Retirement Plan and disclosure of 2006 benefits provided to the Named Executive Officers under the Modified Retirement Plan.

Deferred Compensation Plan. In addition, United maintains a deferred compensation plan (the ***Deferred Compensation Plan***) for its senior executives, members of the Board of Directors, members of United s local community bank boards and certain other key personnel. See the disclosure provided in Executive Compensation Nonqualified Deferred Compensation for a description of the material terms of the Deferred Compensation Plan and disclosure of 2006 benefits provided to the Named Executive Officers under the Deferred Compensation Plan.

Perquisites and Other Benefits.

The perquisites provided to United s Named Executive Officers in 2006 were the use of a company-owned car and the payment of the dues for club memberships that are not used exclusively for business purposes. These personal benefits are generally provided to similarly situated financial institution executives in the company s market areas, and United believes it is appropriate to award its senior executives similar benefits.

United also provides matching contributions of up to 5% of the senior executive bonus contributions to the Deferred Compensation Plan, and United s senior executives participate in company-wide contributions to the 401(k) Plan and United s Profit Sharing Plan (the ***Profit Sharing Plan***) and receive other benefits on the same terms as other employees, which plans include medical, dental and life insurance.

Severance Benefits

Generally, options and restricted stock grants continue to vest for United s Named Executive Officers in the event of an executive officer s termination without cause or a termination by an executive officer for Good Reason (as defined in the award agreements). Otherwise, options and restricted stock awards cease vesting upon termination of employment. United does not provide for any other severance benefits to its Named Executive Officers, except as described below.

Benefits Upon a Change in Control

United s senior executives have built United into the successful company that it is today, and the company believes that it is important to protect them in the event of a change in control. Further, it is United s belief that the interests of shareholders will be best served if the interests of its senior executives are aligned with them, and providing change in control benefits should reduce any reluctance of senior management to pursue potential change in control transactions that may be in the best interests of shareholders.

For that reason, United s Named Executive Officers have each entered into a Change in Control Agreement with the company. The agreement provides for payment of compensation and benefits to the executive in the event of a Change in Control if the executive s employment is involuntarily terminated by United without Cause, or if the executive terminates his employment for Good Reason, each as defined in the agreement. The agreement is to remain in effect until the earlier of the termination of such executive s employment without entitlement to the benefits under the agreement or the date that the executive attains age 65 (except that Mr. Freeman s agreement remains in effect to age 75), unless earlier terminated by mutual written agreement of the executive and United.

The executive is not entitled to compensation or payments pursuant to the agreement if he is terminated by United for Cause, dies, incurs a disability, or voluntarily terminates employment (other than for Good Reason). If a Change in Control occurs during the term of the agreement and the executive s employment is terminated within six months prior to, or eighteen months following, the date of the Change in Control, and if such termination is an involuntary termination by United without Cause (and does not arise as a result of death or disability) or a termination by the executive for Good Reason, the executive will be entitled to his base salary, annual bonus and certain other benefits, as determined by the agreement, for the lesser of 36 months from the date of his termination or the number of months from the date of his termination until he attains age 65 (75 in the case of Mr. Freeman).

The agreement provides that the compensation and benefits provided for under the agreement shall be reduced or modified so as to insure that United does not pay an Excess Severance Payment, as defined in the agreement. The agreement would allow the executive to choose the manner on which the payments would be made so long as the total payments are capped to avoid being treated as an Excess Severance Payment. The agreement does not provide for the payment of any taxes or a gross-up of payments to pay any taxes in the event any of the compensation or benefits were considered to be an Excess Severance Payment.

Based upon a hypothetical Change in Control and the termination of Messrs. Tallent, Freeman, Schuette, Gilliland or Williams as of December 31, 2006, all payments of compensation and benefits under the Change in Control Severance Agreements would be capped at the following approximate amounts to prevent the payments from being treated as Excess Severance Payments: Mr. Tallent $1,936,000; Mr. Freeman $1,120,000; Mr. Schuette $1,082,000; Mr. Gilliland $876,000; and Mr. Williams $576,000. The Compensation Committee believes that these potential benefits would be minor relative to the substantial transaction value for United s shareholders.

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Executive Compensation

Summary Compensation Table

The following table sets forth the compensation paid during the past three years to the Named Executive Officers.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary [1]	Bonus[1]	Restricted stock awards[2]	Stock option awards[2]	Change in pension value and deferred compensation earnings[3]	All other[4]	Total
Jimmy C. Tallent	2006	$472,500	$650,000	$68,000	$157,000	$ 66,700	$119,493	$1,533,693
President and	2005	437,500	460,000	42,000	153,000	43,300	108,854	1,244,654
Chief Executive Officer	2004	391,000	400,000	13,900	146,250		105,090	1,056,240
Guy W. Freeman	2006	290,800	300,000	86,900	172,800	55,800	57,843	964,143
Executive Vice President	2005	275,000	215,000	69,300	75,000	65,800	50,375	750,475
and Chief Operating Officer	2004	260,250	190,000	52,250	64,500	305,700	38,738	911,438
Rex S. Schuette	2006	279,500	250,000	45,900	91,850	64,300	46,471	778,021
Executive Vice President	2005	265,600	170,000	23,750	66,350	44,000	39,771	609,471
and Chief Financial Officer	2004	253,500	150,000	7,400	64,600	97,000	35,765	608,265
Thomas C. Gilliland	2006	254,800	150,000	36,850	73,800	36,700	53,814	605,964
Executive Vice President,	2005	245,700	137,000	21,150	64,350	46,000	57,071	571,271
Secretary and General Counsel	2004	236,000	125,000	7,000	60,750		54,522	483,272
Ray K. Williams	2006	204,500	100,000	24,850	47,500	23,300	37,138	437,288
Executive Vice President	2005	196,800	85,000	14,950	48,250	5,900	33,238	384,138
Risk Management	2004	187,500	70,000	4,100	35,350		30,584	327,534

(1) Amounts shown for salary and bonus were either paid in cash or deferred, as elected by the executive under the Deferred Compensation Plan. See the Nonqualified Deferred Compensation Activity For 2006 table for

the executive s contributions and earnings.

(2) The annual amounts reflect United s amortized expense relating to the awards granted to the executive. See Note 19 to the consolidated financial statements in United s Annual Report on Form 10-K for the year ended December 31, 2006, regarding the assumptions underlying the valuation and expense recognition of equity awards. All restricted stock and stock option awards were granted under the Existing Equity Plan.

(3) Includes the annual change in the present value of the executive s accumulated benefits under the Modified Retirement Plan and earnings credited to the executive s account for the balances held in the Deferred Compensation

Plan. See the Pension Benefits and Nonqualified Deferred Compensation Activity For 2006 tables for additional information.

(4) Amounts shown include: (i) matching 401(k) and profit sharing contributions on behalf of the executive; (ii) matching 401(k) contributions on behalf of the executive for the Deferred Compensation Plan (see the Nonqualified Deferred Compensation Activity For 2006 table for additional information); (iii) the value of personal travel or allowance for a company-owned car; (iv) club membership dues that are not used exclusively for business purposes; (v) dividends on unvested restricted stock awards; (vi) life insurance premiums paid on behalf of the executive; and,

(vii) directors fees paid to the executive for serving on subsidiary and community bank boards. Certain executives received directors fees in 2006, 2005 and 2004, respectively, of $37,850, $41,200 and $45,300 for Mr. Tallent; $7,500, $7,400 and $7,400 for Mr. Freeman; and, $19,350, $17,450 and $17,450 for Mr. Gilliland.

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Stock Option and Restricted Stock Grants

The following table sets forth information with respect to restricted stock and stock option awards granted to the Named Executive Officers for 2006:

GRANTS OF PLAN-BASED AWARDS

			Stock option awards[1]		
	Grant date	Number of restricted stock units [1]	Number	Exercise price	Closing price on grant date
Mr. Tallent	4/26/06	3,000	31,000	$ 28.85	$ 28.96
Mr. Freeman	4/26/06	3,000	20,000	28.85	28.96
Mr. Schuette	4/26/06	3,000	17,500	28.85	28.96
Mr. Gilliland	4/26/06	2,000	10,000	28.85	28.96
Mr. Williams	4/26/06	1,000	7,000	28.85	28.96

(1) Each stock option is exercisable for one share of United s common stock. Stock options vest in equal installments over a four-year period from the date of the grant, beginning on April 26, 2007. The restricted stock units vest in equal installments over a four-year period beginning on January 31, 2007. The exercise price of the stock options and the grant price of the restricted stock awards were $28.85 per share, the closing price of

United s common stock the day prior to the grant.

As of December 31, 2006, United had not granted stock appreciation rights or similar awards to any of its past or present executive officers.

Stock Option Exercises and Restricted Stock Vested

The following table sets forth, for each of the Named Executive Officers, the value realized upon exercising stock options and vesting of restricted stock awards during 2006:

OPTION EXERCISES AND VESTING OF RESTRICTED STOCK

	Stock option awards		Restricted stock awards	
Name	Number exercised	Value realized(1)	Number vesting	Value realized(2)
Mr. Tallent	19,500	$ 446,745	2,063	$ 57,578
Mr. Freeman			1,300	36,283
Mr. Schuette			1,187	33,129
Mr. Gilliland	7,094	115,659	1,037	28,943
Mr. Williams			775	21,630

(1) Represents the difference between the closing price of United s common stock on the date of exercise and the option exercise price multiplied by the number of options exercised.

(2) Represents the value realized by multiplying the number of restricted stock awards vesting by the closing price of United s common stock on the date of vesting.

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Outstanding Equity Awards as of December 31, 2006

The following table sets forth, for each Named Executive Officer, the number of stock options exercisable and unexercisable and the number and value of unvested restricted stock awards as of December 31, 2006:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Stock options				Restricted stock awards	
Name	Number exercisable	Number unexercisable(1)	Exercise price	Expiration date (2)	Number not vested (3)	Market value not vested (4)
Mr. Tallent	6,750		$10.00	1/1/08		
	26,250		13.33	1/1/09		
	36,000		12.67	4/20/10		
	45,000		11.67	4/18/11		
	60,000		13.00	3/11/12		
	33,750	11,250	16.39	4/17/13		
	8,500	8,500	23.75	6/7/14		
	5,100	15,300	23.10	5/16/15		
		31,000	28.85	4/26/16		
	221,350	66,050			8,250	$266,640
Mr. Freeman	6,000		12.67	4/20/10		
	7,716		11.67	4/18/11		
	24,000		13.00	3/11/12		
	22,500	7,500	16.39	4/17/13		
	5,000	5,000	23.75	6/7/14		
	3,250	9,750	23.10	5/16/15		
		20,000	28.85	4/26/16		
	68,466	42,250			6,350	205,232
Mr. Schuette	34,500		11.67	3/12/11		
	18,000		11.67	4/18/11		
	24,000		13.00	3/11/12		
	20,251	6,750	16.39	4/17/13		
	4,500	4,500	23.75	6/7/14		
	3,000	9,000	23.10	5/16/15		
		17,500	28.85	4/26/16		
	104,251	37,750			6,063	195,956
Mr. Gilliland	2,328		13.33	1/1/09		
	7,542		12.67	4/20/10		
	9,414		11.67	4/18/11		
	13,494		13.00	3/11/12		
	16,832	6,375	16.39	4/17/13		
	4,250	4,250	23.75	6/7/14		
	2,250	6,750	23.10	5/16/15		
		10,000	28.85	4/26/16		

	56,110	27,375			4,638	149,900
Mr. Williams	15,000		13.00	3/11/12		
	11,251	3,750	16.39	4/17/13		
	2,500	2,500	23.75	6/7/14		
	1,500	4,500	23.10	5/16/15		
		7,000	28.85	4/26/16		
	30,251	17,750			3,050	98,576

(1) Stock options become exercisable in four equal annual installments beginning on the first anniversary of the grant date.

(2) The expiration date of each stock option is 10 years after the date of grant.

(3) Restricted stock shares and units vest in four equal annual installments, beginning January 31 of the year following the grant date.

(4) The market value is based on the closing price of United s common stock at December 29, 2006 of $32.32 multiplied by the number of unvested awards.

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Equity Compensation Plan Information at December 31, 2006

The following table provides information about stock options outstanding as of December 31, 2006 and stock options and/or equity awards available to be granted in future years:

EQUITY COMPENSATION PLAN INFORMATION

	Total outstanding options	Weighted-average exercise price of outstanding options	Number available for issuance under equity compensation plans
Equity compensation plans approved by shareholders (1)	2,411,359	$ 19.73	808,562
Equity compensation plans not approved by shareholders (2)	138,464	7.28	
Total	2,549,823	$ 19.05	808,562

(1) Represents the number of stock options or equity awards available to be granted in future years under the Existing Equity Plan.

(2) Stock options granted under plans assumed by United through acquisitions. Such plans have been frozen as to future grants at the time of the acquisitions.

Pension Benefits

The following table presents selective retirement benefit information for 2006 for each Named Executive Officer.

PENSION BENEFITS

Name	Plan name	Number of years credited service	Present value of accumulated benefit	Payments during 2006
Mr. Tallent		23	$256,438	$

	Modified Retirement Plan		
Mr. Freeman	Modified Retirement Plan	12	426,980
Mr. Schuette	Modified Retirement Plan	6	170,880
Mr. Gilliland	Modified Retirement Plan	14	300,765
Mr. Williams			

The Modified Retirement Plan provides specified benefits to key officers who contribute materially to the continued growth, development and future business success of United and its subsidiaries. Generally, when a participant retires, United will pay to the participant a fixed annual amount in equal installments either (1) for the lifetime of the participant and, if the participant is married upon death, a lesser lifetime amount to the participant s spouse, or (2) a fixed payment for 15 years. The benefits, based on seniority and position, range from $25,000 to $90,000 and are taxable to the participant. The normal retirement age defined in the plan is 65.

The Modified Retirement Plan contains provisions that provide for accelerated vesting upon a change in control of United. The Modified Retirement Plan also provides that these benefits will be forfeited if a participant is terminated for cause or, if during a certain period after his or her termination of employment, competes with United, solicits customers or employees, discloses confidential information, or knowingly or intentionally damages United s goodwill or esteem.

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Nonqualified Deferred Compensation

The following table presents information for each Named Executive Officer relating to the Deferred Compensation Plan.

NONQUALIFIED DEFERRED COMPENSATION ACTIVITY FOR 2006

Name	Executive contributions	Company contributions	Account earnings	Withdrawals/ distributions	Balance at year-end
Mr. Tallent	$328,625	$45,125	$43,938		$714,002
Mr. Freeman		3,471	245		9,781
Mr. Schuette	160,000	15,414	28,795		341,048
Mr. Gilliland			2,731		33,562
Mr. Williams	84,593	5,000	23,263		261,699

The Deferred Compensation Plan provides for the deferral of up to 75% of annual base salary and up to 100% of annual cash bonus payments and other specified benefits to selected individuals who contribute materially to the continued growth, development and future business success of United and its affiliates. Further, the Deferred Compensation Plan allows for employer matching contributions for employee contributions that would have been paid under United s tax-qualified 401(k) plan (the ***401(k) Plan***) if such matching contributions would otherwise exceed the maximum allowable amounts under the 401(k) Plan. Although the Plan allows the Board of Directors to make discretionary contributions to the account of employee participants, the Board has never made any. The Deferred Compensation Plan also provides for the deferral of up to 100% of director fees for service by a non-employee director on the board of United or any subsidiary or community bank.

Contributions to the Deferred Compensation Plan may be invested in a number of investments, including United s common stock. Participants are 100% vested for their contributions, including earnings or losses thereon. Company contributions, including earnings and losses thereon, vest over a three-year period.

Generally, when a participant retires or becomes disabled, United will pay the participant their accrued benefits in a lump sum or in equal installments for 5, 10, or 15 years. Alternatively, a participant may elect to have a portion (or all) of their accrued benefits paid out at a specified time before retirement in a lump sum or in annual installments for 2, 3, 4, or 5 years. The benefit payments are taxable to the participant.

Agreements with Executive Officers and Post-Employment Compensation

Messrs. Tallent, Freeman, Schuette, Gilliland and Williams have each entered into Change in Control Severance Agreements with United that are described in the Compensation Discussion and Analysis . United has no other employment or severance agreements with any of its Named Executive Officers.

Director Compensation

Non-employee Directors of United received an annual retainer of $20,000 and a separate meeting fee of $3,000 for each Board meeting attended during 2006. The members of the Audit Committee received a separate meeting fee of $500. The Chairmen of the Audit and Compensation Committees each received an additional annual retainer of $5,000. Executive officers who serve as directors do not receive compensation for service on the Board of Directors of United. Certain members of United s Board of Directors and its executive officers also serve as members of one or more of United s subsidiaries and community banks boards of directors for which they are compensated.

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The annual retainer and meeting fees are payable in cash or may be deferred pursuant to United s Deferred Compensation Plan. In 2006, Directors Bennett, Head, Nelson and Wallis elected to defer all or a portion of their retainer and meeting fees.

In addition to the retainers and meeting fees listed above, United reimburses the non-employee Directors for their travel expenses incurred in attending meetings of the Board or its Committees, as well as for fees and expenses incurred in attending director education seminars and conferences. Directors did not receive any stock option or other equity awards nor any other personal benefits in 2006.

The table below presents afamily:Arial Narrow" SIZE="1">40,237,471

Deutsche Bank Securities, Inc.

0.60% 12/18/14 Open 4,658,000 4,682,610

Deutsche Bank Securities, Inc.

0.60% 12/18/14 Open 29,381,000 29,536,230

Bank of America Securities, Inc.

0.68% 6/3/15 Open 27,389,000 27,466,602

RBC Capital Markets LLC

0.50% 6/10/15 Open 156,511,000 156,821,848

Bank of America Securities, Inc.

0.69% 6/16/15 Open 19,353,633 19,404,452

Bank of America Securities, Inc.

0.69% 6/16/15 Open 23,398,835 23,460,277

Schedule of Investments (continued)

BlackRock Taxable Municipal Bond Trust (BBN)

Reverse Repurchase Agreements

Counterparty	Interest Rate	Trade Date	Maturity Date 1	Face Value	Face Value Including Accrued Interest
RBC Capital Markets LLC	0.50%	9/23/15	Open	$ 5,425,000	$ 5,427,939
Bank of America Securities, Inc.	0.68%	10/15/15	Open	24,437,500	24,445,347
RBC Capital Markets LLC	0.50%	10/20/15	Open	12,720,000	12,722,120
RBC Capital Markets LLC	0.60%	10/22/15	Open	38,531,000	38,536,780
RBC Capital Markets LLC	0.60%	10/22/15	Open	36,138,000	36,143,421
RBC Capital Markets LLC	0.60%	10/22/15	Open	11,660,000	11,661,749
RBC Capital Markets LLC	0.60%	10/22/15	Open	19,428,000	19,430,914
RBC Capital Markets LLC	0.60%	10/22/15	Open	26,580,000	26,583,987
RBC Capital Markets LLC	0.60%	10/22/15	Open	20,250,000	20,253,037
RBC Capital Markets LLC	0.60%	10/22/15	Open	11,460,000	11,461,719
RBC Capital Markets LLC	0.60%	10/22/15	Open	23,593,000	23,596,539
RBC Capital Markets LLC	0.60%	10/22/15	Open	16,313,000	16,315,447
RBC Capital Markets LLC	0.60%	10/22/15	Open	15,000,000	15,002,250
Barclays Capital, Inc.	0.60%	10/30/15	Open	9,866,469	9,866,798
Total				$ 732,756,437	$ 734,970,390

1 Certain agreements have no stated maturity and can be terminated by either party at any time.

Derivative Financial Instruments outstanding as of period end

Financial Futures Contracts

Contracts Short	Issue	Expiration	Notional Value	Unrealized Depreciation
(920)	10-Year U.S. Treasury Note	December 2015	$ 117,472,500	$ (389,459)
(1,412)	Long U.S. Treasury Bond	December 2015	$ 220,889,750	(1,204,300)
(920)	5-Year U.S. Treasury Note	December 2015	$ 110,191,563	(8,522)
Total				$ (1,602,281)

Schedule of Investments (continued)

BlackRock Taxable Municipal Bond Trust (BBN)

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Trust has the ability to access

Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including Trust s own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments are typically categorized as level 3.

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Trust s policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investments and derivative financial instruments and is not necessarily an indication of the risks associated with investing in those securities. For information about the Trust s policy regarding valuation of investments and derivative financial instruments, refer to the Trust s most recent financial statements as contained in its annual report.

As of period end, the following tables summarize the Trust s investments and derivative financial instruments categorized in the disclosure hierarchy:

The following tables summarize the Trust s investments and derivative financial instruments categorized in the disclosure hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Corporate Bonds		$ 5,305,080		$ 5,305,080
Municipal Bonds[1]		1,960,405,376		$ 1,960,405,376
Short-Term Securities	$ 10,427,423			10,427,423
Total	$ 10,427,423	$ 1,965,710,456		$ 1,976,137,879

[1] See above Schedule of Investments for values in each state or political subdivision.

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[1]				
Liabilities:				
Interest rate contracts	$ (1,602,281)			$ (1,602,281)

[1] Derivative financial instruments are financial futures contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

Schedule of Investments (concluded)

BlackRock Taxable Municipal Bond Trust (BBN)

The Trust may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial reporting purposes. As of period end, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash pledged for financial futures contracts	$ 6,870,950			$ 6,870,950
Liabilities:				
Cash received as collateral for reverse repurchase agreements		$ (4,491,000)		(4,491,000)
Reverse repurchase agreements		(734,970,390)		(734,970,390)
Total	$ 6,870,950	$ (739,461,390)		$ (732,590,440)

During the period ended October 31, 2015, there were no transfers between levels.

Item 2 Controls and Procedures

2(a) The registrant s principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Taxable Municipal Bond Trust (Formerly BlackRock Build America Bond Trust)

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Taxable Municipal Bond Trust (Formerly BlackRock Build America Bond Trust)
Date: December 22, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Taxable Municipal Bond Trust (Formerly BlackRock Build America Bond Trust)
Date: December 22, 2015

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Taxable Municipal Bond Trust (Formerly BlackRock Build America Bond Trust)
Date: December 22, 2015