

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-21656

UNITED COMMUNITY BANKS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

GEORGIA

58-180-7304

(STATE OF INCORPORATION)

(I.R.S. EMPLOYER IDENTIFICATION NO.)

P.O. BOX 398, 63 HIGHWAY 515
BLAIRSVILLE, GEORGIA

30512

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES

(ZIP CODE)

(706) 745-2151

(TELEPHONE NUMBER)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES NO

COMMON STOCK, PAR VALUE \$1 PER SHARE: 10,544,836 SHARES
OUTSTANDING AS OF AUGUST 10, 2001

INDEX

	PAGE

PART I FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS.....	1
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000.....	1
CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2001 (UNAUDITED) AND DECEMBER 31, 2000 (AUDITED) AND JUNE 30, 2000 (UNAUDITED).....	2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000.....	3
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000.....	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	5
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	6
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.....	20
PART II OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS.....	21
ITEM 2. CHANGES IN SECURITIES.....	21
ITEM 3. DEFAULTS UPON SENIOR SECURITIES.....	21
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	21
ITEM 5. OTHER INFORMATION.....	22
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.....	22

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	2001	2000	2001	2000
	(Unaudited)		(Unaudited)	
INTEREST REVENUE:				
Interest and fees on loans	\$ 45,028	\$ 42,122	\$ 90,399	\$ 80,809
Interest on federal funds sold and deposits in banks	516	274	1,075	784
Interest on investment securities:				
Taxable	6,773	8,854	14,377	17,468
Tax exempt	903	957	1,802	1,936
Total interest revenue	53,220	52,207	107,653	100,997
INTEREST EXPENSE:				
Interest on deposits:				
Demand	3,493	4,253	7,306	8,346
Savings	409	601	942	1,213
Time	17,172	17,435	36,187	34,270
Other borrowings	5,367	6,485	11,130	11,974
Total interest expense	26,441	28,774	55,565	55,803
Net interest revenue	26,779	23,433	52,088	45,194
Provision for loan losses	1,500	1,954	3,050	3,565
Net interest revenue after provision for loan losses	25,279	21,479	49,038	41,629
FEE REVENUE:				
Service charges and fees	2,557	2,108	4,897	3,965
Consulting fees	1,243	1,225	2,584	2,309
Mortgage loan and related fees	1,225	304	2,221	549
Securities gains (losses), net	17	(41)	192	(36)
Other	1,305	1,086	2,368	2,248
Total fee revenue	6,347	4,682	12,262	9,035
TOTAL REVENUE	31,626	26,161	61,300	50,664
OPERATING EXPENSES:				
Salaries and employee benefits	12,272	10,715	23,860	20,618
Occupancy	2,017	1,846	3,945	3,497
Communications and equipment	1,553	1,324	2,890	2,673
Other	5,394	4,880	10,539	9,439
Total operating expenses	21,236	18,765	41,234	36,227
Income before income taxes	10,390	7,396	20,066	14,437
Income taxes	3,455	2,298	6,696	4,548
NET INCOME	\$ 6,935	\$ 5,098	\$ 13,370	\$ 9,889
Net Income available to common shareholders	\$ 6,909	\$ 5,098	\$ 13,301	\$ 9,889
Earnings per share:				
Basic	\$.66	\$.50	\$ 1.26	\$.98
Diluted	.64	.49	1.24	.96
Average shares outstanding				
Basic	10,535	10,119	10,526	10,107
Diluted	10,817	10,416	10,811	10,404

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands)	June 30, 2001	December 31, 2000	June 30, 2000
ASSETS	(Unaudited)	(Audited)	(Unaudited)
Cash and due from banks	\$ 103,588	\$ 82,513	\$ 83,002
Federal funds sold	24,075	19,780	47,460
Cash and cash equivalents	127,663	102,293	130,462
Securities held to maturity	-	-	8,910
Securities available for sale	471,333	532,111	589,943
Mortgage loans held for sale	13,602	6,125	3,939
Loans, net of unearned income	1,858,336	1,792,055	1,675,203
Less - Allowance for loan losses	25,651	24,698	22,417
Loans, net	1,832,685	1,767,357	1,652,786
Premises and equipment, net	57,963	56,930	55,674
Accrued interest receivable	24,418	25,384	22,689
Other assets	40,563	38,679	36,426
Total assets	\$ 2,568,227	\$ 2,528,879	\$ 2,500,829
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand	\$ 295,128	\$ 257,375	\$ 244,397
Interest bearing demand	452,500	413,978	419,351
Savings	92,234	86,568	84,739
Time	1,153,080	1,237,944	1,200,024
Total deposits	1,992,942	1,995,865	1,948,511
Accrued expenses and other liabilities	25,586	23,518	26,341
Federal funds purchased and repurchase agreements	57,175	52,640	13,680
Federal Home Loan Bank advances	271,619	257,225	330,059
Long-term debt	46,591	41,243	41,323
Total liabilities	2,393,913	2,370,491	2,359,914
Stockholders' equity:			
Preferred Stock, \$1 par value; \$10 stated value; 10,000,000 shares authorized; issued 172,600 and 287,410	1,726	2,874	-
Common stock, \$1 par value; 50,000,000 shares authorized; 10,545,000; 10,514,000 and 10,456,000 shares issued and outstanding	10,545	10,514	10,456
Capital surplus	59,930	59,386	57,401
Retained earnings	96,912	85,718	82,848
Accumulated other comprehensive income (loss)	5,201	(104)	(9,790)
Total stockholders' equity	174,314	158,388	140,915
Total liabilities and stockholders' equity	\$ 2,568,227	\$ 2,528,879	\$ 2,500,829

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000

(in thousands)	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	2001	2000	2001	2000
	(UNAUDITED)			
Net income	\$ 6,935	5,098	\$ 13,370	9,889
Other comprehensive income:				
Unrealized holding gains (losses) on investment securities	116	1,556	8,517	(349)
Net unrealized holding gains on interest rate swaps	217	-	217	-
Reclassification adjustment for (gains) losses on investment securities	(17)	41	(192)	36
Total other comprehensive income (loss), before income taxes	316	1,597	8,542	(313)
INCOME TAX EXPENSE (BENEFIT) RELATED TO THE ABOVE ITEMS:				
Unrealized holding gains (losses) on investment securities	44	592	3,236	(133)
Net unrealized holding gains on interest rate swaps	74	-	74	-
Reclassification adjustment for (gains) losses on investment securities	(6)	16	(73)	14
Total income tax expense (benefit)	112	608	3,237	(119)
Net unrealized holdings gains (losses), on investment securities	204	989	5,305	(194)
Total comprehensive income	\$ 7,139	6,087	\$ 18,675	9,695

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNITED COMMUNITY BANKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2000 AND 2001

(in thousands)	2001	2000
	(UNAUDITED)	
OPERATING ACTIVITIES		
Net income	\$ 13,370	\$ 9,889
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	2,815	2,926
Provision for loan losses	3,050	3,565
Gain on sale of investment securities	(192)	36
Change in assets and liabilities:		
Other assets and accrued interest receivable	(1,290)	(2,517)
Accrued expenses and other liabilities	(563)	(500)
Mortgage loans held for sale	(7,477)	2,387
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,713	15,786
INVESTING ACTIVITIES		
Proceeds from sales of securities available for sale	13,795	1,318
Proceeds from maturities and calls of securities available for sale	76,636	28,113
Purchases of securities available for sale	(21,256)	(39,759)
Proceeds from maturities and calls of securities held to maturity	-	2,078
Net increase in loans	(69,598)	(112,995)
Purchase of premises and equipment	(3,736)	(1,814)
Purchase of life insurance contracts	-	(3,350)
Proceeds from sale of other real estate	1,211	266
NET CASH (USED) BY INVESTING ACTIVITIES	(2,948)	(126,143)
FINANCING ACTIVITIES		
Net change in deposits	(2,923)	79,132
Net change in federal funds purchased and repurchase agreements	4,535	(18,132)
Net change in notes payable and other borrowings	5,348	(1,732)
Net change in FHLB advances	14,394	35,780
Proceeds from the issuance of common stock	-	13,728
Issuance of common stock - employee stock plans	575	34
Redemption of Preferred Stock	(1,148)	-
Cash paid for dividends on common stock	(2,107)	(1,854)
Cash paid for dividends on preferred stock	(69)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	18,605	106,956
Net change in cash and cash equivalents	25,370	(3,401)
Cash and cash equivalents at beginning of period	102,293	133,863
Cash and cash equivalents at end of period	\$ 127,663	\$ 130,462
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 57,241	\$ 53,823
Income Taxes	3,583	5,504

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of United Community Banks, Inc. ("United") and its subsidiaries conform to generally accepted accounting principles and general banking industry practices. The consolidated financial statements have not been audited and all material intercompany balances and transactions have been eliminated. A more detailed description of United's accounting policies is included in the 2000 annual report filed on Form 10-K.

In management's opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments are considered normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim periods.

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the computation of basic and fully diluted earnings per share for three months and six months ended June 30 (IN THOUSANDS, EXCEPT PER SHARE DATA):

(In thousands, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2000	2001	2000

Basic earnings per share:				
Weighted average shares outstanding	10,535	10,119	10,526	10,107
Net income available to common shareholders	\$ 6,909	\$ 5,098	\$13,301	\$ 9,889
Basic earnings per share	.66	.50	1.26	.98
Diluted earnings per share:				
Weighted average shares outstanding	10,535	10,119	10,526	10,107
Net effect of the assumed exercise of stock options based on the treasury stock method using average market price for the period	142	157	145	157
Effect of conversion of subordinated debt	140	140	140	140

Total weighted average shares and common stock equivalents outstanding	10,817	10,416	10,811	10,404

Net income available to common shareholders	\$ 6,909	\$ 5,098	\$13,301	\$ 9,889
Income effect of conversion of subordinated debt, net of tax	45	56	58	109

Net income, adjusted for effect of conversion of subordinated debt, net of tax	\$ 6,954	\$ 5,154	\$13,359	\$ 9,998
Diluted earnings per share	.64	.49	1.24	.96

NOTE 3 - RECENT DEVELOPMENTS

On April 5, 2001, United redeemed 115,000 shares of the 287,410 shares outstanding of United's Series A Preferred Stock for an aggregate consideration of \$1,150,000.

PART I ITEM II

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

FORWARD-LOOKING STATEMENTS

This Form 10-Q, both in Management's Discussion and Analysis section and elsewhere, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although United believes that the assumptions underlying the forward-looking statements contained in the discussion are reasonable, any of the assumptions could be inaccurate, and therefore, no assurance can be made that any of the forward-looking statements included in this discussion will be accurate. Factors that could cause actual results to differ from results discussed in forward-looking statements include, but are not limited to: economic conditions (both generally and in the markets where United operates); competition from other providers of financial services offered by United; government regulation and legislation; changes in interest rates; material unforeseen changes in the financial stability and liquidity of United's credit customers; and other risks detailed in United's filings with the Securities and Exchange Commission, all of which are difficult to predict and which may be beyond the control of United. United undertakes no obligation to revise forward-looking statements to reflect events or changes after the date of this discussion or to reflect the occurrence of unanticipated events.

OVERVIEW

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

At June 30, 2001, United had total consolidated assets of \$2.6 billion, total loans of \$1.9 billion, total deposits of \$2.0 billion and stockholders' equity of \$174 million. For the six months ended June 30, 2001, United's net income was \$13.4 million, an increase of \$3.5 million, or 35%, from the same period in 2000. Diluted earnings per share increased 29% to \$1.24 for the six months ended June 30, 2001, from \$.96 in the first half of 2000. Return on average common stockholders' equity for the first half of 2001 was 16.27%, as compared to 15.80% for same period in 2000.

RESULTS OF OPERATIONS

Net income was \$6.9 million for the three months ended June 30, 2001, an increase of \$1.8 million, or 36%, from the same period in 2000. Diluted earnings per share were \$.64 for the three months ended June 30, 2001, compared with \$.49 for the same period in 2000, an increase of 31%. Return on average common stockholders' equity for the second quarter of 2001 was 16.42%, compared with 15.80% for the second quarter of 2000. Return on average assets for the three months ended June 30, 2001 was 1.09%, compared to .83% for the three months ended June 30, 2000.

TABLE 1 - CONDENSED CONSOLIDATED INCOME SUMMARY
For the Three and Six Months Ended June 30, 2001 and 2000
(in thousands, taxable equivalent)

	THREE MONTHS ENDED JUNE 30,		CHANGE 2001-2000	SIX MONTHS ENDED JUNE 30,		CHANGE 2001-2000
	2001	2000		2001	2000	
Interest revenue	\$ 53,795	\$ 52,778		\$ 108,810	\$ 102,125	
Interest expense	26,441	28,774		55,565	55,803	
Net interest revenue	27,354	24,004	14%	53,245	46,322	15%
Provision for loan losses	1,500	1,954		3,050	3,565	
Net interest revenue after provision for loan losses	25,854	22,050		50,195	42,757	
Fee revenue	6,347	4,682	36%	12,262	9,035	36%
Total revenue	32,201	26,732	20%	62,457	51,792	21%
Operating expenses	21,236	18,765	13%	41,234	36,227	14%
Income before income taxes	10,965	7,967	38%	21,223	15,565	36%
Income tax expense	4,030	2,869	40%	7,853	5,676	38%
Net income	\$ 6,935	\$ 5,098	36%	\$ 13,370	\$ 9,889	35%

NET INTEREST REVENUE (TAXABLE EQUIVALENT)

Net interest revenue (the difference between the interest earned on assets and the interest paid on deposits and liabilities) is the single largest component of United's total revenue. United actively manages this revenue source to provide an optimal level of revenue while balancing interest rate, credit and liquidity risks. Net interest revenue totaled \$27.4 million for the three months ended June 30, 2001, an increase of \$3.4 million, or 14%, from the three months ended June 30, 2000.

During the second quarter 2001, average interest earning assets increased \$90 million, or 4%, over the second quarter 2000 amount. This increase was primarily due to the growth in real estate loans. Average loans outstanding were \$1.8 billion for second quarter of 2001, up \$153 million, or 9%, from the second quarter 2000. Average total interest bearing liabilities for the second quarter 2001 were flat when compared to the second quarter 2000 average balances. The \$43 million increase in average interest bearing deposits was offset by a \$46 million decrease in Federal Home Loan Bank advances.

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

For the three months ended June 30, 2001 and 2000, United's net interest spread was 3.88% and 3.60%, while the net interest margin was 4.56% and 4.16%, respectively. The 40 basis point increase in the net interest margin in second quarter 2001 was primarily attributed to management's continued focus on improving net interest margin through a disciplined deposit and loan pricing strategy.

The average cost of interest bearing liabilities for the second quarter 2001 was 5.10%, a decrease of 47 basis points from second quarter 2000. This was primarily due to lower rates paid on interest bearing demand and savings accounts and lower pricing on new and renewed time deposits spurred by the Federal Reserve Bank's multiple rate decrease actions in 2001. Core deposits, which include transaction accounts, savings accounts and non-brokered certificates of deposit less than \$100,000, represented approximately 78% of total deposits as of June 30, 2001 and 80% as of June 30, 2000.

The following tables show the relationship between interest revenue and expense and the average balances of interest earning assets and interest bearing liabilities for the three months and six months ended June 30, 2001 and 2000.

TABLE 2 - AVERAGE CONSOLIDATED BALANCE SHEETS AND NET INTEREST ANALYSIS
 FOR THE THREE MONTHS ENDED JUNE 30, 2001 AND 200
 (In thousands, taxable equivalent)

	2001			2000		
	AVERAGE BALANCE	INTEREST	AVG. RATE	AVERAGE BALANCE	INTEREST	AVG. RATE
ASSETS:						
Interest-earning assets:						
Loans, net of unearned income (1)	\$1,830,004	\$ 45,151	9.90%	\$1,677,459	\$ 42,214	10.12%
Taxable investments	416,733	6,773	6.50%	519,447	8,854	6.82%
Tax-exempt investments (1)	77,220	1,355	7.02%	82,571	1,436	6.95%
Federal funds sold and other interest revenue	78,461	516	2.63%	33,268	274	3.29%
TOTAL INTEREST-EARNING ASSETS	2,402,418	53,795	8.98%	2,312,745	52,778	9.17%
Non-interest-earning assets:						
Allowance for loan losses	(25,786)			(21,866)		
Cash and due from banks	56,189			61,400		
Premises and equipment	57,473			55,781		
Other assets	66,817			56,821		
TOTAL ASSETS	\$2,557,111			\$2,464,881		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	\$ 450,950	\$ 3,493	3.11%	\$ 423,341	\$ 4,253	4.04%
Savings deposits	90,250	409	1.82%	87,359	601	2.77%
Certificates of deposit	1,172,029	17,172	5.88%	1,159,168	17,435	6.05%
Total interest-bearing deposits	1,713,229	21,074	4.93%	1,669,868	22,289	5.37%
Federal Home Loan Bank advances	276,833	3,902	5.65%	322,632	4,866	6.07%
Long-term debt and other borrowings	89,258	1,465	6.58%	85,723	1,619	7.60%
Total borrowed funds	366,091	5,367	5.88%	408,355	6,485	6.39%
TOTAL INTEREST-BEARING LIABILITIES	2,079,320	26,441	5.10%	2,078,223	28,774	5.57%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	279,934			237,252		
Other liabilities	29,276			24,188		
Total liabilities	2,388,530			2,339,663		
Stockholders' equity	168,581			125,218		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,557,111			\$2,464,881		
NET INTEREST REVENUE		\$ 27,354			\$ 24,004	
Net interest-rate spread			3.88%			3.60%
NET INTEREST MARGIN (2)			4.56%			4.16%

TABLE 2, CONTINUED - AVERAGE CONSOLIDATED BALANCE SHEETS AND NET INTEREST ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000
(In thousands, taxable equivalent)

	2001			2000		
	Average Balance	Interest	Avg. Rate	Average Balance	Interest	Avg. Rate
Assets:						
Interest-earning assets:						
Loans, net of unearned income (1)	\$1,821,727	\$ 90,655	10.04%	\$1,632,165	\$ 80,969	9.98%
Taxable investments	429,981	14,377	6.69%	517,029	17,468	6.76%
Tax-exempt investments (1)	78,321	2,703	6.90%	82,913	2,904	7.00%
Federal funds sold and other interest revenue	67,112	1,075	3.20%	41,557	784	3.77%
Total interest-earning assets	2,397,141	108,810	9.14%	2,273,664	102,125	9.02%
Non-interest-earning assets:						
Allowance for loan losses	(25,601)			(20,899)		
Cash and due from banks	55,158			61,828		
Premises and equipment	57,148			55,632		
Other assets	63,683			54,979		
Total assets	\$2,547,529			\$2,425,204		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Transaction accounts	\$ 435,619	\$ 7,306	3.38%	\$ 416,974	\$ 8,346	4.03%
Savings deposits	88,306	942	2.15%	86,608	1,213	2.82%
Certificates of deposit	1,197,848	36,187	6.09%	1,157,465	34,270	5.95%
Total interest-bearing deposits	1,721,773	44,435	5.20%	1,661,047	43,829	5.31%
Federal Home Loan Bank advances	275,369	7,959	5.83%	305,161	9,054	5.97%
Long-term debt and other borrowings	89,172	3,171	7.17%	81,713	2,920	7.19%
Total borrowed funds	364,541	11,130	6.16%	386,874	11,974	6.22%
Total interest-bearing liabilities	2,086,314	55,565	5.37%	2,047,921	55,803	5.48%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	268,752			231,032		
Other liabilities	27,798			25,473		
Total liabilities	2,382,864			2,304,426		
Stockholders' equity	164,665			120,778		
Total liabilities and stockholders' equity	\$2,547,529			\$2,425,204		
Net Interest Revenue		\$ 53,245			\$ 46,322	
Net interest-rate spread			3.77%			3.54%
Net Interest Margin (2)			4.47%			4.09%

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

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

The following table shows the relative impact on net interest revenue for changes in the average outstanding balances (volume) of earning assets and interest bearing liabilities and the rates earned and paid by United on such assets and liabilities. Variances resulting from a combination of changes in rate and volume are allocated in proportion to the absolute dollar amounts of the change in each category.

TABLE 3 - CHANGE IN INTEREST REVENUE AND EXPENSE ON A TAX EQUIVALENT BASIS
(in thousands)

	THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO 2000 INCREASE (DECREASE) DUE TO CHANGES IN			SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO 2000 INCREASE (DECREASE) DUE TO CHANGES IN		
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
Interest-earning assets:						
Loans	\$ 4,040	\$(1,103)	\$ 2,937	\$ 9,167	\$ 519	\$ 9,686
Taxable investments	(1,737)	(344)	(2,081)	(2,939)	(152)	(3,091)
Tax-exempt investments	(93)	12	(81)	(160)	(41)	(201)
Federal funds sold and other interest revenue	431	(189)	242	546	(255)	291
Total interest-earning assets	2,641	(1,624)	1,017	6,614	71	6,685
Interest-bearing liabilities:						
Transaction accounts	194	(954)	(760)	302	(1,342)	(1,040)
Savings deposits	13	(205)	(192)	18	(289)	(271)
Certificates of deposit	157	(420)	(263)	1,147	770	1,917
Total interest-bearing deposits	364	(1,579)	(1,215)	1,467	(861)	606
FHLB advances	(669)	(295)	(964)	(899)	(196)	(1,095)
Long-term debt and other borrowings	53	(207)	(154)	258	(7)	251
Total borrowed funds	(616)	(502)	(1,118)	(641)	(203)	(844)
Total interest-bearing liabilities	(252)	(2,081)	(2,333)	826	(1,064)	(238)
Increase in net interest revenue	\$ 2,893	\$ 457	\$ 3,350	\$ 5,788	\$ 1,135	\$ 6,923

PROVISION FOR LOAN LOSSES

The provision for loan losses for the second quarter of 2001 and 2000 was \$1.5 million and \$2.0 million and for the first half of 2001 and 2000 was \$3.1 and \$3.6 million, respectively. As a percentage of average outstanding loans, the first six months provision for loan losses was .34% and .44% for 2001 and 2000, respectively, on an annualized basis. Net loan charge-offs as a percentage of average outstanding loans for the six months ended June 30, 2001 were .23% as compared with .15% for the same period in 2000.

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

FEE REVENUE

Total fee revenue for the second quarter of 2001, totaled \$6.3 million, compared with \$4.7 million for 2000. The following table presents the components of fee revenue for the second quarter of 2001 and 2000.

TABLE 4 - FEE REVENUE

For the Three and Six Months Ended June 30, 2001 and 2000

(in thousands)

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2001	2000	Change 2001-2000	2001	2000	Change 2001-2000
Service charges and fees	\$ 2,557	\$ 2,108	21%	\$ 4,897	\$ 3,965	24%
Consulting fees	1,243	1,225	1%	2,584	2,309	12%
Mortgage loan and related fees	1,225	304	303%	2,221	549	305%
Securities gains (losses), net	17	(41)		192	(36)	
Other	1,305	1,086	20%	2,368	2,248	5%
Total	\$ 6,347	\$ 4,682	36%	\$12,262	\$ 9,035	36%

A significant source of fee revenue for United is service charges and fees on deposit accounts. Service charges and fees for the second quarter of 2001 were \$2.6 million, compared with \$2.1 million in the second quarter 2000. The growth in fee revenue was primarily due to the increase in the number of deposit accounts and transaction activity.

Mortgage loan and related fees for the second quarter of 2001 and 2000 were \$1.2 million and \$0.3 million respectively. This increase is the result of a higher volume of mortgage loan origination and service fees due to a favorable interest rate environment. Substantially all of these originated residential mortgages were subsequently sold into the secondary market, including the right to service these loans.

Total fee revenue for the six months ended June 30, 2001 was \$12.3 million, up \$3.2 million, or 36%, from 2000 due primarily to the growth in service charges and mortgage loan and related fees, consistent with the second quarter growth in fee revenue.

OPERATING EXPENSES

For the three months ended June 30, 2001, total operating expenses were \$21.2 million, compared with \$18.8 million for 2000. The following table presents the components of operating expenses for the three and six months ended June 30, 2001 and 2000.

TABLE 5 - OPERATING EXPENSE

For the Three and Six Months Ended June 30, 2001 and 2000

(in thousands)

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2001	2000	Change 2001-2000	2001	2000	Change 2001-2000
Salaries and employee benefits	\$ 12,272	\$ 10,715	15%	\$ 23,860	\$ 20,618	16%
Occupancy	2,017	1,846	9%	3,945	3,497	13%
Communications and equipment	1,553	1,324	17%	2,890	2,673	8%
Postage, printing and supplies	1,048	913	15%	1,973	1,776	11%
Professional fees	1,103	567	95%	1,993	1,084	84%
Other expense	3,243	3,400	-5%	6,573	6,579	0%
Total	\$ 21,236	\$ 18,765	13%	\$ 41,234	\$ 36,227	14%

Total salaries and benefits for the second quarter of 2001 totaled \$12.3 million, an increase of 15% over the same period in 2000. This increase was primarily due to adding staff to support business growth and new services offered to our customers. Professional fees of \$1.1 million were up 95% due to several operating and new product initiatives in 2001, including internet banking and imaging roll-out, and a higher level of legal fees.

The efficiency ratio measures total operating expenses as a percentage of total revenue, excluding the provision for loan losses, net securities gains (losses) and merger-related expenses. United's efficiency ratio for the second quarter of 2001 was 63.04% as compared with 65.33% for the second quarter of 2000. The reduction in the efficiency ratio is due to management's focus to control the level of operating expenses.

Total operating expense for the first six months of 2001 were \$41.2 million, up \$5 million, or 14%, due to business growth and new services offered to customers.

INCOME TAXES

Income taxes, as reported for the three months ended June 30, 2001, were \$3.5 million as compared with \$2.3 million for the three months ended June 30, 2000. The effective tax rate (as a percentage of pre-tax net income) for the second quarter of 2001 and 2000 was 33.5% and 31.1%, respectively. The effective rate is lower than the statutory tax rate, primarily due to interest revenue on certain investment securities and loans that are exempt from income taxes, and the increase in effective tax rate for 2001 is due to a higher mix of taxable revenue.

BALANCE SHEET REVIEW

Total assets at June 30, 2001 were \$2.6 billion, and slightly higher than the \$2.5 billion as of December 31, 2000 and June 30, 2000. Average total assets for the second quarter of 2001 were \$2.6 billion, up \$.1 billion from averages in the second quarter of 2000.

LOANS

At June 30, 2001, total loans were \$1.9 billion, an increase of \$183 million, or 11% from June 30, 2000. Average total loans for the second quarter of 2001 were \$1.8 billion, an increase of \$153 million, or 9% over second quarter of 2000. Over the past five years, United has experienced strong loan growth in all markets, with particular strength in loans secured by real estate, both residential and non-residential. Substantially all of United's loans are to customers located in north Georgia and western North Carolina, the immediate market areas of the Banks. This includes loan customers who have a seasonal residence in the Banks' market areas.

ASSET QUALITY AND RISK ELEMENTS

United manages asset quality and controls credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. United's loan administration function is charged with monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures at all of the Banks.

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

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

United does not currently allocate the allowance for loan losses to the various loan categories and there were no significant changes in the estimation methods and assumptions used to determine the adequacy of the allowance for loan losses during the second quarter 2001.

The following table presents a summary of changes in the allowance for loan losses for the three and six months ended June 30, 2001 and 2000.

TABLE 6 - SUMMARY OF LOAN LOSS EXPERIENCE
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Balance beginning of period	\$ 25,133	\$ 21,298	\$ 24,692	\$ 20,043
Loans charged-off	(1,161)	(1,028)	(2,560)	(1,550)
Charge-off recoveries	179	193	469	359
Net charge-offs	(982)	(835)	(2,091)	(1,191)
Provisions for loan losses	1,500	1,954	3,050	3,565
Balance end of period	\$ 25,651	\$ 22,417	\$ 25,651	\$ 22,417
Total loans:				
At period end	\$ 1,858,336	\$ 1,675,203	\$ 1,858,336	\$ 1,675,203
Average	1,830,004	1,677,459	1,821,727	1,632,165
As a percentage of average loans:				
Net charge-offs	.22%	.20%	.23%	.15%
Provision for loan losses	.33%	.46%	.34%	.44%
Allowance as a percentage of period end loans	1.38%	1.34%	1.38%	1.34%
Allowance as a percentage of non-performing loans	338%	507%	338%	507%

Management believes that the allowance for loan losses at June 30, 2001 is sufficient to absorb losses inherent in the loan portfolio as of that date based on the best information available. This assessment involves uncertainty and judgment; therefore, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. In addition, bank regulatory authorities, as part of their periodic examination of the Banks, may require additional charges to the provision for loan losses in future periods if the results of their review warrant.

NON-PERFORMING ASSETS

Non-performing loans, which include non-accrual loans and accruing loans past due over 90 days, totaled \$7.6 million at June 30, 2001, compared with \$5.6 million at December 31, 2000 and \$4.4 million at June 30, 2000. At June 30, 2001, the ratio of non-performing loans to total loans was .41%, compared with .31% at December 31, 2000 and .26% at June 30, 2000. Non-performing assets, which include non-performing loans and foreclosed real estate, totaled \$8.8 million at June 30, 2001, compared with \$6.7 million at December 31, 2000 and \$5.7 million at June 30, 2000.

It is the general policy of the Banks to place loans on non-accrual status when, in the opinion of management, the principal and interest on a loan is not likely to be repaid in accordance with the loan terms. When a loan is placed on non-accrual status, interest previously accrued but not collected is reversed against current interest income. Depending on management's evaluation of the borrower and loan collateral, interest on a non-accrual loan may be recognized on a cash basis as payments are received. Loans made by the Banks to facilitate the sale of other real estate are made on terms comparable to loans of similar risk.

There were no commitments to lend additional funds to customers whose loans were on non-accrual status at June 30, 2001. The table below summarizes United's non-performing assets.

TABLE 7- NON-PERFORMING ASSETS
(in thousands)

	June 30, 2001	December 30, 2000	June 30, 2000
	-----	-----	-----
Non-accrual loans	\$7,592	\$4,605	\$3,924
Loans past due 90 days or more and still accruing	8	956	495
	-----	-----	-----
Total non-performing loans	7,600	5,561	4,419
Other real estate owned	1,170	1,155	1,264
	-----	-----	-----
Total non-performing assets	\$8,770	\$6,716	\$5,683
	=====	=====	=====
Total non-performing loans as a percentage of total loans	.41%	.31%	.26%
Total non-performing assets as a percentage of total assets	.34%	.27%	.23%

At June 30, 2001, United had \$10.8 million of loans that were not classified as non-performing but for which known information about the borrowers' financial condition caused management to have concern about the ability of the borrowers to comply with the repayment terms of the loans. These loans were identified through the loan review process described in the ASSET QUALITY AND RISK ELEMENTS section of this discussion above that provides for assignment of a risk rating based on a ten-grade scale to all commercial and commercial real estate loans. Based on the evaluation of current market conditions, loan collateral, other secondary sources of repayment and cash flow generation, management does not anticipate any significant losses related to these loans. These loans are subject to continuing management attention and are considered in the determination of the allowance for loan losses.

INVESTMENT SECURITIES

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

Total average investment securities for the second quarter of 2001, decreased 18% from second quarter of 2000. The decrease in the average securities was related to the current lower rate environment and managing interest rate risk within the securities portfolio and overall mix of earning assets.

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

DEPOSITS

Total deposits at June 30, 2001 were \$2.0 billion, an increase of \$44 million from June 30, 2000. Total non-interest bearing demand deposit accounts increased \$8 million and interest bearing transaction accounts increased \$5 million during the second quarter 2001. Total time deposits as of June 30, 2001 were \$1.2 billion, a decrease of \$49 million from the first quarter 2001.

Time deposits of \$100,000 and greater totaled \$327 million at June 30, 2001, compared with \$371 million at March 31, 2001. During 1999, United began to utilize "brokered" time deposits, issued in certificates of less than \$100,000, as an alternative source of cost-effective funding. Average brokered time deposits outstanding at June 30, 2001 and March 31, 2001 was \$56 and \$57 million, respectively.

SHORT-TERM BORROWINGS

At June 30, 2001, all of the Banks were shareholders in the Federal Home Loan Bank of Atlanta. Through this affiliation, secured advances totaling \$272 million and \$330 million were outstanding at June 30, 2001 and 2000, respectively; at rates competitive with time deposits of like maturities. United anticipates continued utilization of this short and long term source of funds to minimize interest rate risk.

INTEREST RATE SENSITIVITY MANAGEMENT

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

United's net interest revenue, and the fair value of its financial instruments, are influenced by changes in the level of interest rates. The Company manages its exposure to fluctuations in interest rates through policies established by Asset/Liability Management Committee ("ALCO") of its Subsidiary Banks. The ALCO meets periodically and has responsibility for approving

asset/liability management policies, formulating and implementing strategies to improve balance sheet positioning and/or earnings and reviewing the interest rate sensitivity of United.

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

As of June 30, 2001, United's simulation model indicated that net interest income would not be impacted if interest rates increased or decreased by 200 basis points over the next twelve months. United is in an asset neutral position for the next twelve months. This neutral position generally indicates that United's net interest income would not be impacted should interest rates rise or fall over the next twelve months. Due to the factors cited previously, current simulation results indicate only minimal sensitivity to parallel shifts in interest rates; however, no assurance can be given that United is not at risk from interest rate increases or decreases. Management also evaluates the condition of the economy, the pattern of market interest rates and other economic data to determine the appropriate mix and repricing characteristics of assets and liabilities necessary to optimize the net interest margin.

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

The cost of the cap contracts is included in other assets in the consolidated balance sheet and is being amortized on a straight-line basis over the five-year term of the contracts. The following table presents United's cap contracts outstanding at June 30, 2001.

TABLE 8 - CAP CONTRACTS
As of June 30, 2001
(in thousands)

CAP CONTRACTS				
MATURITY	NOTIONAL AMOUNT	CONTRACT INDEX	CONTRACT RATE	FAIR VALUE
August 31, 2001	\$ 5,000	Prime	10%	-
August 27, 2001	20,000	Prime	10%	-
Total	\$ 25,000			\$ -

The following table presents United's swap contracts outstanding at June 30, 2001.

TABLE 9 - SWAP CONTRACTS
As of June 30, 2001
(in thousands)

TYPE / MATURITY	NOTIONAL AMOUNT	RATE RECEIVED	RATE PAID (1)	FAIR VALUE
FAIR VALUE CONTRACTS				
July 27, 2001	\$ 10,000	8.85%	6.75%	\$ (64)
October 12, 2001	10,000	9.11%	6.75%	64
June 7, 2002	10,000	9.05%	6.75%	175
June 14, 2002	10,000	9.12%	6.75%	186
June 24, 2002	20,000	8.80%	6.75%	365
July 29, 2002	25,000	9.04%	6.75%	505
August 10, 2002	10,000	9.60%	6.75%	265
TOTAL FAIR VALUE CONTRACTS	95,000	9.05%	6.75%	1,496
CASH FLOW CONTRACTS				
March 24, 2003	25,000	7.80%	6.75%	125
June 18, 2003	25,000	7.85%	6.75%	92
TOTAL CASH FLOW CONTRACTS	50,000	7.83%	6.75%	217
TOTAL/WEIGHTED AVERAGE	\$ 145,000	8.62%	6.75%	\$ 1,713

(1) Based on prime rate at June 30, 2001.

United's derivative financial instruments are classified as fair value or cash flow hedges. Cash flow hedges are reflected in stockholders equity in other comprehensive income, and totaled \$2 million as of June 30, 2001. Fair value hedges recognize currently in earnings both the impact of change in the fair value of the derivative financial instrument and the offsetting impact of the change in fair value of the hedged asset or liability. At June 30, 2001, United's derivative financial instruments had an aggregate positive fair value of \$1.7 million.

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

LIQUIDITY MANAGEMENT

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

The primary objectives of asset/liability management are to provide for adequate liquidity in order to meet the needs of customers and to maintain an optimal balance between interest-sensitive assets and interest-sensitive

liabilities, so that United can also meet the investment requirements of its shareholders as market interest rates change. Daily monitoring of the sources and use of funds is necessary to maintain a position that meets both requirements.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments and the maturities and sales of securities. Mortgage loans held for sale totaled \$14 million at June 30, 2001, and typically turn over every 45 days as the closed loans are sold to investors in the secondary market. Other short-term investments such as federal funds sold are additional sources of liquidity.

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

As disclosed in United's consolidated statements of cash flows, net cash provided by operating activities was \$9.7 million during the six months ended June 30, 2001. The major sources of cash provided by operating activities are net income partially offset by changes in other assets and other liabilities. Net cash used by investing activities of \$2.9 million consisted primarily of sales, maturities, calls and paydowns of securities of \$90.4 million, offset by a net increase in loans and purchases of securities totaling \$69.6 million and \$21.3 million, respectively. Net cash provided by financing activities provided the remainder of funding sources for the first half 2001. The \$18.6 million of net cash provided by financing activities consisted primarily of a \$2.9 million net decrease in deposits and net increases in FHLB advances, federal funds purchased and repurchase agreements and notes payable and borrowings totaling \$14.4 million, \$4.5 million and \$5.3 million, respectively. In the opinion of management, United's liquidity position at June 30, 2001, is sufficient to meet its expected cash flow requirements.

CAPITAL RESOURCES AND DIVIDENDS

Stockholders' equity at June 30, 2001 was \$174 million, an increase of \$33 million from June 30, 2000. The increase is due primarily to the \$15.6 million public offering completed in the third quarter of 2000 plus cumulative earnings less dividends paid since the second quarter of last year. Accumulated other comprehensive income (loss) is not included in the calculation of regulatory capital adequacy ratios. Excluding the change in the accumulated other comprehensive gain, stockholders' equity increased by 3% during the second quarter of 2001. Dividends of \$1.1 million, or \$.10 per share, were declared on common stock during the second quarter of 2001, an increase of 33% per share from the amount declared in the second quarter 2000. The dividend payout ratios for the second quarter of 2001 and 2000 were 15%. United has historically retained the majority of its earnings in order to provide a cost effective source of capital for continued growth and expansion. However, in recognition that cash dividends are an important component of shareholder value, management has instituted a dividend program that provides for increased cash dividends when earnings and capital levels permit.

The following table presents the cash dividends declared in the first and second quarters of 2001 and 2000 and the respective payout ratios as a percentage of net income.

TABLE 10 - DIVIDEND PAYOUT INFORMATION

	2001		2000	
	DIVIDEND	PAYOUT %	DIVIDEND	PAYOUT %
First quarter	\$.10	16%	\$.075	16%
Second quarter	\$.10	15%	\$.075	15%

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

The following table shows United's capital ratios, as calculated under regulatory guidelines, at June 30, 2001 and June 30, 2000.

TABLE 11
CAPITAL RATIOS
(in thousands)

	2001		2000	
	Actual Amount	Regulatory Minimum	Actual Amount	Regulatory Minimum
Tier I Leverage:				
Amount	\$ 196,985	\$ 76,713	\$ 162,588	73,946
Ratio	7.7%	3.0%	6.6%	3.0%
Tier I Risk Based:				
Amount	\$ 196,985	\$ 75,571	\$ 162,588	\$ 67,374
Ratio	10.4%	4.0%	9.6%	4.0%
Total Risk Based:				
Amount	\$ 223,769	\$ 151,142	\$ 183,643	\$ 134,749
Ratio	11.8%	8.0%	10.9%	8.0%

United's Tier I capital, which excludes other comprehensive income, consists of stockholders' equity and qualifying capital securities less goodwill and deposit-based intangibles, totaled to \$197 million at June 30, 2001. Tier II capital components include supplemental capital components such as a qualifying allowance for loan losses and qualifying subordinated debt. Tier I capital plus Tier II capital components is referred to as Total Risk-based Capital and was \$224 million at June 30, 2001. The percentage ratios, as calculated under the guidelines, were 10.9% and 11.8% for Tier I and Total Risk-based Capital, respectively, at June 30, 2001.

A minimum Tier I leverage ratio is required in addition to the risk-based capital standards and is defined as period end stockholders' equity and qualifying capital securities, less other comprehensive income, goodwill and deposit-based intangibles divided by average assets adjusted for goodwill and deposit-based intangibles. Although a minimum Tier I leverage ratio of 3% is required for the highest-rated bank holding companies which are not undertaking significant expansion programs, the Federal Reserve Board requires a bank holding company to maintain a Tier I leverage ratio greater than 3% if it is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve Board. The Federal Reserve Board uses the leverage and risk-based capital ratios to assess capital adequacy of banks and bank holding companies. United's Tier I leverage ratios at June 30, 2001 and June 30, 2000 were 7.7% and 6.6%, respectively.

The capital ratios of United and the Banks currently exceed the minimum ratios required in 2001 as defined by federal regulators. United monitors these ratios to ensure that United and the Banks remain above regulatory minimum guidelines.

IMPACT OF INFLATION AND CHANGING PRICES

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

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

PART I ITEM III

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in United's quantitative and qualitative disclosures about market risk as of June 30, 2001 from that presented in United's Annual Report on Form 10-K for the year ended December 31, 2000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities

On April 5, 2001, United redeemed 115,000 shares of the 287,410 shares outstanding of United's Series A Preferred Stock for an aggregate consideration of \$1,150,000.

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Securities Holders

a. United Community Banks, Inc. 2001 Annual Meeting of Stockholders was held June 7, 2001.

b. The following directors were elected to serve a term until the next annual meeting and election:

Jimmy Tallent
Robert H. Blalock
Harold Brewer
Guy W. Freeman
Thomas C. Gilliland
Robert L. Head, Jr.
Charles E. Hill
Hoyt O. Holloway
Clarence W. Mason, Jr.
W.C. Nelson, Jr.
Charles E. Parks
Tim Wallis

Voting For the Above Slate of Directors - 6,515,030, Voting Against/
Abstain - 254,631

c. To consider and act upon a proposal to amend United's Amended and Restated Articles of Incorporation (the "Articles") to authorize the Board of Directors to consider constituencies when evaluating a business combination proposal. Voting For - 6,690,653, Voting Against/Abstain - 79,008

d. To consider and act upon a proposal to amend the Articles to provide for the limitation of director liability. Voting For - 6,528,476, Voting Against/Abstain - 241,185

e. To consider and act upon a proposal to amend the Articles to require the affirmative vote of the holders of two-thirds of the issued and outstanding shares entitled to vote thereon to amend certain of the Articles of the By-Laws of United. Voting For - 6,641,767, Voting Against/Abstain - 127,894

f. To consider and act upon a proposal to amend the Articles to enact a provision to govern potential business combination transactions with interested shareholders. Voting For - 6,715,090, Voting Against/Abstain - 54,571

g. To consider and act upon a proposal to amend the Articles to provide that directors can be removed only for cause by the

affirmative vote of the holders cause by the affirmative vote of the holders of two-thirds of the issued and outstanding shares entitled to vote thereon. Voting For - 6,642,484, Voting Against/Abstain - 127,177

Item 5. Other Information

On June 7, 2001, the Company entered into identical Change in Control Severance Agreements with the following executive officers of the Company: Jimmy C. Tallent, the Company's President and Chief Executive Officer, Harold Brewer, an Executive Vice President and Chief Operating Officer, James G. Campbell, the Company's Senior Vice President and Director of Retail Banking, and Thomas C. Gilliland, the Company's Executive Vice President and Secretary.

On June 7, 2001, the Company also entered into Change of Control Severance Agreements with Rex S. Schuette, the Company's Executive Vice President and Chief Financial Officer and Guy W. Freeman, an Executive Vice President of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 1) Exhibit 3.1 Restated Articles of Incorporation of United Community Banks, Inc.
- 2) Exhibit 10.1 Form of United Community Banks, Inc. Change in Control Severance Agreement
- 3) Exhibit 10.2 Change in Control Severance Agreement dated as of June 7, 2001, by and between United Community Banks, Inc. and Guy W. Freeman
- 4) Exhibit 10.3 Change in Control Severance Agreement dated as of June 7, 2001, by and between United Community Banks, Inc. and Rex S. Schuette

(b) There were no reports filed on Form 8-K during this reporting period.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED COMMUNITY BANKS, INC.

By: /S/ JIMMY C. TALLENT

Jimmy C. Tallent, President
(Principal Executive Officer)

Date: August 14, 2001

By /S/ REX S. SCHUETTE

Rex S. Schuette
Chief Financial Officer
(Principal Financial Officer)

Date: August 14, 2001

RESTATED ARTICLES OF INCORPORATION**OF****UNITED COMMUNITY BANKS, INC.**

I.

The name of the corporation is United Community Banks, Inc.

II.

The corporation is organized pursuant to the provisions of the Georgia Business Corporation Code.

III.

The corporation shall have perpetual duration.

IV.

The corporation is a corporation for profit and is organized for the following general purposes: to be a bank holding company; to carry on any lawful businesses or activities relating thereto; and to engage in any lawful act or activity for which corporations may be organized under the Georgia Business Corporation Code.

V.

The corporation shall have authority to issue 50,000,000 shares of common stock, \$1.00 par value (the "Common Stock") and 10,000,000 shares of preferred stock, \$1.00 par value (the "Preferred Stock"). Subject to the provisions of any applicable law or the Bylaws of the corporation (as from time to time amended) with respect to fixing the record date for the determination of shareholders entitled to vote, and except as otherwise provided by any applicable law or by resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock, the holders of the Common Stock shall have and possess exclusive voting power and rights for the election of directors and for all other purposes, with each share being entitled to one vote.

The Board of Directors is hereby expressly authorized to issue, at any time and from time to time, shares of Preferred Stock in one or more series. The number of shares within such series shall be designated by the Board of Directors in one or more resolutions, and the shares of each series so designated shall have such preferences with respect to Common Stock and other series of Preferred Stock, and such other rights, restrictions or limitations with respect to voting, dividends, conversion, exchange, redemption and any other matters, as may be set forth in one or more resolutions adopted by the Board of Directors. To the extent required by law, Articles of Amendment setting forth any such designations, preferences, rights, restrictions or limitations shall be filed with the Georgia Secretary of State prior to the issuance of any shares of such series.

The authority of the Board of Directors with respect to the establishment of each series of Preferred Stock shall include, without limiting the generality of the foregoing, determination of the following matters which may vary between series:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payments of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions;
- (f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the corporation, and the relative rights of priority, if any, of payment of shares of that series; and
- (h) Any other relative preferences, rights, restrictions or limitations of that series, including but not limited to any obligations of the corporation to repurchase shares of that series upon the occurrence of specified events.

Of the 10,000,000 shares of authorized Preferred Stock, 287,411 shares shall be designated Series A Non-Cumulative Preferred Stock and shall have the preferences, limitations and relative rights set forth below:

1. Designation and Number of Shares. The series will be known as the "Series A Non-Cumulative Preferred Stock" (the "Series A Preferred Stock"), and will be a series consisting of 287,411 shares of the authorized but unissued preferred stock of the corporation. The Series A Preferred Stock shall have a par value of \$1.00 per share and a stated value of \$10 per share (the "Stated Value").
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2. Dividends. The corporation is under no obligation to pay dividends on the Series A Preferred Stock. Provided, however, no dividend shall be paid on the Common Stock until dividends have been declared and are payable to the holders of record of the Series A Preferred Stock from the date of issuance of such stock at the Dividend Rate for each of the Quarterly Dividend Periods which shall commence on October 1, January 1, April 1, and July 1, in each year and shall end on and include the day next preceding the first day of the next Quarterly Dividend Period. Each such dividend shall be paid to the holders of record of shares of Series A Preferred Stock as they appear on the stock register of the corporation on such record date. The amount of dividends per share payable for each Quarterly Dividend Period shall be computed by dividing the Dividend Rate by four and applying such rate against the Stated Value per share of the Series A Preferred Stock. Dividends payable on the Series A Preferred Stock for any period less than a full Quarterly Dividend Period and for any portion of the initial dividend period between issuance and the day next preceding the first October 1, January 1, April 1 or July 1 following such issuance shall be computed on the basis of a 360-day year of four 90-day quarters and the actual number of days elapsed in the period for which they are payable. The dividend rate shall be 6% per annum (the "Dividend Rate").

3. Liquidation Preference.

(a) Preference.

(i) In the event of any liquidation, dissolution, or winding up of the corporation, either voluntarily or involuntarily, the holders of the Series A Preferred Stock shall be entitled to receive prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of Common Stock, an amount equal to (A) the Stated Value per share, plus (B) a further amount equal to any dividends accrued but unpaid on such shares. If, upon such liquidation, dissolution, or winding up of the corporation, the assets of the corporation available for distribution to the shareholders of the corporation are insufficient to provide for the payment of the full aforesaid preferential amount, such assets as are so available shall be distributed among the holders of the Series A Preferred Stock pro rata in accordance with the number of shares of Series A Preferred Stock held by them. The consolidation or merger of the corporation with or into another corporation, or a sale, whether for cash, shares of stock, securities or properties, of all or substantially all of the assets of the corporation (a "Reorganization"), shall not be deemed or construed to be a liquidation, dissolution or winding up of the corporation within the meaning of this Paragraph. In the case of any Reorganization, the corporation shall enter into an agreement with such other entity for the benefit of the holders of Series A Preferred Stock that shall contain such provisions to protect the interests of such holders as the Board of Directors of the corporation shall reasonably consider necessary.

(ii) After the payment or the setting apart for payment to the holders of the Series A Preferred Stock of the preferential amounts so payable to them, if assets remain in the corporation, the holders of the Common Stock of the corporation shall receive all of the remaining assets of the corporation pro rata in accordance with the number of shares of Common Stock held by them.

(b) Noncash Distributions. If any of the assets of the corporation are to be distributed other than in cash under this paragraph 3 or for any purpose, then the Board of Directors of the corporation shall promptly engage independent competent appraisers to determine the value of the assets to be distributed to the holders of Preferred Stock or Common Stock. The corporation shall, upon receipt of such appraiser's valuation, give prompt written notice to each holder of shares of Series A Preferred Stock or Common Stock of the appraiser's valuation.

4. Voting Rights. Series A Preferred Stock has no voting rights except as required by the Georgia Business Corporation Code.

5. Conversion. The Series A Preferred Stock is not convertible into Common Stock.

6. Optional Redemption of Series A Preferred Stock.

(a) Subject to the following limitations, the corporation, at its sole option and upon the approval of the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of Atlanta as its designee, may redeem the whole or any part of the then outstanding Series A Preferred Stock by paying in cash for each share redeemed an amount equal to the Stated Value of each share redeemed plus the full dividends accrued but unpaid on each such share (whether or not declared) through the redemption date (the "Redemption Price").

(b) If less than all of the Series A Preferred Stock at any time outstanding shall be called for redemption hereunder, the shares to be redeemed shall be selected on a pro rata basis (with rounding to the nearest whole share) and upon such terms and conditions as the Board of Directors may determine (subject to the limitations and provisions contained herein). The corporation, at its option, may nonetheless redeem all of the shares of Series A Preferred Stock of any Record Holder if, as a result of a straight pro rata redemption, that Record Holder would then hold less than 1000 shares.

(c) Notice of redemption shall be mailed, certified mail, postage prepaid, not less than 10 days nor more than 60 days prior to the redemption date specified in that notice, to each Record Holder of the shares to be redeemed at the address appearing on the corporation's stock records of the Series A Preferred Stock. Neither failure to mail such notice to one or more of such holders nor any defect in such notice shall affect the sufficiency of the proceedings of redemption as to other holders. Each such notice shall state: (A) the redemption date; (B) the applicable Redemption Price; (C) the number of shares of Series A Preferred Stock to be redeemed and, if less than all the outstanding shares of Series A Preferred Stock are to be redeemed, the basis upon which the corporation proposes to determine such lesser number of shares to be redeemed and the number of shares of such Record Holders that would be redeemed on such basis if such Record Holder continued to hold all of its shares on the Partial Redemption Determination Date (as defined below); (D) the place or places at which the certificates representing such shares are to be surrendered for payment of the Redemption Price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(d) In case of a redemption of less than all the outstanding shares of Series A Preferred Stock, the corporation's final determination of the number of shares of each Record Holder to be redeemed shall be made with respect to Record Holders of Series A Preferred Stock as of the close of business five business days immediately preceding the redemption date (the "Partial Redemption Determination Date"). The transfer of shares of Series A Preferred Stock so determined for redemption shall not be permitted after the Partial Redemption Determination Date. The corporation may require that any transfer of shares of Series A Preferred Stock permitted by it between the date of the above notice to Record Holders and the partial Redemption Determination Date refer to the corporation's notice of redemption and otherwise reflect that the transferor will acquire such shares subject to possible redemption as stated in such notice.

(e) If notice of redemption has been given pursuant to clause (c) above and if, on or before the redemption date specified in such notice, the funds necessary for such redemption have been irrevocably tendered by the corporation to the Record Holders of the shares being redeemed, or otherwise irrevocably designated or set aside in trust for the pro rata benefit of the holders of the shares so called for redemption in a manner permitted by the Georgia Business Corporation Code, then from and after the redemption date, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation or that any such shares may have been transferred (whether with or without the corporation's permission), (A) all of the shares so called for redemption (as finally determined on the Partial Redemption Determination Date in case of a partial redemption) shall no longer be deemed outstanding, (B) all dividends shall cease to accrue thereon, and (C) all voting and other rights with respect to such shares shall cease and terminate.

(except the rights to receive the Redemption Price upon a surrender of certificate(s) representing such shares). Upon surrender, in accordance with said notice, of the certificates for any shares so called for redemption, properly endorsed, such shares shall be redeemed by the corporation at the Redemption Price. If fewer than all the shares represented by any such certificate are redeemed, a new certificate representing the unredeemed shares shall be issued without cost to the Record Holder thereof.

(f) On or before the redemption date, the corporation, in lieu of tendering the Redemption Price directly to the respective Record Holders, may deposit with an agent that is a bank or a trust company (the "Paying Agent"), or otherwise designate or set aside as provided in clause (e) above, funds sufficient to pay the Redemption Price for all shares of Series A Preferred Stock to be redeemed on the redemption date, other than any such shares that may have been previously delivered for other consideration in a transaction otherwise permitted by this Designation. Any interest earned on funds so designated, set aside, or deposited with a Paying Agent shall be retainable by or payable to the corporation, and holders of shares of Series A Preferred Stock shall have no rights with respect thereto. Any funds so deposited with a Paying Agent that shall remain unclaimed by the Record Holders of redeemed shares at the end of six months after the redemption date, together with any previously unpaid interest earned thereon, shall be released or repaid by the Paying Agent to the corporation, and thereafter such Record Holders shall look only to the corporation for payment of the Redemption Price.

7. Certain General Matters.

(a) The corporation shall have the rights, in connection with any issuance or transfer of a share of Series A Preferred Stock, to establish by contract with the proposed holder thereof any lawful restriction or limitation respecting the transfer or other disposition of, or any exercise of right appurtenant to, such share with which such proposed holder shall agree.

(b) In any case where any redemption date shall not be a business day, then notwithstanding any other provision hereof, payment of a redemption price need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the redemption day; provided, that for purposes of computing such payment, no interest shall accrue for the period from and after such redemption date, as the case may be.

VI.

No holder of any of the shares of any class of the corporation shall be entitled as of right to subscribe for, purchase or otherwise acquire any shares of any class of the corporation which the corporation proposes to issue or any rights or options which the corporation proposes to grant for the purchase of shares of any class of the corporation or for the purchase of any shares, bonds, securities, or obligations of the corporation which are convertible into or exchangeable for, or which carry any rights, to subscribe for, purchase, or otherwise acquire shares of any class of the corporation and any and all of such shares, bonds, securities, or obligations of the corporation, whether now or hereafter authorized or created, may be issued, or may be reissued if the same have been reacquired and if their reissue is not prohibited, and any and all of such rights and options may be granted by the Board of Directors to such individuals and entities, and for such lawful consideration, and on such terms, as the Board of Directors in its discretion may determine, without first offering the same, or any thereof, to any said holder.

VII.

The corporation shall not commence business until it shall have received at least \$500.00 in payment for the issuance of shares of its stock.

VIII.

In addition to, but not in limitation of, the general powers conferred by law, the corporation shall have the power to make distributions to its shareholders out of its capital surplus, to purchase its own shares out of its unreserved and unrestricted capital surplus available therefor and to carry on any lawful business.

IX.

In discharging the duties of their respective positions and in determining what is believed to be in the best interests of the corporation, the Board of Directors of the corporation, committees of the Board of Directors, and individual directors, in addition to considering the effects of any action on the corporation or its shareholders, may consider interests of the employees, customers, suppliers, and creditors of the corporation and its subsidiaries, the communities in which offices or other establishments of the corporation and its subsidiaries are located, and all other factors such directors consider pertinent; provided, however, that such consideration shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency any right to be considered.

X.

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of his duty of care or other duty as a director, provided, that this provision shall eliminate or limit the liability of a director only to the extent permitted from time to time by the Georgia Business Corporation Code or any successor laws or laws.

XI.

Except as otherwise provided by law, any amendment or repeal of any provision of the Articles of Incorporation or the Bylaws of the corporation requires the affirmative vote of holders of two-thirds of the shares of capital stock of the corporation then issued and outstanding and entitled to vote on such matters. Notwithstanding anything herein to the contrary, the number of authorized shares of any class of capital stock of the corporation may be increased by the affirmative vote of holders of a simple majority of the shares of capital stock of the corporation then issued and outstanding and entitled to vote on such matters.

XII.

I. (A) In addition to any affirmative vote required by law, and subject to the provisions of any series of Preferred Stock which may at the time be outstanding, the affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the corporation and the affirmative vote of the holders of not less than 75% of the outstanding shares of Common Stock of the corporation other than those beneficially owned (as defined below) by an Interested Shareholder (as defined below) (the "two-tier requirement"), shall be required for the approval or authorization of any Business Combination (as defined below) of the corporation with such Interested Shareholder; provided that the two-tier voting requirement shall not be applicable if the Business Combination was approved by three-fourths of all Directors.

(B) The term "Business Combination" as used in this Article XII shall mean:

(i) any merger or consolidation of the corporation or any Subsidiary (as hereafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of \$1,000,000 or more; or

(iii) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder.

II. For purposes of this Article XII:

(A) A "person" shall mean any individual, firm, corporation or other entity.

(B) "Interested Shareholder" shall mean any person (other than the corporation, any Subsidiary or either the corporation or any Subsidiary acting as Trustee or in a similar fiduciary capacity) who or which:

(i) is the beneficial owner of more than 10% of the outstanding Common Stock; or

(ii) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of then outstanding Common Stock; or

(iii) acquired any shares of Common Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such acquisition shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1993.

(C) A person shall be a "beneficial owner" of any Common Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has, directly or indirectly, (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Common Stock.

(D) For the purposes of determining whether a person is an Interested Shareholder pursuant to paragraph B of this Section II, the number of shares of Common Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C(ii)(a) of this Section II but shall not include any other shares of Common Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(E) (i) An "Affiliate" of a specified person is a person that directly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii) The term "Associate" used to indicate a relationship with any person means (1) any firm, corporation or other entity (other than the corporation or any Subsidiary) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse or such person, or any relative of such spouse who has the same home as such person.

(F) "Subsidiary" means any corporation of which a majority of any class of equity securities is owned, directly or indirectly, by the corporation unless owned solely as trustee or other similar fiduciary capacity.

(G) "Fair Market value" means:

(i) in the case of stock, the closing sales price of a share of such stock on the Composite Tape on the New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the closing sales price or the sales price or the average of the bid and asked prices reported with respect to a share of such stock on the National Association of Securities Dealers, Inc. Automated Quotation System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and

(ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

(H) The term "acquire" or "acquired" means the acquisition of beneficial ownership.

(I) The Board of Directors of the corporation shall have the power and duty to determine for the purposes of this Article XII, on the basis of information known to them after reasonable inquiry,

(i) whether a person is an Interested Shareholder,

(ii) the number of shares of Common Stock beneficially owned by any person,

(iii) whether a person is an Affiliate or Associate or another, and

(iv) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$1,000,000 or more.

(J) Nothing contained in this Article XII shall be construed to relieve any Interested Shareholder or any of its Affiliates or Associates from any fiduciary obligation imposed by law.

XIII.

A director of the corporation may be removed only for cause and upon the affirmative vote of the holders of two-thirds of the issued and outstanding shares entitled to vote on such matter.

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

THIS AGREEMENT (the "Agreement"), made and entered into as of this ____ day of _____, 2001, by and between **UNITED COMMUNITY BANKS, INC.**, a Georgia Corporation (the "Company"), and _____ ("Executive").

W I T N E S S E T H:

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

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

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

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

NOW, THEREFORE, the parties hereby agree as follows:

1. TERM OF AGREEMENT.

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

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

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

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

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

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

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

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

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

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

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

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

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation,

own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

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

2.5 "CIC Severance Period." A period equal to the lesser of (i) 36 months from Executive's Date of Termination or (ii) the number of months (rounded to the nearest month) from Executive's Date of Termination until the date he attains age 65.

2.6 "Code." The Internal Revenue Code of 1986, as it may be amended from time to time.

2.7 "Company." United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets.

2.8 "Date of Termination." The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) as the date upon which the Executive's employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given.

3

2.9 "Disability." Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering the Executive, or in the absence of such plan, a meaning consistent with Section 22(e)(3) of the Code.

2.10 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without the Executive's express written consent) during the 6-month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof (the date 6 months prior to the date of the Change in Control is referred to in this Section 2.10 as the "Change in Control Date"):

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Change in Control Date; or

(b) the required relocation of Executive to a location outside of the market area of the Company on the Change in Control Date; or

(c) a material reduction from those in effect on the Change in Control Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments; or

(d) after the Change in Control Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Change in Control Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Change in Control Date.

Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness, except for a Disability as defined in Section 2.9 above. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.11 "Notice of Termination." A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.12 "Person". Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

4

3. SCOPE OF AGREEMENT.

This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if the Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such events, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company. Executive agrees that this Agreement supercedes and replaces any existing plan or arrangement of the Company, including any employment agreement, which provides Executive severance benefits in the event of his termination under the circumstances covered by this Agreement.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL.

If a Change in Control occurs during the term of this Agreement and Executive's employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of death or Disability) or a termination by Executive for Good Reason (as defined in Section 2.10 above), Executive shall be entitled to the compensation and benefits described in Section 4.1 through 4.7 below. If Executive does not participate in a particular plan or program at the Change in Control Date (or if the Company no longer maintains or offers such plan or program at the Change in Control Date), the provisions of the section related to such plan, program or award shall not apply to Executive.

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the entire CIC Severance Period (as defined in Section 2.5 above), provided that all such salary payments shall be made in a lump sum payment (determined by taking the Present Value, as defined in Section 5.5, of such payments) no later than 30 days after his Date of Termination.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of the plan to the contrary, for the fiscal year that ended prior to Executive's Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria, provided that in no case shall the bonus under this subsection (a) be less than the bonus Executive received for the fiscal year immediately preceding such fiscal year. Such amount shall be payable at the time such bonus amounts are paid to other participants, or if previously paid to other participants, no later than 30 days after the Executive's Date of Termination.

5

(b) For the fiscal year during which Executive's Date of Termination occurs, Executive shall receive, within 30 days following his Date of Termination, a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive's target award level (including any personal performance component) under the Company's annual incentive had been achieved for such year.

(c) In addition to the bonus payments payable under (a) and (b) above, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two fiscal years in which bonuses were paid to him immediately preceding the year in which his Date of Termination occurs, multiplied by two or, if less, multiplied by a number (which need not be a whole number) equal to the number of months in the CIC Severance Period divided by 12. Such bonus amount shall be payable in a lump sum within 30 days following the Executive's Date of Termination.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on the Date of Termination and ending on the last day of the CIC Severance Period. Any additional coverages Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section, or the laws applicable to such plan do not permit continued participation by Executive, then the Company will arrange for other coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or, at Executive's election, will pay Executive a lump sum amount equal to the costs of such coverage(s) for the CIC Severance Period.

(b) For purposes of any individual executive life insurance policy (or policies) maintained by the Company for Executive, the Company shall continue to pay the premiums for such policy or policies during the CIC Severance Period.

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or will satisfy such requirements prior to the last day of the CIC Severance Period, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under section 4.3 above, and shall continue for the life of the Executive (i.e., the coverage shall be vested and may not be terminated), subject only to such changes in the level of coverage that apply to executives at his level generally.

4.5 Profit Sharing Plan. Executive will be entitled to continue to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. Executive's participation in such Profit Sharing Plan shall continue for the CIC Severance Period and the compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the plan as if it were paid on a monthly basis. Executive will receive an amount equal to the Company's contributions to the Profit Sharing Plan, assuming Executive had participated in such plan at the maximum permissible contributions level. If continued participation in any plan is not permitted by the plan or by applicable law, the Company shall pay to Executive or, if applicable, his beneficiary, a supplemental benefit equal to the Present Value on the Date of Termination (calculated as provided in the plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional benefits in a lump sum within 30 days of his Date of Termination.

6

4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile (and related automobile expenses) commensurate with the practice in effect for executives at the date of the Change in Control, and payment of club dues and assessments in accordance with the current practice.

4.7 Other Benefits. Except as expressly provided herein, all other fringe benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease at the end of the CIC Severance Period.

5. LIMITATION ON BENEFITS.

5.1 Notwithstanding anything in this Agreement to the contrary, any benefits payable or to be provided to Executive by the Company or its affiliates, whether pursuant to this Agreement or otherwise, which are treated as Severance Payments shall, but only to the extent necessary, be modified or reduced in the manner provided in 5.2 below so that the benefits payable or to be provided to Executive under this Agreement that are treated as Severance Payments, as well as any payments or benefits provided outside of this Agreement that are so treated, shall not cause the Company to have paid an Excess

Severance Payment. In computing such amount, the parties shall take into account all provisions of Code Section 280G, and the regulations thereunder, including making appropriate adjustments to such calculation for amounts established to be Reasonable Compensation.

5.2 In the event that the amount of any Severance Payments which would be payable to or for the benefit of Executive under this Agreement must be modified or reduced to comply with this Section 5, Executive shall direct which Severance Payments are to be modified or reduced; *provided, however*, that no increase in the amount of any payment or change in the timing of the payment shall be made without the consent of the Company.

5.3 This Section 5 shall be interpreted so as to avoid the imposition of excise taxes on Executive under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G(a) of the Code with respect to amounts payable under this Agreement or otherwise. Notwithstanding the foregoing, in no event will any of the provisions of this Section 5 create, without the consent of Executive, an obligation on the part of Executive to refund any amount to the Company following payment of such amount.

5.4 In addition to the limits otherwise provided in this Section 5, to the extent permitted by law, Executive may in his sole discretion elect to reduce any payments he may be eligible to receive under this Agreement to prevent the imposition of excise taxes on Executive under Section 4999 of the Code.

5.5 For purposes of this Section 5, the following definitions shall apply:

(a) "Excess Severance Payment". The term "Excess Severance Payment" shall have the same meaning as the term "excess parachute payment" defined in Section 280G(b)(1) of the Code.

(b) "Severance Payment". The term "Severance Payment" shall have the same meaning as the term "parachute payment" defined in Section 280G(b)(2) of the Code.

(c) "Reasonable Compensation". The term "Reasonable Compensation" shall have the same meaning as provided in Section 280G(b)(4) of the Code. The parties acknowledge and agree that, in the absence of a change in existing legal authorities or the issuance of contrary authorities, amounts received by Executive as damages under or as a result of a breach of this Agreement shall be considered Reasonable Compensation.

(d) "Present Value". The term "Present Value" shall have the same meaning as provided in Section 280G(d)(4) of the Code.

6. MISCELLANEOUS.

6.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise

6.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

6.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and

agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to compensation and benefits from the Company under Section 4 in the amount and on the same terms as Executive would be entitled to hereunder if Executive were to terminate Executive's employment for Good Reason.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

6.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company: United Community Banks, Inc.
Attention: _____
P.O. Box 398
Blairsville, GA 30514

If to Executive: _____

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

6.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

6.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

6.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

6.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

6.9 Disputes; Legal Fees; Indemnification.

(a) Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within 30 days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall promptly pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. Except to the extent provided in the preceding sentence, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

(c) Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

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

EXECUTIVE

UNITED COMMUNITY BANKS, INC.

By: _____

Attest:

Secretary
(CORPORATE SEAL)

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

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

W I T N E S S E T H:

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

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

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

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

NOW, THEREFORE, the parties hereby agree as follows:

1. TERM OF AGREEMENT.

This Agreement shall commence on the date hereof and shall terminate on the earlier of Executive's termination of employment without entitlement to any benefits hereunder or the date Executive attains age 70; provided, however, the Agreement may be terminated prior to such time by mutual written agreement of Executive and the Company. This Agreement shall not be considered an employment agreement and in no way guarantees Executive the right to continue in the employment of the Company or its affiliates. Executive's employment is considered employment at will, subject to Executive's right to receive payments and benefits upon certain terminations of employment as provided below.

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

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

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

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

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

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

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

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

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

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

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

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation,

own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

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

2.5 "CIC Severance Period." A period equal to the lesser of (i) 36 months from Executive's Date of Termination or (ii) the number of months (rounded to the nearest month) from Executive's Date of Termination until the date he attains age 70.

2.6 "Code." The Internal Revenue Code of 1986, as it may be amended from time to time.

2.7 "Company." United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets.

2.8 "Date of Termination." The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) as the date upon which the Executive's employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given.

3

2.9 "Disability." Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering the Executive, or in the absence of such plan, a meaning consistent with Section 22(e)(3) of the Code.

2.10 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without the Executive's express written consent) during the 6-month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof (the date 6 months prior to the date of the Change in Control is referred to in this Section 2.10 as the "Change in Control Date"):

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Change in Control Date; or

(b) the required relocation of Executive to a location outside of the market area of the Company on the Change in Control Date; or

(c) a material reduction from those in effect on the Change in Control Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments; or

(d) after the Change in Control Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Change in Control Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Change in Control Date.

Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness, except for a Disability as defined in Section 2.9 above. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.11 "Notice of Termination." A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.12 "Person". Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

4

3. SCOPE OF AGREEMENT.

This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if the Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such events, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company. Executive agrees that this Agreement supercedes and replaces any existing plan or arrangement of the Company, including any employment agreement, which provides Executive severance benefits in the event of his termination under the circumstances covered by this Agreement.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL.

If a Change in Control occurs during the term of this Agreement and Executive's employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of death or Disability) or a termination by Executive for Good Reason (as defined in Section 2.10 above), Executive shall be entitled to the compensation and benefits described in Section 4.1 through 4.7 below. If Executive does not participate in a particular plan or program at the Change in Control Date (or if the Company no longer maintains or offers such plan or program at the Change in Control Date), the provisions of the section related to such plan, program or award shall not apply to Executive.

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the entire CIC Severance Period (as defined in Section 2.5 above), provided that all such salary payments shall be made in a lump sum payment (determined by taking the Present Value, as defined in Section 5.5, of such payments) no later than 30 days after his Date of Termination.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of the plan to the contrary, for the fiscal year that ended prior to Executive's Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria, provided that in no case shall the bonus under this subsection (a) be less than the bonus Executive received for the fiscal year immediately preceding such fiscal year. Such amount shall be payable at the time such bonus amounts are paid to other participants, or if previously paid to other participants, no later than 30 days after the Executive's Date of Termination.

5

(b) For the fiscal year during which Executive's Date of Termination occurs, Executive shall receive, within 30 days following his Date of Termination, a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive's target award level (including any personal performance component) under the Company's annual incentive had been achieved for such year.

(c) In addition to the bonus payments payable under (a) and (b) above, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two fiscal years in which bonuses were paid to him immediately preceding the year in which his Date of Termination occurs, multiplied by two or, if less, multiplied by a number (which need not be a whole number) equal to the number of months in the CIC Severance Period divided by 12. Such bonus amount shall be payable in a lump sum within 30 days following the Executive's Date of Termination.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on the Date of Termination and ending on the last day of the CIC Severance Period. Any additional coverages Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section, or the laws applicable to such plan do not permit continued participation by Executive, then the Company will arrange for other coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or, at Executive's election, will pay Executive a lump sum amount equal to the costs of such coverage(s) for the CIC Severance Period.

(b) For purposes of any individual executive life insurance policy (or policies) maintained by the Company for Executive, the Company shall continue to pay the premiums for such policy or policies during the CIC Severance Period.

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or will satisfy such requirements prior to the last day of the CIC Severance Period, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under section 4.3 above, and shall continue for the life of the Executive (i.e., the coverage shall be vested and may not be terminated), subject only to such changes in the level of coverage that apply to executives at his level generally.

4.5 Profit Sharing Plan. Executive will be entitled to continue to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. Executive's participation in such Profit Sharing Plan shall continue for the CIC Severance Period and the compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the plan as if it were paid on a monthly basis. Executive will receive an amount equal to the Company's contributions to the Profit Sharing Plan, assuming Executive had participated in such plan at the maximum permissible contributions level. If continued participation in any plan is not permitted by the plan or by applicable law, the Company shall pay to Executive or, if applicable, his beneficiary, a supplemental benefit equal to the Present Value on the Date of Termination (calculated as provided in the plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional benefits in a lump sum within 30 days of his Date of Termination.

6

4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile (and related automobile expenses) commensurate with the practice in effect for executives at the date of the Change in Control, and payment of club dues and assessments in accordance with the current practice.

4.7 Other Benefits. Except as expressly provided herein, all other fringe benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease at the end of the CIC Severance Period.

5. LIMITATION ON BENEFITS.

5.1 Notwithstanding anything in this Agreement to the contrary, any benefits payable or to be provided to Executive by the Company or its affiliates, whether pursuant to this Agreement or otherwise, which are treated as Severance Payments shall, but only to the extent necessary, be modified or reduced in the manner provided in 5.2 below so that the benefits payable or to be provided to Executive under this Agreement that are treated as Severance Payments, as well as any payments or benefits provided outside of this Agreement that are so treated, shall not cause the Company to have paid an Excess

Severance Payment. In computing such amount, the parties shall take into account all provisions of Code Section 280G, and the regulations thereunder, including making appropriate adjustments to such calculation for amounts established to be Reasonable Compensation.

5.2 In the event that the amount of any Severance Payments which would be payable to or for the benefit of Executive under this Agreement must be modified or reduced to comply with this Section 5, Executive shall direct which Severance Payments are to be modified or reduced; *provided, however*, that no increase in the amount of any payment or change in the timing of the payment shall be made without the consent of the Company.

5.3 This Section 5 shall be interpreted so as to avoid the imposition of excise taxes on Executive under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G(a) of the Code with respect to amounts payable under this Agreement or otherwise. Notwithstanding the foregoing, in no event will any of the provisions of this Section 5 create, without the consent of Executive, an obligation on the part of Executive to refund any amount to the Company following payment of such amount.

5.4 In addition to the limits otherwise provided in this Section 5, to the extent permitted by law, Executive may in his sole discretion elect to reduce any payments he may be eligible to receive under this Agreement to prevent the imposition of excise taxes on Executive under Section 4999 of the Code.

5.5 For purposes of this Section 5, the following definitions shall apply:

(a) "Excess Severance Payment". The term "Excess Severance Payment" shall have the same meaning as the term "excess parachute payment" defined in Section 280G(b)(1) of the Code.

(b) "Severance Payment". The term "Severance Payment" shall have the same meaning as the term "parachute payment" defined in Section 280G(b)(2) of the Code.

(c) "Reasonable Compensation". The term "Reasonable Compensation" shall have the same meaning as provided in Section 280G(b)(4) of the Code. The parties acknowledge and agree that, in the absence of a change in existing legal authorities or the issuance of contrary authorities, amounts received by Executive as damages under or as a result of a breach of this Agreement shall be considered Reasonable Compensation.

(d) "Present Value". The term "Present Value" shall have the same meaning as provided in Section 280G(d)(4) of the Code.

6. MISCELLANEOUS.

6.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise

6.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

6.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and

agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to compensation and benefits from the Company under Section 4 in the amount and on the same terms as Executive would be entitled to hereunder if Executive were to terminate Executive's employment for Good Reason.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

6.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company: United Community Banks, Inc.
Attention: _____
P.O. Box 398
Blairsville, GA 30514

If to Executive: Guy W. Freeman

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

6.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

6.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

9

6.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

6.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

6.9 Disputes; Legal Fees; Indemnification.

(a) Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within 30 days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall promptly pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. Except to the extent provided in the preceding sentence, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

(c) Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

10

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

EXECUTIVE

/s/ Guy W. Freeman

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy Tallent

Attest:

/s/ Thomas C. Gilliland
Secretary
(CORPORATE SEAL)

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

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

W I T N E S S E T H:

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

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

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

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

NOW, THEREFORE, the parties hereby agree as follows:

1. TERM OF AGREEMENT.

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

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

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

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

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

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

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

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

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

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

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

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

(b) Approval by shareholders of the Company of (1) a merger or consolidation involving the Company if the shareholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation,

own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation, or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

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

2.5 "CIC Severance Period." A period equal to the lesser of (i) 24 months from Executive's Date of Termination or (ii) the number of months (rounded to the nearest month) from Executive's Date of Termination until the date he attains age 65.

2.6 "Code." The Internal Revenue Code of 1986, as it may be amended from time to time.

2.7 "Company." United Community Banks, Inc., a Georgia corporation, or any successor to its business and/or assets.

2.8 "Date of Termination." The date specified in the Notice of Termination (which, unless otherwise required by this Agreement, may be immediate) as the date upon which the Executive's employment with the Company is to cease. In the case of termination by Executive for Good Reason, the Date of Termination shall not be less than thirty (30) days nor more than sixty (60) days from the date the notice of termination is given.

3

2.9 "Disability." Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering the Executive, or in the absence of such plan, a meaning consistent with Section 22(e)(3) of the Code.

2.10 "Good Reason." A Good Reason for termination by Executive of Executive's employment shall mean the occurrence (without the Executive's express written consent) during the 6-month period prior to, or within the eighteen (18) month period following, the date of a Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraphs (a), (c), or (d) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof (the date 6 months prior to the date of the Change in Control is referred to in this Section 2.10 as the "Change in Control Date"):

(a) the substantial adverse change in Executive's responsibilities at the Company from those in effect immediately prior to the Change in Control Date; or

(b) the required relocation of Executive to a location outside of the market area of the Company on the Change in Control Date; or

(c) a material reduction from those in effect on the Change in Control Date in the levels of coverage of Executive under the Company's director and officer liability insurance policy or indemnification commitments; or

(d) after the Change in Control Date, a reduction in Executive's Base Salary, a reduction in his incentive compensation or the failure by the Company to continue to provide Executive with benefits substantially similar to those enjoyed by Executive under any of the Company's pension, deferred compensation, life insurance, medical, health and accident or disability plans in which Executive was participating at the Change in Control Date, the taking of any action by the Company which would directly or indirectly reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the Change in Control Date.

Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness, except for a Disability as defined in Section 2.9 above. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

2.11 "Notice of Termination." A written notice from one party to the other party specifying the Date of Termination and which sets forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.12 "Person". Any individual, corporation, bank, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other entity.

4

3. SCOPE OF AGREEMENT.

This Agreement provides for the payment of compensation and benefits to Executive in the event in connection with a Change in Control his employment is involuntarily terminated by the Company without Cause or if the Executive terminates his employment for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided that in such events, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company. Executive agrees that this Agreement supercedes and replaces any existing plan or arrangement of the Company, including any employment agreement, which provides Executive severance benefits in the event of his termination under the circumstances covered by this Agreement.

4. BENEFITS UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL.

If a Change in Control occurs during the term of this Agreement and Executive's employment is terminated within six (6) months prior to or eighteen (18) months following the date of the Change in Control, and if such termination is an involuntary termination by the Company without Cause (and does not arise as a result of death or Disability) or a termination by Executive for Good Reason (as defined in Section 2.10 above), Executive shall be entitled to the compensation and benefits described in Section 4.1 through 4.7 below. If Executive does not participate in a particular plan or program at the Change in Control Date (or if the Company no longer maintains or offers such plan or program at the Change in Control Date), the provisions of the section related to such plan, program or award shall not apply to Executive.

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the entire CIC Severance Period (as defined in Section 2.5 above), provided that all such salary payments shall be made in a lump sum payment (determined by taking the Present Value, as defined in Section 5.5, of such payments) no later than 30 days after his Date of Termination.

4.2 Annual Bonus. Executive shall be entitled to bonus payments from the Company as follows:

(a) Notwithstanding any terms of the plan to the contrary, for the fiscal year that ended prior to Executive's Date of Termination, but for which no annual bonus payments have been paid as of his Date of Termination, Executive shall receive a bonus calculated using the actual results for all performance criteria, provided that in no case shall the bonus under this subsection (a) be less than the bonus Executive received for the fiscal year immediately preceding such fiscal year. Such amount shall be payable at the time such bonus amounts are paid to other participants, or if previously paid to other participants, no later than 30 days after the Executive's Date of Termination.

5

(b) For the fiscal year during which Executive's Date of Termination occurs, Executive shall receive, within 30 days following his Date of Termination, a prorated bonus (based on the number of days that he was employed during such fiscal year), calculated as if Executive's target award level (including any personal performance component) under the Company's annual incentive had been achieved for such year.

(c) In addition to the bonus payments payable under (a) and (b) above, Executive shall be entitled to an additional bonus amount equal to the average of the bonuses paid to him with respect to the two fiscal years in which bonuses were paid to him immediately preceding the year in which his Date of Termination occurs, multiplied by two or, if less, multiplied by a number (which need not be a whole number) equal to the number of months in the CIC Severance Period divided by 12. Such bonus amount shall be payable in a lump sum within 30 days following the Executive's Date of Termination.

4.3 Health and Life Insurance Coverages.

(a) The group health care (including any executive medical plan) and group term life insurance benefits coverages provided to Executive at his Date of Termination shall be continued at the same level as for active executives and in the same manner as if his employment under this Agreement had not terminated, beginning on the Date of Termination and ending on the last day of the CIC Severance Period. Any additional coverages Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance. If the terms of any benefit plan referred to in this Section, or the laws applicable to such plan do not permit continued participation by Executive, then the Company will arrange for other coverage(s) satisfactory to Executive at Company's expense which provides substantially similar benefits or, at Executive's election, will pay Executive a lump sum amount equal to the costs of such coverage(s) for the CIC Severance Period.

(b) For purposes of any individual executive life insurance policy (or policies) maintained by the Company for Executive, the Company shall continue to pay the premiums for such policy or policies during the CIC Severance Period.

4.4 Retiree Medical Coverage. If Executive has satisfied the requirements for receiving Retiree Medical Coverage on his Date of Termination or will satisfy such requirements prior to the last day of the CIC Severance Period, Executive (and his dependents) shall be covered by, and receive benefits under, the Company's Retiree Medical Coverage program for executives at his level. Executive's Retiree Medical Coverage shall commence on the date his group health care coverage terminates under section 4.3 above, and shall continue for the life of the Executive (i.e., the coverage shall be vested and may not be terminated), subject only to such changes in the level of coverage that apply to executives at his level generally.

4.5 Profit Sharing Plan. Executive will be entitled to continue to participate, consistent with past practices, for the CIC Severance Period in the Profit Sharing Plan (or any successor or replacement plan) as in effect as of his Date of Termination. Executive's participation in such Profit Sharing Plan shall continue for the CIC Severance Period and the compensation payable to Executive under Sections 4.1 and 4.2(c) above shall be treated (unless otherwise excluded) as compensation under the plan as if it were paid on a monthly basis. Executive will receive an amount equal to the Company's contributions to the Profit Sharing Plan, assuming Executive had participated in such plan at the maximum permissible contributions level. If continued participation in any plan is not permitted by the plan or by applicable law, the Company shall pay to Executive or, if applicable, his beneficiary, a supplemental benefit equal to the Present Value on the Date of Termination (calculated as provided in the plan) of the excess of (i) the benefit Executive would have been paid under such plan if he had continued to be covered for the CIC Severance Period (less any amounts Executive would have been required to contribute), over (ii) the benefit actually payable under such plan. The Company shall pay such additional benefits in a lump sum within 30 days of his Date of Termination.

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4.6 Automobile, Club Dues. Executive shall be provided for the CIC Severance Period at the Company's expense with an automobile (and related automobile expenses) commensurate with the practice in effect for executives at the date of the Change in Control, and payment of club dues and assessments in accordance with the current practice.

4.7 Other Benefits. Except as expressly provided herein, all other fringe benefits provided to Executive as an active employee of the Company (e.g., long-term disability, AD&D, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease at the end of the CIC Severance Period.

5. LIMITATION ON BENEFITS.

5.1 Notwithstanding anything in this Agreement to the contrary, any benefits payable or to be provided to Executive by the Company or its affiliates, whether pursuant to this Agreement or otherwise, which are treated as Severance Payments shall, but only to the extent necessary, be modified or reduced in the manner provided in 5.2 below so that the benefits payable or to be provided to Executive under this Agreement that are treated as Severance Payments, as well as any payments or benefits provided outside of this Agreement that are so treated, shall not cause the Company to have paid an Excess

Severance Payment. In computing such amount, the parties shall take into account all provisions of Code Section 280G, and the regulations thereunder, including making appropriate adjustments to such calculation for amounts established to be Reasonable Compensation.

5.2 In the event that the amount of any Severance Payments which would be payable to or for the benefit of Executive under this Agreement must be modified or reduced to comply with this Section 5, Executive shall direct which Severance Payments are to be modified or reduced; *provided, however*, that no increase in the amount of any payment or change in the timing of the payment shall be made without the consent of the Company.

5.3 This Section 5 shall be interpreted so as to avoid the imposition of excise taxes on Executive under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G(a) of the Code with respect to amounts payable under this Agreement or otherwise. Notwithstanding the foregoing, in no event will any of the provisions of this Section 5 create, without the consent of Executive, an obligation on the part of Executive to refund any amount to the Company following payment of such amount.

5.4 In addition to the limits otherwise provided in this Section 5, to the extent permitted by law, Executive may in his sole discretion elect to reduce any payments he may be eligible to receive under this Agreement to prevent the imposition of excise taxes on Executive under Section 4999 of the Code.

5.5 For purposes of this Section 5, the following definitions shall apply:

- (a) "Excess Severance Payment". The term "Excess Severance Payment" shall have the same meaning as the term "excess parachute payment" defined in Section 280G(b)(1) of the Code.
- (b) "Severance Payment". The term "Severance Payment" shall have the same meaning as the term "parachute payment" defined in Section 280G(b)(2) of the Code.
- (c) "Reasonable Compensation". The term "Reasonable Compensation" shall have the same meaning as provided in Section 280G(b)(4) of the Code. The parties acknowledge and agree that, in the absence of a change in existing legal authorities or the issuance of contrary authorities, amounts received by Executive as damages under or as a result of a breach of this Agreement shall be considered Reasonable Compensation.
- (d) "Present Value". The term "Present Value" shall have the same meaning as provided in Section 280G(d)(4) of the Code.

6. MISCELLANEOUS.

6.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise

6.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

6.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or that acquires a controlling stock interest in the Company to expressly assume and

agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of such succession shall be a breach of this Agreement and shall entitle Executive to compensation and benefits from the Company under Section 4 in the amount and on the same terms as Executive would be entitled to hereunder if Executive were to terminate Executive's employment for Good Reason.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount is still payable to Executive hereunder (other than amounts which, by their terms, terminate upon the death of Executive), all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of Executive's estate.

6.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or seven days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company:	United Community Banks, Inc. Attention: _____ P.O. Box 398 Blairsville, GA 30514
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If to Executive:	Rex S. Schuette _____ _____
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Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

6.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

6.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

9

6.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

6.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

6.9 Disputes; Legal Fees; Indemnification.

(a) Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Board. Any denial by the Board of a claim for benefits under this Agreement shall be provided in writing to Executive within 30 days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Board a decision of the Board within sixty (60) days after notification by the Board that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Atlanta, Georgia, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) Legal Fees. If, in connection with a Change in Control, Executive terminates his employment for Good Reason or if the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful, in whole or in part, in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall promptly pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement including, without limitation, attorneys fees and expenses, experts fees and expenses, investigative fees, and travel expenses. Except to the extent provided in the preceding sentence, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

(c) Indemnification. During the Term of this Agreement and after Executive's termination, the Company shall indemnify Executive and hold Executive harmless from and against any claim, performance as an officer, director or employee of the Company or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at the Company's request, in each case to the maximum extent permitted by law and under the Company's Articles of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to Executive hereunder be less than that afforded under the Governing Documents as in effect on the date of this Agreement except from changes mandated by law.

10

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

EXECUTIVE

/s/ Rex S. Schuette _____

UNITED COMMUNITY BANKS, INC.

By: /s/ Jimmy Tallent _____

Attest:

/s/ Thomas C. Gilliland _____
Secretary
(CORPORATE SEAL)