

UNITED COMMUNITY BANKS INC
Form DEF 14A
March 28, 2008

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

SCHEDULE 14A INFORMATION

Consent Solicitation Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(3)	Filing party: N/A
(4)	Date Filed: N/A

63 HIGHWAY 515
BLAIRSVILLE, GEORGIA 30514-0398

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be Held on April 30, 2008

The Annual Meeting of Shareholders of United Community Banks, Inc. will be held on April 30, 2008 at 2:00 p.m. at Brasstown Valley Resort, Young Harris, Georgia:

1. To elect ten directors to constitute the Board of Directors to serve until the next annual meeting and until their successors are elected and qualified.
2. To ratify the appointment of Porter Keadle Moore, LLP as independent registered public accountant for 2008.
3. To consider and act upon any other matters that may properly come before the meeting and any adjournment thereof.

Only shareholders of record at the close of business on March 14, 2008 will be entitled to notice of, and to vote at, the meeting. A proxy statement and a proxy solicited by the Board of Directors are enclosed.

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

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

BY ORDER OF THE
BOARD OF DIRECTORS,

Jimmy C. Tallent,
President and Chief
Executive Officer

March 28, 2008

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

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ii.

March 28, 2008

63 HIGHWAY 515
BLAIRSVILLE, GEORGIA 30514-0398

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of United Community Banks, Inc. for use at the 2008 Annual Meeting of Shareholders to be held on Wednesday, April 30, 2008 at 2:00 p.m., at Brasstown Valley Resort, Young Harris, Georgia, and at any adjournments or postponements of the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters set forth in the accompanying notice of meeting, including the election of ten directors, the ratification of the appointment of United's independent registered public accountant and any other matters that may properly come before the meeting.

Who is entitled to vote?

All shareholders of record of United's common stock at the close of business on March 14, 2008, which is referred to as the record date, are entitled to receive notice of the Annual Meeting and to vote the shares of common stock held by them on the record date. Each outstanding share of common stock entitles its holder to cast one vote for each matter to be voted upon.

How do I cast my vote?

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

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

What are the quorum and voting requirements?

The presence, in person or by proxy, of holders of at least a majority of the total number of outstanding shares of common stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. As of the record date, there were 46,984,672 shares of common stock outstanding and entitled to vote at the Annual Meeting.

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

1. For the election of directors, those nominees receiving the greatest number of votes at the Annual Meeting shall be deemed elected, even though the nominees may not receive a majority of the votes cast. However, as described in “Corporate Governance – Majority Vote Requirement”, under certain circumstances, nominees who are elected receiving less than a majority vote may be asked to resign.
2. For the ratification of the appointment of Porter Keadle Moore, LLP as independent registered public accountant for 2008, the vote of a majority of the shares voted on the matter.
3. For any other business at the Annual Meeting, the vote of a majority of the shares voted on the matter, assuming a quorum is present, shall be the act of the shareholders on that matter, unless the vote of a greater number is required by law.

How are votes counted?

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

Because directors are elected by a plurality of the votes cast, except as described in “Corporate Governance – Majority Vote Requirement”, the director nominees who get the most votes will be elected even if such votes do not constitute a majority. Directors cannot be voted “against” and votes to “withhold authority” to vote for a certain nominee will have no effect if the nominee receives a plurality of the votes cast. For the ratification of the appointment of Porter Keadle Moore, LLP as independent registered public accountant for 2008 and any other proposals that come before the meeting, you may vote “for” or “against” the proposal.

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

Will other matters be voted on at the Annual Meeting?

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

Can I revoke my proxy instructions?

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

- filing a written revocation with the Secretary of United at the following address:
P.O. Box 398, Blairsville, Georgia 30514-0398;
- filing a duly executed proxy bearing a later date; or
- appearing in person and electing to vote by ballot at the Annual Meeting.

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

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

What other information should I review before voting?

The 2007 annual report to shareholders and the annual report on Form 10-K filed with the Securities and Exchange Commission, including financial statements for the year ended December 31, 2007, is enclosed with this proxy statement. The annual report is not part of the proxy solicitation material. An additional copy of the annual report on Form 10-K may be obtained without charge by:

- accessing United’s website at ucbi.com;
- writing to the Secretary of United at the following address:
P.O. Box 398, Blairsville, Georgia 30514-0398; or
- accessing the EDGAR database at the SEC’s website at sec.gov.

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

PROPOSAL 1 - ELECTION OF DIRECTORS

Introduction

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

Information Regarding Nominees for Director

The following information has been furnished by the respective nominees for director as of March 1, 2008. All of the nominees for director are existing directors that have been nominated by Board of Directors for re-election. Each nominee has been or was engaged in his present or last principal employment, in the same or a similar position, for more than five years.

Name (Age)	Information About Nominee	Director Since
Jimmy C. Tallent (55)	President and Chief Executive Officer of United	1988
Robert L. Head, Jr. (68)	Chairman of the Board of United; Owner of Head Construction Company and Head-Westgate Corp., commercial construction companies, Blairsville, Georgia	1988
W. C. Nelson, Jr. (64)	Vice Chairman of the Board of United; Owner of Nelson Tractor Company, Blairsville, Georgia	1988
A. William Bennett (66)	Partner in Bennett, Davidson & Associates, LLP, Certified Public Accountants, Washington, Georgia	2003
Robert H. Blalock (60)	Owner of Blalock Insurance Agency, Inc., Clayton, Georgia	2000
Guy W. Freeman (71)	Executive Vice President and Chief Operating Officer of United	2001
Charles E. Hill (70)	Retired Director of Pharmacy at Union General Hospital, Blairsville, Georgia	1988
Hoyt O. Holloway (68)	Owner of H&H Farms, poultry farm, Blue Ridge, Georgia	1993
John D. Stephens (67)	Owner of Stephens MDS, LP, Atlanta, Georgia	2007
Tim Wallis (56)	Owner of Wallis Printing Co., Rome, Georgia	1999

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

Thomas C. Gilliland, Jr., retired from his positions as Executive Vice President, Secretary and General Counsel of United effective January 31, 2008. Mr. Gilliland also decided to not stand for re-election to the Board of Directors at the Annual Meeting and will retire as a director at the end of his current term on April 30, 2008.

Director Emeritus

In April 2007, the Honorable Zell B. Miller, 75, was re-elected by the Board of Directors of United to serve as a Director Emeritus. This is an elected role by the Board that provides leadership, counsel and guidance on various issues and policies that could affect United. Prior to becoming a member of the U.S. Senate, Mr. Miller served as a member of the Board of Directors of United from 1999 to 2000. Mr. Miller was a U. S. Senator from 2000 to 2005 and previously served two terms as Governor and four terms as Lt. Governor of the State of Georgia.

Board of Directors and Committees

The Board of Directors held ten meetings during 2007. All of the directors attended at least 75 percent of the meetings of the Board and meetings of the committees of the Board on which they served that were held during 2007. Directors are expected to be present at all Annual Meetings of United.

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

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

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

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

Compensation Committee

The Compensation Committee is responsible for establishing and administering the policies that govern the compensation arrangements for executive officers and other senior officers. The Compensation Committee is also

responsible for oversight and administration of certain executive and employee compensation and benefit plans, including the Amended and Restated 2000 Key Employee Stock Option Plan (the "Equity Plan"), the Deferred Compensation Plan, the Modified Retirement Plan and the Employee Stock Purchase Plan. It periodically reviews and makes recommendations to the Board with respect to Directors Compensation. The Compensation Committee met seven times during 2007.

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Audit Committee

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

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

The Audit Committee met eight times during 2007.

Nomination/Corporate Governance Committee

The Nominating/Corporate Governance Committee reviews United's Corporate Governance Guidelines and policies and monitors compliance with those guidelines and policies. In addition, the Nominating/Corporate Governance Committee is responsible for identifying individuals qualified to become Board members and recommending to the Board of Directors nominees for election and candidates for each committee appointed by the Board. The Nominating/Corporate Governance Committee met one time during 2007.

Vote Required

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

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

Recommendation

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

CORPORATE GOVERNANCE

Director Nominations

General

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

Nominating/Corporate Governance Committee Procedures

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

Shareholder Nominations

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

- In order to be considered timely, a nomination for the election of a director must be received by United no less than 120 days before the anniversary of the date United's proxy statement was mailed to shareholders in connection with the previous year's Annual Meeting.
- A shareholder nomination for director must set forth, as to each nominee such shareholder proposes to nominate:
 1. the name and business or residence address of the nominee;
 2. an Interagency Biographical and Financial Report available from the Federal Deposit Insurance Corporation completed and signed by the nominee;
 3. the number of shares of common stock of United which are beneficially owned by the person;
 4. the total number of shares that, to the knowledge of nominating shareholder, would be voted for such person; and
 5. the signed consent of the nominee to serve, if elected.

- The notice by a nominating shareholder shall also set forth:
 1. the name and residence address of such nominating shareholder; and
 2. the class and number of shares of common stock of United which are beneficially owned by such shareholder.

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

Majority Vote Requirement

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

Code of Ethical Conduct

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

Shareholder Communication

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

Certain Relationships and Related Transactions

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

Prior to entering into such a related person transaction or an amendment thereof, the Board or Audit Committee must consider all of the available relevant facts and circumstances, including if applicable, benefits to United, the impact of a transaction on a director's independence, the availability of other sources for comparable products or services, the terms of the transaction, and the terms available to or from unrelated third parties or employees generally, as the case may be. No member of the Board or Audit Committee shall participate in any review, consideration, or approval of any related person transaction with respect to which such member or any of his or her immediate family members is a related person.

Mr. Wallis, a member of the Board of Directors of United, is the owner of a printing company that United and its bank subsidiaries engaged during 2007 to perform various printing services totaling \$145,000.

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

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COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Overview

The Compensation Committee of the Board of Directors (the “Committee”) has the important responsibility of ensuring that the Company’s executive compensation policies and practices are based on three simple principles:

- Pay competitively within our industry;
- Pay for appropriate performance based on pre-established goals; and
- Design compensation programs with a balance between short-term and long-term objectives.

No Compensation Committee member has been an officer or employee of United, and the Board has considered and determined that all of the members are independent as “independent” is defined under the Nasdaq Marketplace Rules. All members of the Compensation Committee, having a significant percentage of their net worth invested in shares of United, have interests aligned with the interests of other shareholders. The Compensation Committee’s charter is available in the corporate governance section of United’s website, ucbi.com.

To assist it in determining how best to achieve the above objectives, the Compensation Committee in 2004 conducted an interview process with several prominent compensation consulting firms that had no previous relationships with the Company, and selected Watson Wyatt & Co. for a three-year engagement to advise it and the Board on executive compensation. In October, 2007, the Committee agreed to extend the engagement of Watson, Wyatt for another three-year period. Watson Wyatt has provided no other consulting services to United.

In addition to its focus on compensation matters, the Compensation Committee occasionally recommends policies related to leadership development and employee retention for consideration by the Board of Directors. For example, in 2005 the Committee proposed guidelines for stock ownership by senior and executive management that were subsequently adopted by the Board.

In 2005, the Committee began to consider the design and functioning of a “pay for performance” plan for the annual cash bonuses paid to executive management. This project was inspired by a desire to link salary and bonuses to objective standards of performance. In addition, the plan was designed to qualify for compliance with the limitations on executive compensation deductions under Internal Revenue Code Section 162(m). In January, 2007, the Committee established the performance parameters to be used for 2007 under the “Management Annual Incentive Plan” adopted by the shareholders at the Annual Meeting in April, 2007.

An important element of compensation in the banking industry is the provision of long-term incentives in the form of equity awards such as stock options, restricted stock, and restricted stock units. The Compensation Committee is charged with the responsibility of determining and granting awards each year. Watson Wyatt has advised the Compensation Committee on the practices of our “peer group” companies as information useful in determining the best use of equity compensation in the overall compensation package of United’s executive management and other key officers.

Philosophy

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

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

Administration

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

Though not members of the Compensation Committee, Jimmy Tallent, United's Chief Executive Officer and Rex Schuette, United's Executive Vice President and Chief Financial Officer were invited to most Compensation Committee meetings along with Robert Head, Chairman of the Board of Directors and Zell Miller, Director Emeritus. Prior to his retirement in January 2008, Thomas Gilliland, United's former Executive Vice President, Secretary and General Counsel was also invited to most meetings. Although all invitees may participate in discussions and provide information that the Compensation Committee considers (except for discussions with respect to any invitee's own compensation, in which an executive does not participate), invitees do not participate in voting and decision-making.

In setting and approving compensation of senior executives, the Compensation Committee considers objective measurements of business performance, the accomplishment of strategic and financial objectives, the development of management talent within the company, and other matters relevant to the short-term and the long-term success of the company and the enhancement of shareholder value in the broadest sense. As described above, with respect to Mr. Schuette, Mr. Gilliland, Mr. Freeman - United's Executive Vice President and Chief Operating Officer, and Mr. Shearrow - United's Executive Vice President and Chief Risk Officer (referred to herein together with Mr. Tallent as the "Named Executive Officers"), the Committee also considered the recommendations of Mr. Tallent in 2007.

In performing its responsibilities for executive compensation, the Compensation Committee has sole authority to, and does to the extent it deems necessary or desirable, retain and consult with outside professional advisors. During 2007, Watson Wyatt & Co. advised the Compensation Committee and the

Board on executive compensation. Watson Wyatt reported directly to the Compensation Committee. Watson Wyatt performed a study of the compensation of executive management of companies within the industry and with companies of comparable size. The groups used to compare executive compensation include (1) a peer group of 14 bank holding companies with asset sizes ranging from \$6 to \$10 billion and a median of \$7.8 billion (the "Peer Group") and a reference group of eight bank holding companies with asset sizes ranging from \$10 to \$14 billion with a median asset size of \$11.3 billion (the "Reference Group"), approximately the asset size to which United may grow to in the next three years based on recent growth. The Peer Group consisted of Alabama National Bancorporation, Chittenden Corporation, First Midwest Bancorp, Inc., Greater Bay Bancorp, MB Financial, Inc., Old National Bancorp, Provident Bankshares Corporation, Pacific Capital Bancorp, Susquehanna Bancshares, Inc., Trustmark Corporation, United Bankshares, Inc., UMB Financial Corporation, Umpqua Holdings Corporation and Wintrust Financial Corporation. The Reference Group consisted of Bank of Hawaii Corporation, BancorpSouth, Inc. Cullen/Frost Bankers, Inc., FirstMerit Corporation, Sterling Financial Corporation, South Financial Group, Inc., Valley National Bancorp and Whitney Holding Corporation. The Compensation Committee also compared United's executive compensation to published executive compensation surveys, including bank holding companies with similar asset sizes, compiled with the assistance of Watson Wyatt (the "Published Surveys").

The Compensation Committee compares the performance of United to the performance of the companies in the Peer Group and Reference Group and establishes United's compensation similar to or more or less than such companies consistent with its goal of competitively compensating United's Named Executive Officers. Because during the past several years, United has outperformed the median performance of the Peer Group and Reference Group, the Compensation Committee has attempted to compensate its Named Executive Officers comparable to executive officers at Peer Group and Reference Group companies but generally above the median compensation paid in each such group. The Compensation Committee also uses Watson Wyatt's analysis to assist in determine the amounts of each element of compensation.

Elements of Compensation

Compensation for each senior executive is allocated among annual base salary, annual cash bonus awards and equity incentive compensation awards. The Compensation Committee chooses to pay each element of compensation in order to attract, retain and motivate highly qualified executive talent, reward superior annual performance and provide incentive for their balanced focus on long-term strategic goals and increasing shareholder value as well as short-term performance. The amount of each element of compensation is determined by or under the direction of the Compensation Committee, which uses the following factors to determine the amount of salary and other benefits to pay each executive: performance against corporate and individual objectives for the previous year; difficulty of achieving desired results in the coming year; value of their unique skills and capabilities to support United's long-term performance; performance of their general management responsibilities; and, contribution as a member of the executive management team. These elements are designed to be competitive with comparable employers and to align the senior executives' incentives with the long-term interests of United's shareholders.

Although the Compensation Committee does not set overall compensation targets and then allocate among the elements, it does review total compensation when making decisions on each element of compensation to ensure that the total compensation for each senior executive is justified and appropriate in the best interests of the company.

The following is a summary of the Compensation Committee's actions during 2007 with respect to annual base salary, annual cash bonus awards and equity incentive compensation awards.

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

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

In 2007, the Compensation Committee, at the request of Mr. Tallent, did not increase the annual base salaries for any of United's executive officers including Mr. Tallent, Mr. Schuette, Mr. Gilliland and Mr. Freeman. Mr. Shearrow's base salary was approved by the Compensation Committee during negotiations for his employment offer in April 2007 and has not been adjusted subsequently.

Annual Cash Bonuses. The Compensation Committee believes that its senior executives' annual cash bonus should be linked directly to achievement of specified financial and non-financial objectives. Effective January 19, 2007, the Board of Directors adopted the Management Annual Incentive Plan which was subsequently approved by the shareholders at the 2007 shareholders' meeting. In connection with the Management Annual Incentive Plan, the Compensation Committee considered the non-financial factors discussed earlier and various financial performance measures, including operating earnings per share; returns on equity, tangible equity and assets; revenue, loan and deposit growth; operating efficiency; loan and credit quality; and customer satisfaction scores.

Because these financial performance measures were not met during 2007, the Compensation Committee did not award cash bonuses to any Named Executive Officers except for Mr. Shearrow, whose cash bonus had previously been agreed to as part of his employment offer and accepting his current position at United.

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

Equity incentive awards were granted under the Equity Plan, which is a broad-based, shareholder approved plan covering senior executives and other key management personnel. The Equity Plan permits United to grant stock options, restricted stock and restricted stock units and provides additional flexibility, if circumstances of United's business and opportunities warrant, to grant other forms of equity-based compensation. Prior to 2003, the primary forms of equity compensation that United awarded were incentive stock options and non-qualified stock options. United selected this form because of the favorable accounting treatment. However, in 2004 in anticipation of a change in the accounting treatment for stock options, the Compensation Committee began granting a limited number of restricted stock awards to senior executives in lieu of stock options. In 2007, for United's senior executives, the Compensation Committee granted approximately half of the value of all equity compensation awards in non-qualified stock options and half in restricted stock awards.

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

During 2007, options to acquire 605,700 shares of common stock were awarded by the Compensation Committee, including options to acquire 105,000 shares of common stock awarded to the Named Executive Officers. Additionally, 48,400 restricted stock awards were awarded during 2007, including 28,900 restricted stock units awarded to the Named Executive Officers.

Retirement and Other Benefits.

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

Modified Retirement Plan. United maintains a modified retirement plan (the "Modified Retirement Plan") for its Named Executive Officers and certain other key personnel. See the disclosure provided in "Executive Compensation – Pension Benefits" for a description of the material terms of the Modified Retirement Plan and disclosure of 2007 benefits provided to the Named Executive Officers under the Modified Retirement Plan.

Deferred Compensation Plan. In addition, United maintains a deferred compensation plan (the "Deferred Compensation Plan") for senior management, members of the Board of Directors, members of United's local community bank boards and certain other key personnel. See the disclosure provided in "Executive Compensation – Nonqualified Deferred Compensation" for a description of the material terms of the Deferred Compensation Plan and disclosure of 2007 benefits provided to the Named Executive Officers under the Deferred Compensation Plan.

Perquisites and Other Benefits.

The perquisites provided to United's Named Executive Officers in 2007 were the use of a company-owned car and the payment of the dues for club memberships that are not used exclusively for business purposes. These personal benefits are generally provided to similarly situated financial institution executives in the company's market areas, and United believes it is appropriate to award its senior executives similar benefits.

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

Severance Benefits

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

In connection with his retirement, Mr. Gilliland entered into an amendment to certain of his outstanding stock option and restricted stock unit award agreements under the 1995 Key Employee Stock Option Plan and the Equity Plan. The amendment changed the vesting and exercise periods of the awards granted to Mr. Gilliland, except those unvested awards granted in 2006 and 2007, so that each award will continue to vest and be exercisable following Mr. Gilliland's retirement in accordance with the initial vesting and exercise schedules for such awards. The amendments were made at no additional cost to United. A copy of the Amendment was filed as Exhibit 10.1 to United's Current Report on Form 8-K on February 5, 2008.

Benefits Upon a Change in Control

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

For that reason, United's Named Executive Officers have each entered into a Change in Control Severance Agreement with the company, the terms of which are described in "Agreements with Executive Officers and Post-Employment Compensation". The Compensation Committee has established the payment and benefit levels to be paid to the Named Executive Officers following a change in control under these agreements consistent with what the Compensation Committee believes is standard for financial institution executives in the markets in which United operates.

Based upon a hypothetical change in control and the termination of Messrs. Tallent, Freeman, Schuette or Shearrow as of December 31, 2007, all payments of compensation and benefits under the Change in Control Severance Agreements would be capped at the following approximate amounts: Mr. Tallent \$2,190,000; Mr. Freeman \$1,255,000; Mr. Schuette \$1,046,000; and Mr. Shearrow \$336,000. The Compensation Committee believes that these potential benefits would be minor relative to the substantial transaction value for United's shareholders. Mr. Gilliland's Change in Control and Severance Agreement terminated at no cost to United at the time of his retirement.

Executive Compensation

Summary Compensation Table

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

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (1)	Bonus(1)	Restricted stock awards(2)	Stock option awards(2)	Change in pension value and deferred compensation earnings(3)	All other(4)	Total
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