

UNITED SECURITY BANCSHARES

Form S-4

December 06, 2006

As Filed With the Securities and Exchange Commission on December 6, 2006

Registration No.

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

## UNITED SECURITY BANCSHARES

(Exact Name of Registrant as Specified in its Charter)

**California**

(State or Other Jurisdiction of  
Incorporation or Organization)

**6022**

(Primary Standard Industrial  
Classification Code Number)

**91-2112732**

(I.R.S. Employer  
Identification Number)

**2126 Inyo Street, Fresno, California 93721**

**(559) 248-4944**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Dennis R. Woods, President and Chief Executive Officer**

**United Security Bancshares**

**2126 Inyo Street, Fresno, California 93721**

**(559) 248-4944 / Fax: (559) 248-5088**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

**Gary Steven Findley, Esq.**

**Gary Steven Findley & Associates**

**1470 N. Hundley Street, Anaheim, California 92806**

**Daniel B. Eng, Esq.**

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(714) 630-7136 / Fax: (714) 630-7910

(916) 930-2500 / Fax: (916) 930-2501

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Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after the effective date of this Registration Statement and the satisfaction or waiver of all other conditions to the merger described in the proxy statement-prospectus.

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

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

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

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, no par value	1,192,821	\$ 23.46	\$ 27,983,580.66	(1) \$ 2,994.25

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(1) Pursuant to the provisions of Rule 457(o) the registration fee is calculated based on 1,192,821 shares of Registrant's common stock at \$23.46 per share, based on the closing price of Registrant's common stock on December 1, 2006.

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

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To the Shareholders of Legacy Bank, N.A.

APPROVAL OF A MERGER PROPOSAL

YOUR VOTE IS VERY IMPORTANT

The Board of Directors of Legacy Bank, N.A. has approved a merger combining Legacy Bank with United Security Bank, which will continue as the subsidiary of United Security Bancshares. This document serves as both the proxy statement of Legacy Bank and the prospectus of United Security.

In the transaction, shareholders of Legacy Bank will receive shares of stock in United Security for each share of Legacy Bank common stock that they own. It is most likely that the shareholders of Legacy Bank will receive at least \$12.8471 worth of United Security common stock for each share of Legacy Bank common stock.

We expect the transaction will be tax-free to Legacy Bank's shareholders that do not choose to exercise dissenter's rights, except that cash paid in lieu of fractional shares will be taxable. Upon completion of the merger, we expect that the shareholders of Legacy Bank will own approximately 9.5% of the outstanding common stock of United Security.

We will hold a special meeting at which we will ask our shareholders to approve the merger. Information about this meeting and the merger is contained in this proxy statement-prospectus. **In particular, see Risk Factors beginning on page .** We urge you to read this document carefully and in its entirety.

**Whether or not you plan to attend the meeting, please vote as soon as possible to make sure that your shares are represented at the meeting. If you do not vote, it will have the same effect as voting against the merger.**

**Our board of directors unanimously recommends that our shareholders vote FOR the merger.**

Gary L. Hong  
Chairman of the Board

Thomas E. Ray  
President and Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this proxy statement-prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

This proxy statement-prospectus is dated , 200 .

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**Legacy Bank, N.A.**

**Notice of Special Meeting of Shareholders**

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To: The Shareholders of

Legacy Bank, N.A.

Notice is hereby given that, under the terms of its Bylaws and the call of its Board of Directors, the special meeting of shareholders of Legacy Bank will be held at \_\_\_\_\_, located at \_\_\_\_\_, Campbell, California, on \_\_\_\_\_ day, \_\_\_\_\_, 200 \_\_\_\_\_, at \_\_\_\_\_ .m., for the purpose of considering and voting upon the following matters:

1. **Approval of the Merger Agreement.** To approve the merger agreement dated October 6, 2006, as amended on December 1, 2006, attached as Appendix A to the proxy statement-prospectus and the merger of Legacy Bank with United Security Bank.
2. **Transaction of Other Business.** To transact other business that may properly be presented at the special meeting and any adjournment or adjournments of the special meeting.

The merger agreement sets forth the terms of the acquisition of Legacy Bank by United Security. As a result of the acquisition, all shareholders of Legacy Bank will receive newly issued shares of United Security common stock for their shares of Legacy Bank common stock. The transaction is also more fully described in the enclosed proxy statement-prospectus and in Appendix A.

The Board of Directors has fixed the close of business on \_\_\_\_\_, 2006, as the record date for determination of shareholders entitled to notice of, and the right to vote at, the special meeting of shareholders.

Since the affirmative vote of shareholders holding not less two-thirds of the outstanding shares of Legacy Bank common stock is required to approve the merger agreement, as amended and the merger of Legacy Bank with United Security Bank, it is essential that all shareholders vote. You are urged to vote in favor of the proposal by signing and returning the enclosed proxy as promptly as possible, whether or not you plan to attend the special meeting of shareholders in person. If you do attend the meeting you may then withdraw your proxy. The proxy may be revoked at any time prior to its exercise.

By Order of the Board of Directors

Dated: \_\_\_\_\_, 2006

\_\_\_\_\_, Corporate Secretary

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**Questions and Answers About the Merger**

*This question and answer summary highlights selected information contained in other sections of this proxy statement-prospectus. To understand the merger more fully, you should carefully read this entire proxy statement-prospectus, including all appendices and financial statements.*

**Q: What am I being asked to vote on?**

A: You are being asked to vote on an agreement which, if approved, will result in Legacy Bank being merged with United Security Bank, a subsidiary of United Security.

**Q: What will happen if Legacy Bank shareholders approve the merger?**

A: If Legacy Bank shareholders approve the merger, Legacy Bank will merge with United Security Bank, a bank subsidiary of United Security, and Legacy Bank will cease to operate. We expect this to take place on or about February 16, 2007. In the merger, each outstanding share of Legacy Bank common stock will be converted into that number of shares of United Security common stock determined pursuant to the terms of the merger agreement.

**Q: Why is Legacy Bank merging with United Security Bank?**

A: United Security's and Legacy Bank's respective managements believe that their respective shareholders will benefit from the merger because the business potential for the combined companies exceeds what each company could individually accomplish. United Security and Legacy Bank believe that their similar and complementary financial products and services in their respective markets will contribute to enhanced future performance, as well as providing a larger shareholder base. United Security and Legacy Bank believe a larger shareholder base will increase shareholder liquidity and provide for increased shareholder value. Please read the section entitled "The Merger - Background and Reasons for the Merger; Recommendation of the Board of Directors" for additional information.

**Q: Should I send in my certificates now?**

A: No. You should not send your Legacy Bank stock certificates in the envelope provided for use in returning your proxy. You will be sent written instructions for exchanging your stock certificates only if the merger is approved and completed.

**Q: What happens if I do not return my proxy card?**

A: If you fail to execute and return your proxy card, it will have the same effect as voting against the merger.

**Q: What risks should I consider before I vote on the merger?**

A: The risks that you should consider in deciding how to vote on the merger are explained in the section of this proxy statement-prospectus entitled "Risk Factors." You are urged to read this section, as well as the rest of this proxy statement-prospectus, before deciding how to vote.



**Q: How do I vote?**

A: Just indicate on your proxy card how you want to vote. Sign and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the Legacy Bank special shareholders meeting. Alternatively, you may attend the meeting and vote in person.

If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be voted in favor of the merger. If you do not sign and send in your proxy card or you abstain from voting, it will have the effect of voting against the merger.

You may attend the meeting and vote your shares in person, rather than voting by proxy. In addition, you may withdraw your proxy up to and including the day of the Legacy Bank special shareholders meeting by following the directions on pages - and either change your vote or attend the meeting and vote in person.

**Q: If my shares are held in my broker's name, will my broker vote them for me?**

A: No. Your broker can only vote your shares of Legacy Bank common stock if you provide instructions on how to vote them. You should, therefore, instruct your broker on how to vote your shares by following the directions your broker provides when forwarding these proxy materials to you. If you do not provide voting instructions to your broker, your broker will not be able to vote your shares. This will have the effect of voting against the merger.

**Q: How do Legacy Bank's directors plan to vote?**

A: All of Legacy Bank's directors have committed to vote their shares in favor of the merger. Legacy Bank's directors collectively hold, as of the record date for the special shareholders meeting, 559,371 shares, or approximately 33.4%, of Legacy Bank common stock eligible to vote. The affirmative vote of 66<sup>2</sup>/<sub>3</sub>% of Legacy Bank's issued and outstanding shares of common stock eligible to vote is needed to approve the merger.

**Q: Who can help answer my other questions?**

A: If you want to ask any additional questions about the merger, you should contact Mr. Thomas E. Ray, President and Chief Executive Officer, Legacy Bank, N.A., 125 E. Campbell Avenue, Campbell, California 95008, telephone (408) 641-1000.

## Summary

*This summary only highlights selected information from this proxy statement-prospectus. You should carefully read this entire proxy statement-prospectus, including the appendices. These will give you a more complete description of the merger, the merger agreement, as amended, which is referred to in this proxy statement-prospectus as the merger agreement, and the transactions proposed. You should also refer to the section entitled Description of United Security.*

### General

This proxy statement-prospectus relates to the proposed merger of Legacy Bank with United Security Bank, a subsidiary of United Security. Legacy Bank and United Security believe that the merger will create opportunities to apply their similar community banking philosophies to realize enhanced revenues through asset growth and market penetration.

### Parties to the Merger (pages    and    )

#### *United Security Bancshares*

*2126 Inyo Street*

*Fresno, California 93721*

*(559) 248-4944*

United Security is a bank holding company headquartered in Fresno, California. United Security has one subsidiary bank, United Security Bank. Through its subsidiary, United Security serves the California communities of Bakersfield, Fresno, Firebaugh, Coalinga, Caruthers, San Joaquin, Taft and Oakhurst.

Please read the section entitled Description of United Security for additional information about United Security and United Security Bank.

#### *Legacy Bank, N.A.*

*125 E. Campbell Avenue*

*Campbell, California 95008*

*(408) 641-1000*

Legacy Bank is a national banking association which opened for business on October 1, 2003. It has an office in Campbell. Legacy Bank serves the California community of Campbell and other communities in Santa Clara county.

Please read the section entitled Information About Legacy Bank for additional information.

#### *United Security Bank*

*2126 Inyo Street*

*Fresno, California 93721*

*(559) 248-4944*

United Security Bank, N.A., predecessor to United Security Bank, originally started business as a national banking association on December 21, 1987. On February 1, 1999, United Security Bank was incorporated under the laws of the State of California, and on February 3, 1999, following its conversion from a national banking association, was licensed by the California Commissioner of Financial Institutions and started operations as a California state-chartered bank. United Security Bank is a member of the Federal Reserve System. United Security Bank has ten banking branches and one construction lending office which provide financial services in Fresno, Madera and Kern counties. Under the terms of the merger agreement Legacy Bank will merge with United Security Bank, and United Security Bank will be the survivor.

**Special Shareholders Meeting (Page )**

Legacy Bank will hold its special shareholders meeting at , located at , Campbell, California 95008 on day, , 200 at .m. At this important meeting, Legacy Bank shareholders will consider and vote upon the approval of the merger and any other matter that is properly presented at the special shareholders meeting. You may vote at the Legacy Bank special shareholders meeting if you owned shares at the close of business on , 2006. On that date, Legacy Bank had 1,674,373 shares of common stock issued and outstanding and entitled to be voted.

Each Legacy Bank shareholder is entitled to one vote for each share he or she held on , 2006. The affirmative vote by holders of at least two-thirds of Legacy Bank s outstanding shares is required to approve the merger. United Security s shareholders are not required to approve the merger. Please read the section entitled The Legacy Bank Meeting for additional information.

**The Merger (Page )**

The merger will result in Legacy Bank being merged out of existence and into United Security Bank. The merger will not occur without Legacy Bank s shareholders approval. There are also other customary conditions which must be met in order for the merger to be completed. Please read the sections entitled The Merger - Structure of the Merger and - Certain Effects of the Merger for additional information.

**The Merger Agreement (Page )**

The merger agreement is the legal document that contains the merger s terms and governs United Security s and Legacy Bank s merger process, including the issuance of United Security common stock to Legacy Bank s shareholders in the merger. Please read the entire merger agreement which is attached to this proxy statement-prospectus as Appendix A. Also, please read the section entitled The Merger - The Merger Agreement for additional information.

**Consideration to be Paid to Legacy Bank Shareholders (Page )**

You will have the right to receive newly issued shares of United Security common stock in exchange for your shares of Legacy Bank common stock. The number of shares of United Security common stock to be issued is based upon an exchange ratio contained in the merger agreement.

The merger agreement provides that the number of shares of United Security common stock into which a share of Legacy Bank common stock shall be converted shall be determined in accordance with a formula. The formula for the calculation of the number of shares of United Security received for each Legacy Bank share is as follows:

First, we determine the amount of the per share merger consideration to be paid to the Legacy Bank shareholders. The merger consideration for each share of Legacy Bank common stock is the amount equal to the quotient of (A) the sum of (i) the product of \$13.00 multiplied by 1,672,373 plus (ii) the aggregate dollar amount of capital added to Legacy Bank's shareholders' equity account upon the exercise of the Legacy Bank stock options or Legacy Bank warrants, as applicable, minus (iii) the costs associated with the cancellation of Legacy Bank's data processing/technology agreements, divided by (B) the sum of (i) 1,672,373 plus (ii) the number of additional shares of Legacy Bank common stock issued upon exercise of any Legacy Bank stock option and/or Legacy Bank warrant, as applicable.

To determine the number of shares of United Security common stock, to be paid to for each share of Legacy Bank common stock, we then divide the per share merger consideration by the average closing price of a share of United Security common stock during the 20 business days ending on the fifth business day immediately prior to the closing of the merger, provided, however, that the average closing price for purposes of the calculation shall not be more than \$25.00.

In the event the average closing price is less than \$20.00, the merger agreement will terminate unless the parties renegotiated the merger terms.

As of November 17, 2006, one holder of a Legacy Bank stock option has exercised his option and has acquired 2,000 shares of newly issued Legacy Bank common stock.

Assuming

- no other holders of Legacy Bank stock options or Legacy Bank warrants exercise either their options or warrants
- the costs associated with canceling Legacy Bank's data processing/technology agreements are approximately \$250,000, and
- the average closing price for United Security common stock is \$ ,

then, the shareholders of Legacy Bank will receive approximately shares of United Security common stock for each share of Legacy Bank common stock held. Please read the sections entitled Risk Factors - Risks Regarding the Merger and The Merger - Calculation of Consideration to be Paid to Legacy Bank Shareholders for additional information.

**Regulatory Approvals (Page )**

United Security has filed applications with the Federal Reserve Board, or FRB, and the California Department of Financial Institutions, or the DFI for the merger. United Security has no reason to believe that the applications will not be approved. Please read the section entitled The Merger - Regulatory Approvals for additional information.

***Votes Required; Securities Held by Insiders (Page )***

Approval of the merger requires the affirmative vote of two-thirds of the outstanding shares, or 1,114,916 shares, of Legacy Bank's 1,674,373 issued and outstanding shares of common stock. Your failure to vote in person or by proxy, or your abstention from voting entirely, will have the same effect as voting against the merger. Please read the section entitled "The Legacy Bank Meeting."

Directors and executive officers owned approximately 572,371 shares, or 34.2%, of Legacy Bank's outstanding shares of common stock. Legacy Bank's directors have entered into separate agreements in which they have agreed, among other things, to vote "FOR" approval of the merger agreement. Please read the section entitled "The Merger - The Merger Agreement - Director Voting Agreements" for additional information.

***Opinion of Legacy Bank's Financial Advisor (Page )***

In deciding to approve the merger, Legacy Bank's Board of Directors considered, among other things, the opinion dated October 6, 2006 of Howe Barnes Hoefler & Arnett, Inc., Legacy Bank's financial advisor, regarding the fairness, from a financial point of view, of the consideration to be received by Legacy Bank's shareholders as a result of the merger. The financial advisor determined that the merger agreement is fair to Legacy Bank's shareholders from a financial standpoint. The advisor's written opinion is attached as Appendix C. You should read it carefully to understand the assumptions made, matters considered and limitations of the review undertaken by the advisor in providing its opinion. Please read the section entitled "The Merger - Opinion of Financial Advisor" for additional information.

***Recommendation of Legacy Bank's Board of Directors (Page )***

On October 6, 2006, Legacy Bank's Board of Directors unanimously approved the merger agreement and the merger of Legacy Bank with United Security Bank. Moreover, they unanimously believe that the merger's terms are fair to you and in your best interests. Accordingly, they unanimously recommend a vote "FOR" the proposal to approve the merger agreement and the merger. The conclusions of Legacy Bank's Board of Directors regarding the merger are based upon a number of factors. Please read the sections entitled "The Merger - Background and Reasons for the Merger; Recommendation of the Board of Directors" and "Opinion of Financial Advisor" for additional information.

***Exchange of Share Certificates (Page )***

After completing the merger, holders of Legacy Bank stock certificates will need to exchange those certificates for new certificates of United Security common stock. Shortly after completing the merger, Wells Fargo Shareowner Services, United Security's exchange agent, will send Legacy Bank's shareholders detailed instructions on how to exchange their shares. Please do not send any stock certificates until you receive these instructions. Please read the section entitled "The Merger - The Merger Agreement - Exchange Procedures" for additional information.

***Conditions to Closing the Merger (Page )***

In addition to shareholder approval, United Security's and Legacy Bank's obligations to close the merger depend on other conditions being met prior to the completion of the merger. Please read the section entitled "The Merger - The Merger Agreement - Conditions to the Parties Obligations" for additional information.

***Closing the Merger (Page )***

If shareholder approval is received as planned, and if the conditions to the merger have either been met or waived, United Security and Legacy Bank anticipate that the merger will close on or about February 16, 2007. However, neither United Security nor Legacy Bank can assure you whether or when the merger will actually close. Please read the section entitled "The Merger - The Merger Agreement - The Closing" for additional information.

***Termination of the Merger (Page )***

United Security and Legacy Bank can mutually agree to terminate or extend the merger agreement. Either United Security or Legacy Bank can terminate the merger agreement in the event of a material breach or the occurrence of certain other events, including receipt of an offer from a third party.

United Security and Legacy Bank have agreed that in the event the merger agreement is terminated because of a material breach, the non-breaching party will be entitled to receive up to \$200,000 from the breaching party. Additionally, a fee of \$300,000 must be paid by Legacy Bank if it completes an alternative merger or similar proposal within twelve months following a termination of the merger agreement by either Legacy Bank or United Security because of certain events specified in the merger agreement. Please read the section entitled "The Merger - The Merger Agreement - Termination" and "Discussions with Third Parties" for additional information.

***Federal Income Tax Consequences (Page )***

The merger is intended to qualify as a reorganization for United States federal income tax purposes under Section 368(a) of the Internal Revenue Code, and the merger is conditioned on the receipt of a legal opinion that the merger will so qualify. If the merger qualifies as a reorganization, Legacy Bank shareholders, will not recognize any gain or loss upon the receipt of United Security common stock in exchange for Legacy Bank common stock in connection with the merger, except with respect to cash received in lieu of a fractional United Security common stock or in connection with dissenters' rights. For a more complete discussion of the federal income tax consequences of the merger, you should carefully read the discussion in the section entitled "Material United States Federal Income Tax Consequences" beginning on page of this proxy statement/prospectus. Further, you are encouraged to consult your tax advisor because tax matters can be complicated, and the tax consequences of the merger to you will depend upon your own situation. You should also consult your tax advisor concerning all state, local and foreign tax consequences of the merger.

***Accounting Treatment (Page )***

United Security must account for the merger as a purchase. Under this method of accounting, the assets and liabilities of the company acquired are recorded at their respective fair value as of

completion of the merger, and are added to those of the acquiring company. Financial statements of the acquiring company issued after the merger takes place reflect these values, but are not restated retroactively to reflect the historical financial position or results of operations of the company that was acquired. Please read the section entitled *The Merger - Accounting Treatment* for additional information.

**United Security's Management and Operations After the Merger (Page )**

At the time of the merger, one current director of Legacy Bank shall be appointed as a director of both United Security and United Security Bank. The Legacy Bank director will be selected by the then existing board of directors of United Security from a list of three candidates determined by Legacy Bank. All other directors of United Security shall remain as members of the board of directors of United Security, and all other directors of United Security Bank shall remain as members of the board of directors of United Security Bank. In addition, the current executive officers of United Security and United Security Bank will remain the executive officers of those corporations. Please read the section entitled *The Merger - Certain Effects of the Merger* and *- Interests of Certain Persons in the Merger* for additional information.

**Interests of Certain Persons in the Merger That Are Different From Yours (Page )**

The directors and executive officers of Legacy Bank have financial interests in the merger over and above those of Legacy Bank shareholders. As previously discussed, as condition to the merger, one of the Legacy Bank directors will be appointed as a director of United Security and United Security Bank. In addition, United Security has agreed to offer each director of Legacy Bank who is not selected to serve as a member of United Security's and United Security Bank's boards of directors, the title of Director Emeritus which includes a monthly stipend of \$400 as long as the director continues to hold at least 50% of the shares of United Security common stock issued to the director at the completion of the merger, and takes no actions construed as detrimental to United Security Bank. Finally, the directors and officers will also receive continuing insurance protections under the existing directors' and officers' liability insurance policy of Legacy Bank. You should consider these interests in deciding how to vote. Please read the section entitled *The Merger - Interests of Certain Persons in the Merger* for additional information.

**Differences in Your Rights as a Shareholder (Page )**

As a Legacy Bank shareholder, your rights are currently governed by Legacy Bank's Articles of Association and Bylaws and by the national banking laws. If you do not exercise your dissenters' rights, you will receive United Security common stock in exchange for your Legacy Bank common stock, and you will become a United Security shareholder. Consequently, your rights as a United Security shareholder will be governed by United Security's Articles of Incorporation and Bylaws and by the California Corporations Code, rather than national banking laws. Therefore, the rights of United Security shareholders differ from the rights of Legacy Bank shareholders in certain respects. Please read the section entitled *Comparison of Shareholder Rights* for additional information.

**Dissenters' Rights (Page )**

Holders of Legacy Bank common stock who vote against the merger, or who give written notice to Legacy Bank prior to the meeting that they dissent from the merger, and who have fully complied with all applicable provisions of Section 214a of Title 12 of the United States Code,

including making a written demand for dissenter's rights and surrendering their certificates to United Security Bank for endorsement within 30 days of completion of the merger, have the right to receive from United Security the value of the Legacy Bank shares as of the date of the meeting based upon a valuation by a committee of three persons. If the dissenting shareholder believes that the appraisal is unsatisfactory, the dissenting shareholder may appeal to the Office of the Comptroller of the Currency, or the OCC, whose determination of value shall be final and binding. The OCC does not permit the appraisal value of the dissenting shares to include appreciation or depreciation as a result of the merger. Please read the section entitled "The Merger - Dissenters' Rights of Legacy Bank Shareholders" and Appendix B for additional information.

#### **Dividends**

United Security has paid quarterly cash dividends since its first full year of operation. United Security has paid cash dividends of \$0.0725 per share on January 21, 2004, cash dividends of \$0.08 per share on April 21, 2004, July 21, 2004, October 20, 2004, January 19, 2005, cash dividends of \$0.09 per share on April 20, 2005, July 20, 2005, October 19, 2005, cash dividends of \$0.10 per share on January 25, 2006, and cash dividends of \$0.11 per share on April 19, 2006, July 19, 2006 and October 25, 2006. In addition, on May 1, 2006, United Security completed a two-for-one stock split. All dividend amounts listed have been adjusted to reflect the split.

#### **Resale of United Security Common Stock by Former Legacy Bank Shareholders (Page )**

United Security common stock that you receive in the merger will be freely transferable, unless you are considered an affiliate of Legacy Bank. Please refer to the section entitled "The Merger - Resale of United Security Common Stock" for additional information.

#### **Risk Factors**

*In addition to the other information included in this proxy statement-prospectus or incorporated by reference, you are urged to carefully consider the following factors before making a decision to approve the merger.*

#### **Risks Regarding the Merger**

##### ***Combining United Security and Legacy Bank May Be More Difficult Than Expected***

If United Security and Legacy Bank are unable to successfully integrate their businesses, operating results may suffer. Both United Security and Legacy Bank have operated and, until completion of the merger, will continue to operate independently of one another. It is possible that the integration process could result in the loss of key employees, disruption of United Security's and Legacy Bank's ongoing business or inconsistencies in standards, controls, policies or procedures. These could negatively affect both United Security's and Legacy Bank's ability to maintain relationships with customers and employees, or achieve the anticipated benefits of the merger within the time period expected, if at all. In addition, if United Security is unable to successfully manage its expansion in the Silicon Valley, operating results may also suffer. As with any merger of financial institutions, there may also be disruptions that cause customers, both deposit and loan, to take their business to competitors. Further, Legacy Bank has recently experienced a high turnover in senior management positions including its president, chief financial officer and chief credit officer which may have affected Legacy Bank's implementing consistent policies and procedures. Although United Security believes



that it has strong management, policies and procedures, and experience through other bank acquisitions to integrate Legacy Bank's operations, no guarantees exist that Legacy Bank's integration within United Security's operations will be successful.

***You Will Not Know in Advance the Value of the Merger Consideration You Will be Entitled to Receive***

The merger agreement provides that the number of shares of United Security common stock into which a share of Legacy Bank common stock shall be converted will be determined by a formula which has variables that will not be known until shortly before the merger is completed. Please read the section entitled "Summary - Consideration to be Paid to Legacy Bank Shareholders."

Because of these variables affecting the exchange ratio and per share value of your shares of Legacy Bank common stock, you will not know in advance either the number of shares of United Security common stock or the value of the shares of United Security common stock that you will receive until the merger is completed. Please read the sections entitled "The Merger - Calculation of Consideration to be Paid to Legacy Bank Shareholders."

***If The Merger Does Not Qualify As A Tax-Free Reorganization For U.S. Federal Income Tax Purposes, You Will Recognize Gain Or Loss On The Exchange Of Your Shares Of Legacy Bank Common Stock.***

Although the U.S. Internal Revenue Service, referred to in this proxy statement/prospectus as the IRS, has not provided a ruling on the merger, United Security and Legacy Bank will obtain a legal opinion from counsel that, subject to the assumptions and qualifications included in such opinion, the merger will qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code. This opinion, however, neither binds the IRS nor prevents the IRS from adopting a contrary position. If the merger fails to qualify as a tax-free reorganization, you would generally recognize gain or loss on each share of Legacy Bank common stock surrendered in the merger in the amount of the difference between your basis in such share and the fair market value of the United Security common stock you receive in exchange for each share of Legacy Bank common stock.

**Risks Regarding United Security Common Stock**

***United Security Can Issue Common Stock Without Your Approval, Diluting Your Proportional Ownership Interest***

United Security's articles of incorporation authorize it to issue 20,000,000 shares of common stock. Currently, United Security has 11,300,156 shares of common stock issued and outstanding, with up to an additional 1,192,821 additional shares to be issued in the merger. United Security also has 299,500 shares reserved under various stock option plans covering its directors, officers and employees at exercise prices ranging between \$5.67 and \$22.54. Consequently, any shares of common stock that United Security issues after the merger with Legacy Bank will dilute your proportional ownership interest in United Security.

United Security intends to seek acquisitions of other banks where it believes that those acquisitions will enhance shareholder value or satisfy other strategic objectives. United Security can make future acquisitions, if any, by issuing additional shares of its common stock or other securities convertible into or exercisable for its common stock. As of the date of this proxy statement-

prospectus, United Security has not entered into any agreements or understanding to acquire other banks, bank holding companies or any other entities.

***The Price of United Security Common Stock May Decrease, Preventing You from Selling Your Shares at a Profit***

The market price of United Security common stock could decrease and prevent you from selling your shares at a profit. The market price of United Security common stock has fluctuated in recent years. Fluctuations may occur, among other reasons, due to:

- operating results;
- market demand;
- announcements by competitors;
- economic changes;
- general market conditions; and
- legislative and regulatory changes.

The trading price of United Security common stock may continue to fluctuate in response to these factors and others, many of which are beyond United Security's control. We strongly urge you to consider the likelihood of these market fluctuations before deciding how to vote for the merger. Please read the section entitled "Markets; Market Prices and Dividends" for additional information regarding the trading prices of United Security common stock.

**Risks Regarding the Businesses of United Security and Legacy Bank**

***United Security and Legacy Bank Face Lending Risks***

The risk of loan defaults or borrowers' inability to make scheduled payments on their loans is inherent in the banking business. Moreover, United Security and Legacy Bank focus primarily on lending to small- and medium-sized businesses. Consequently, United Security and Legacy Bank may assume greater lending risks than other financial institutions which have a smaller concentration of those types of loans, and which tend to make loans to larger businesses. Borrower defaults or borrowers' inability to make scheduled payments may result in losses which may exceed United Security's and Legacy Bank's allowances for loan losses. Furthermore, should United Security and Legacy Bank be required to fund currently unfunded loan commitments and letters of credit at higher than anticipated levels, there may be an increased exposure to loan losses, necessitating higher loan loss provisions. Other than these unfunded loan commitments and letters of credit, neither United Security nor Legacy Bank have any off balance sheet exposure. These risks, if they occur, may require higher than expected loan loss provisions which, in turn, can materially impair profitability, capital adequacy and overall financial condition. Please read the section entitled "Information About Legacy Bank -Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

***United Security and Legacy Bank Are Limited in the Amount They Can Lend to Any Individual Borrower***

United Security, through its subsidiary, United Security Bank, and Legacy Bank are limited in the amount that they can lend to a single borrower. Therefore, the size of the loans which they can offer to potential customers is less than the size of loans that their competitors with larger lending limits can offer. Legal lending limits also affect United Security Bank's and Legacy Bank's ability to seek relationships with larger and more established businesses. Through previous experience and relationships with a number of other financial institutions, participations in loans which exceed lending limits are sometimes sold. However, United Security and Legacy Bank cannot assure you of any future success that they may have in attracting or retaining customers seeking larger loans or that they can successfully engage in participation transactions for those loans on favorable terms. For additional information, please read the section entitled "Information About Legacy Bank -Banking Services - Competition."

***An Increase in Classified Loans May Hurt Performance***

Some of the loans that United Security and Legacy Bank make may, with the passage of time, pose a higher risk of becoming uncollectible. These loans may be classified and require a larger than anticipated amount of loss reserves which, in turn, may reduce United Security's and Legacy Bank's liquidity, earnings and ultimately their capitalization and financial condition. Classified loans as of September 30, 2006, of United Security and Legacy Bank were 20.3% and 12.5% of capital respectively. United Security and Legacy Bank continually evaluate the credit risks associated with loans that indicate a higher than normal risk of collectability. United Security and Legacy Bank believe that they have adequately provided for the related credit risks of their respective loans. However, their respective loan portfolios are vulnerable to adverse changes in the economy and in the particular industries in which their borrowers operate. Therefore, United Security and Legacy Bank cannot assure you that the level of their classified loans will not increase in the future. For additional information, please read the section entitled "Information About Legacy Bank -Management's Discussion and Analysis of Financial Condition and Results of Operations."

***Declines in Real Estate Values Could Materially Impair Profitability and Financial Condition***

Approximately 70% and 47% respectively, of United Security's and Legacy Bank's loans are secured by real estate collateral. A substantial portion of the real estate securing these loans is located in Central and Northern California. Real estate values are generally affected by factors such as:

- the socioeconomic conditions of the area where real estate collateral is located;
- fluctuations in interest rates;
- property and income tax laws;
- local zoning ordinances governing the manner in which real estate may be used; and
- federal, state and local environmental regulations

Management and the Boards of Directors of United Security and Legacy Bank monitor the concentrations of loans secured by real estate, which are within pre-approved limits. However, declines in real estate values could significantly reduce the value of the real estate collateral securing United Security's and Legacy Bank's loans, increasing the likelihood of defaults. Moreover, if the value of real estate collateral declines to a level that is not enough to provide adequate security for the underlying loans, United Security and Legacy Bank will need to make additional loan loss provisions which, in turn, will reduce their profits. Also, if a borrower defaults on a real estate secured loan, United Security and Legacy Bank may be forced to foreclose on the property and carry it as a nonearning asset which, in turn, may reduce net interest income. For additional information, please read the section entitled "Information About Legacy Bank" Management's Discussion and Analysis of Financial Condition and Results of Operations.

***Interest Rates and Other Conditions Impact Profitability***

United Security's and Legacy Bank's profitability depends on the difference between the rates of interest they earn on their loans and investments, and the interest rates they pay on deposits and other borrowings. Like other financial institutions, United Security's and Legacy Bank's net interest income is affected by general economic conditions and other uncontrollable factors, like the monetary policies of the FRB, which influence market interest rates. Therefore, the ability to adjust the interest rates on investments, loans and deposit products in response to changes in market interest rates may be limited for a period of time. Consequently, United Security's and Legacy Bank's inability to immediately respond to changes in market interest rates can have either a positive or negative effect on net interest income, capital, liquidity and financial condition. United Security and Legacy Bank cannot assure you that any positive trends or developments that they have experienced will continue, or that they will not experience negative trends or developments in the future. Due to the mix and composition of United Security's and Legacy Bank's assets and liabilities, changing interest rates may adversely impact their net interest incomes and margins. For additional information, please read the section entitled "Supervision and Regulation - United Security Bank and Legacy Bank - Impact of Monetary Policies."

***United Security Is Limited in its Ability to Pay Cash Dividends***

While United Security and United Security Bank have paid quarterly cash dividends for the last 18 years, United Security depends on dividends from United Security Bank, and if the merger is completed, from the profit contribution of Legacy Bank to United Security Bank, in order to pay cash dividends to its shareholders. Moreover, the amount and timing of any dividends is at the discretion of United Security's board of directors. Please refer to the section entitled "Description of United Security - Description of Capital Stock" for additional information. Also, please read the sections entitled "Supervision and Regulation - United Security - Bank Holding Company Liquidity" and "Limitations on Dividend Payments" for additional information.

***United Security's Future Growth May Be Limited If it Is Not Able to Raise Additional Capital***

Banks and bank holding companies are required to conform to regulatory capital adequacy guidelines and maintain their capital at specified percentages of their assets. These guidelines may limit United Security's ability to grow and could result in banking regulators requiring increased capital levels or reduced loan and other earning asset levels. Therefore, in order to continue to increase its earning assets and net income, United Security may, from time to time, need to raise

additional capital. United Security cannot assure you that additional sources of capital will be available or, if they are, that the additional capital will be available on economically reasonable terms. Currently, United Security is well capitalized and has no plans to raise additional capital to facilitate the merger with Legacy Bank or for any other purpose. For additional information, please read the section entitled *Supervision and Regulation - United Security Bank and Legacy Bank - Risk-Based Capital Guidelines*.

***United Security and Legacy Bank Compete Against Larger Banks and Other Institutions***

United Security and Legacy Bank compete for loans and deposits with other banks, savings and thrift associations and credit unions located in their service areas, as well as with other financial services organizations such as brokerage firms, insurance companies and money market mutual funds. These competitors aggressively solicit customers within their market area by advertising through direct mail, the electronic media and other means. Many of their competitors have been in business longer, have established customer bases and are substantially larger. These competing financial institutions offer services, including international banking services, that United Security and Legacy Bank can only offer through correspondents, if at all. Additionally, their larger competitors have greater capital resources and, consequently, higher lending limits. Finally, some of their competitors are not subject to the same degree of regulation. For additional information, please read the section entitled *Information About Legacy Bank - Banking Services - Competition*.

***Current Banking Laws and Regulations Affect Activities***

United Security and Legacy Bank are subject to extensive regulation. Supervision, regulation and examination of banks and bank holding companies by regulatory agencies are intended primarily to protect depositors rather than stockholders. These regulatory agencies examine bank holding companies and commercial banks, establish capital and other financial requirements and approve acquisitions or other changes of control of financial institutions. United Security's and Legacy Bank's ability to establish new facilities or make acquisitions requires approvals from applicable regulatory bodies. Changes in legislation and regulations will continue to have a significant impact on the banking industry. Although some of the legislative and regulatory changes may benefit United Security and Legacy Bank, others may increase their costs of doing business and assist their nonbank competitors who are not subject to similar regulation. For additional information, please read the section entitled *Supervision and Regulation*.

***A Warning about Forward Looking Statements***

Certain statements contained in this proxy statement-prospectus or in documents incorporated by reference, including, without limitation, statements containing the words *believes, anticipates, intends, expects,* and words of similar import, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward looking statements, including among others those found in *Questions and Answers About the Merger, Summary,* and *The Merger* involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the combined companies to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

In particular, we have made statements in this document regarding expected cost savings to result from the merger, the anticipated accretive effect to earnings of the combined enterprise, an improved ability to compete with larger competitors, restructuring charges expected to be incurred in connection with the merger, and the operation of the combined companies. With respect to estimated cost savings, we have made assumptions about the anticipated overlap between the costs of the two banks for data processing and other operations, the amount of general and administrative expenses, the costs of converting Legacy Bank's data processing to United Security Bank's systems, the size of anticipated reductions in fixed labor costs, the effort involved in aligning accounting policies and the transactional costs of the merger. The realization of the anticipated cost savings is subject to the risk of possible inaccuracy of the foregoing assumptions.

In addition to the risks discussed in Risk Factors, the following factors may also affect the accuracy of forward looking statements in this proxy statement-prospectus:

- demographic changes;
- changes in business strategy or development plans;
- the availability of capital to fund the expansion of the combined business; and
- other factors referenced in this proxy statement-prospectus or the documents incorporated by reference.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. United Security and Legacy Bank disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained in this proxy statement-prospectus to reflect future events or developments.

#### **Markets; Market Prices and Dividends**

##### **Legacy Bank Common Stock**

The common stock of Legacy Bank is not listed on any national stock exchange, but is quoted on the Over-the-Counter (OTC) Bulletin Board under the symbol of LBKC.OB. As of November 30, 2006, there were approximately 410 shareholders. The management of Legacy Bank is aware that the following dealers make a market in Legacy Bank common stock: Hill, Thompson, Magid & Company, Inc., Knight Equity Markets, LP, Monroe Securities, Inc., and Wedbush Morgan Securities, Inc.

The following chart summarizes the approximate high and low bid prices and dividends declared per share for Legacy Bank. The information in the following table is based upon information provided by SNL Securities. Bid quotations reflect inter-dealer prices, without adjustments for mark-ups, mark-downs, or commissions and may not necessarily represent actual transactions. Legacy Bank's management does not have any bid price information for the year 2004.

	Legacy Bank Common Stock	
	High Bid	Low Bid
<b>2005</b>		
First Quarter	\$ 10.00	\$ 10.00
Second Quarter	\$ 10.00	\$ 10.00
Third Quarter	\$ 15.00	\$ 15.00
Fourth Quarter	\$ 11.00	\$ 11.00
<b>2006</b>		
First Quarter	\$ 10.10	\$ 8.05
Second Quarter	\$ 9.50	\$ 8.40
Third Quarter	\$ 10.00	\$ 8.40
Fourth Quarter		

There is and has been very little trading in Legacy Bank common stock. On October 6, 2006, the last trading day prior to the announcement of the merger, the bid price of Legacy Bank common stock was \$10.00.

### United Security Common Stock

The following chart summarizes the approximate high and low sales prices for United Security. United Security common stock is listed on the Nasdaq-Global Select Market and traded under the symbol UBFO. The information in the following table is based upon information provided by the National Association of Securities Dealers for prices on the Nasdaq-Global Select Market. All sales prices have been adjusted to reflect 2-for-1 stock split effected May 1, 2006

	United Security Common Stock	
	High Bid	Low Bid
<b>2004</b>		
First Quarter	\$ 14.25	\$ 11.81
Second Quarter	\$ 13.03	\$ 10.35
Third Quarter	\$ 11.72	\$ 10.13
Fourth Quarter	\$ 12.88	\$ 10.95
<b>2005</b>		
First Quarter	\$ 12.75	\$ 11.52
Second Quarter	\$ 13.25	\$ 11.50
Third Quarter	\$ 14.49	\$ 12.80
Fourth Quarter	\$ 16.35	\$ 13.98
<b>2006</b>		
First Quarter	\$ 22.65	\$ 15.26
Second Quarter	\$ 24.63	\$ 12.18
Third Quarter	\$ 24.41	\$ 20.26
Fourth Quarter	\$	

United Security has paid quarterly cash dividends since its first full year of operation. United Security has paid cash dividends of \$0.0725 per share on January 21, 2004, cash dividends of \$0.08 per share on April 21, 2004, July 21, 2004, October 20, 2004, January 19, 2005, cash dividends of

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\$0.09 per share on April 20, 2005, July 20, 2005, October 19, 2005, cash dividends of \$0.10 per share on January 25, 2006, and cash dividends of \$0.11 per share on April 19, 2006, July 19, 2006 and October 25, 2006. In addition, on May 1, 2006, United Security completed a two-for-one stock split. All dividend amounts listed have been adjusted to reflect the split.

The following table sets forth the closing price per share of United Security common stock on the Nasdaq-Global Select Market as of October 6, 2006, the last trading day before the date on which United Security and Legacy Bank announced the execution of the merger agreement, and as of \_\_\_\_\_, 200\_\_\_\_, the last practicable date prior to the date of this proxy statement-prospectus.

Market Price Per Share as of	United Security Common Stock
October 6, 2006	\$ 23.27
_____, 200____	\$

You should obtain current market quotations for United Security common stock. The market price of United Security common stock will probably fluctuate between the date of this proxy statement-prospectus, the date on which the merger is completed and after the merger. Because the market price of United Security common stock is subject to fluctuation, the number of shares of United Security common stock that you may receive in the merger may increase or decrease.

### Selected Financial Data

United Security and Legacy Bank are providing the following information to aid you in your analysis of the financial aspects of the merger. The following charts show financial results actually achieved by United Security and Legacy Bank.

#### United Security

United Security derived its annual historical financial data for 2005 and 2004 from the audited consolidated financial statements included at the end of this proxy statement-prospectus. In the opinion of United Security's management, all adjustments, consisting solely of recurring adjustments, necessary to fairly present the data at those dates and for those periods, and at September 30, 2006 and 2005, and for the nine-months then ended have been made. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of full year results for the year ending December 31, 2006. All share and per share information has been retroactively restated to reflect the 2-for-1 stock split paid by United Security in May, 2006.

#### Legacy Bank

Legacy Bank derived its annual historical financial data for 2005 and 2004 from the audited financial statements included at the end of this proxy statement-prospectus. In the opinion of Legacy Bank's management, all adjustments, consisting solely of recurring adjustments, necessary to fairly present the data at those dates and for those periods, and at September 30, 2006 and 2005, and for the nine-months then ended have been made. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of full year results for the year ending December 31, 2006.



## Comparative Historical Financial

## Data for United Security

(Unaudited)

(in thousands, except per share data and ratios)	Nine Months Ended Sept. 30, 2006	2005	Year Ended December 31, 2005	2004	2003	2002	2001	
<b><u>SUMMARY OF EARNINGS:</u></b>								
Net interest income	\$ 24,460	\$ 21,577	\$ 29,240	\$ 24,441	\$ 19,790	\$ 17,200	\$ 16,652	
Provision for credit losses	639	890	1,140	1,145	1,713	1,963	1,733	
Noninterest income	7,132	4,539	6,280	4,742	6,148	5,368	4,277	
Noninterest expense	14,644	12,594	16,982	14,667	11,855	10,860	9,818	
Net Income	\$ 10,387	\$ 7,979	\$ 11,008	\$ 8,405	\$ 7,706	\$ 6,833	\$ 6,193	
<b><u>FINANCIAL POSITION:</u></b>								
Total assets	\$ 678,012	\$ 629,032	\$ 628,859	\$ 611,696	\$ 506,588	\$ 519,316	\$ 450,928	
Total net loans and leases	490,328	379,045	409,409	390,334	338,716	343,042	331,163	
Total deposits	590,127	549,383	546,460	536,672	440,444	423,987	368,651	
Total shareholders equity	64,625	57,332	59,014	53,236	45,036	40,561	36,059	
<b><u>PER SHARE DATA (restated for 2-for-1 stock split May 1, 2006):</u></b>								
Net Income - Basic	\$ 0.91	\$ 0.70	\$ 0.97	\$ 0.75	\$ 0.71	\$ 0.64	\$ 0.57	
Net Income - Diluted	\$ 0.91	\$ 0.70	\$ 0.96	\$ 0.74	\$ 0.70	\$ 0.63	\$ 0.56	
Book value per share	\$ 5.71	\$ 5.04	\$ 5.19	\$ 4.69	\$ 4.09	\$ 3.75	\$ 3.34	
<b><u>SELECTED FINANCIAL RATIOS:</u></b>								
Return on average assets	2.14	% 1.71	% 1.76	% 1.52	% 1.51	% 1.37	% 1.55	%
Return on average shareholders equity	22.12	% 19.12	% 19.46	% 16.81	% 17.80	% 17.64	% 17.25	%
Average shareholders equity to average assets	9.67	% 8.98	% 9.02	% 9.01	% 8.48	% 7.76	% 9.00	%
Allowance for credit losses to total nonperforming loans	61.20	% 54.72	% 55.62	% 42.51	% 32.58	% 36.00	% 34.23	%
Dividend payout ratio	35.16	% 37.14	% 38.50	% 43.16	% 40.07	% 40.94	% 40.09	%

## Comparative Historical Financial

## Data for Legacy Bank

(Unaudited)

	Nine Months Ended Sept. 30, 2006	2005	Year Ended December 31, 2005	2004	2003
<b>Summary of Earnings:</b>					
Net Interest Income	\$ 3,602	\$ 2,350	\$ 3,456	\$ 1,095	\$ 47
Provision for Loan Losses	125	169	261	781	39
Noninterest Income	635	73	229	38	1
Noninterest Expense	3,853	3,179	4,286	2,881	586
Net Income	\$ 259	\$ (925 )	\$ (862 )	\$ (2,529 )	\$ (577 )
<b>Financial Position:</b>					
Total Assets	\$ 83,346	\$ 70,955	\$ 82,595	\$ 59,594	\$ 13,793
Total Net Loans and Leases from Loans, net of Deferred Fees	63,657	56,127	62,314	35,045	3,056
Total Deposits	72,312	60,374	68,937	52,583	4,357
Total Shareholders' Equity	10,685	10,283	10,282	6,758	9,280
<b>Per Share Data:</b>					
Net Income-Basic	\$ 0.16	\$ (0.61 )	\$ (0.55 )	\$ (2.08 )	\$ (0.47 )
Net Income-Diluted	\$ 0.16	\$ (0.61 )	\$ (0.55 )	\$ (2.08 )	\$ (0.47 )
Book Value	\$ 6.39	\$ 6.15	\$ 6.15	\$ 5.55	\$ 7.62
<b>Selected Financial Ratios:</b>					
Return on Average Assets	0.43	% (1.98 )	% (1.31 )	% (7.33 )	% (4.42 )
Return on Average Equity	3.36	% (13.07 )	% (8.91 )	% (31.28 )	% (6.08 )
Shareholders' Equity to Assets	12.82	% 14.49	% 12.45	% 11.34	% 67.30
Allowance for credit losses to nonperforming loans	0.00	% 0.00	% 2.81	% 0.00	% 0.00

## The Legacy Bank Meeting

### General

Legacy Bank will hold a special shareholders meeting on (Meeting date, 200 ) at 4:00 p.m., local time, at , Campbell, California 95008. At the special shareholders meeting you will be asked to consider and vote on the approval of the merger agreement, and any other matters that may properly come before the meeting.

### Record Date; Stock Entitled to Vote; Quorum

Only holders of record of Legacy Bank common stock at the close of business on (Record date, 200 ), the record date for Legacy Bank's special shareholders meeting, are entitled to receive notice of and to vote at the special shareholders meeting. On the record date, Legacy Bank had 1,674,373 shares of its common stock issued, outstanding and eligible to vote at the special shareholders meeting. A majority of the shares of Legacy Bank common stock issued and outstanding and entitled to vote on the record date must be represented in person or by proxy at the special shareholders meeting in order for a quorum to be present for purposes of transacting business. In the event that a quorum is not present, it is expected that the special shareholders meeting will be adjourned or postponed to solicit additional proxies.

### Number of Votes

Each holder of Legacy Bank common stock will be entitled to one vote, in person or by proxy, for each share of Legacy Bank common stock held on the record date on approval of the merger agreement.

### Votes Required

Approval of the merger agreement and the merger requires the affirmative vote of at least two-thirds of the shares of Legacy Bank common stock outstanding on the record date. As of the record date, Legacy Bank's directors and executive officers owned 572,371 shares, representing approximately 34.2%, of Legacy Bank's issued and outstanding shares of common stock entitled to vote.

### Voting of Proxies

#### *Submitting Proxies*

Legacy Bank shareholders may vote their shares in person by attending the special shareholders meeting or they may vote their shares by proxy. In order to vote by proxy, Legacy Bank shareholders must complete the enclosed proxy card, sign and date it and mail it in the enclosed postage pre-paid envelope.

If a written proxy card is signed by a shareholder and returned without instructions, the shares represented by the proxy will be voted FOR approval of the merger. Legacy Bank shareholders whose shares are held in street name (i.e., in the name of a broker, bank or other record holder) must either direct the record holder of their shares as to how to vote their shares or obtain a proxy

from the record holder to vote at the Legacy Bank special shareholders meeting. It is important that you follow the directions provided by your broker regarding instructions on how to vote your shares. Your failure to instruct your broker on how to vote your shares will have the same effect as voting against the proposal to approve the merger agreement and the merger.

***Revoking Proxies***

Legacy Bank shareholders of record may revoke their proxies at any time before the time their proxies are voted at the Legacy Bank special shareholders meeting. Proxies may be revoked by written notice, including by telegram or telecopy, to the Corporate Secretary of Legacy Bank, by a later-dated proxy signed and returned by mail or by attending the special shareholders meeting and voting in person. Attendance at the special shareholders meeting will not, in and of itself, constitute a revocation of a proxy. Instead, Legacy Bank shareholders who wish to revoke their proxies must inform Legacy Bank's Corporate Secretary at the special shareholders meeting, prior to the vote, that he or she wants to revoke his or her proxy and vote in person. Written notices of proxy revocations must be sent so that they will be received before the taking of the vote at Legacy Bank's special shareholders meeting as follows:

Legacy Bank, N.A.

125 E. Campbell Avenue

Campbell, California 95008

Attention:

Corporate Secretary

***Abstentions and Broker Nonvotes***

The presence, in person or by properly executed proxy, of the holders of a majority of Legacy Bank's outstanding shares entitled to vote is necessary to constitute a quorum at the special shareholders meeting. Abstentions and broker nonvotes will be counted in determining whether a quorum is present. Under the applicable rules of the National Association of Securities Dealers, Inc., brokers or members who hold shares in street name for customers who are the beneficial owners of Legacy Bank common stock are prohibited from giving a proxy to vote those shares regarding approval of the merger and the merger agreement, in the absence of specific instructions from beneficial owners. We refer to these as broker nonvotes. Abstentions and broker nonvotes will not be counted as a vote FOR or AGAINST the merger agreement and merger at the Legacy Bank special shareholders meeting. However, abstentions and broker nonvotes will have the same effect as a vote AGAINST the merger agreement and merger.

***Other Matters***

In addition to voting for approval of the merger, any other matters that are properly presented at the special shareholders meeting will be acted upon. Legacy Bank's management does not presently know of any other matters to be presented at the Legacy Bank special shareholders meeting other than those set forth in this proxy statement-prospectus. If other matters come before the special shareholders meeting, the persons named in the accompanying proxy intend to vote according to the recommendations of Legacy Bank's Board of Directors.

### ***Solicitation of Proxies***

Legacy Bank's Board of Directors is soliciting the proxies for the Legacy Bank special shareholders' meeting. Legacy Bank will pay for the cost of solicitation of proxies. In addition to solicitation by mail, Legacy Bank's directors, officers and employees may also solicit proxies from shareholders by telephone, facsimile, telegram or in person. If Legacy Bank's management deems it advisable, the services of individuals or companies that are not regularly employed by Legacy Bank may be used in connection with the solicitation of proxies. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to beneficial owners. Legacy Bank will, upon request, reimburse those brokerage houses and custodians for their reasonable expenses in so doing.

Legacy Bank shareholders who submit proxy cards should not send in any stock certificates with their proxy cards. Instructions for the surrender of stock certificates representing shares of Legacy Bank common stock will be mailed by Wells Fargo Shareowner Services, United Security's exchange agent, to former Legacy Bank shareholders shortly after the merger is completed. Please read the section entitled "The Merger - The Merger Agreement - Exchange of Stock Certificates" for additional information.

### **The Merger**

***This section of the proxy statement-prospectus describes certain aspects of the proposed merger. Because this is a summary, it does not contain all the information that may be important to you. You should read this entire proxy statement-prospectus, including the appendices. A copy of the merger agreement is attached as Appendix A to this proxy statement-prospectus. The following discussion, and the discussion under the subsection entitled "The Merger Agreement," describes important aspects of the merger and the material terms of the merger agreement. These descriptions are qualified by reference to Appendix A.***

### **Background and Reasons for the Merger; Recommendation of the Board of Directors**

Legacy Bank, based in Campbell, California, has conducted general banking operations serving individuals and small- to medium-sized businesses since October 1, 2003. In serving individuals and small businesses, Legacy Bank has focused on a community-based approach to banking. Legacy Bank for the first two years through December 31, 2005 did not achieve profitability and incurred a net loss. During 2006, through the first nine months of operations Legacy Bank has achieved net income of \$258,930 but as of September 30, 2006 the shareholders equity showed a negative undivided profit of \$5,728,930 and the book value per share of Legacy Bank was \$6.40 per share.

In the third quarter of 2003, Legacy Bank completed its initial capitalization by selling 1,217,373 shares of common stock at \$10.00 per share. From the commencement of operations in October 2003, Legacy Bank has been impacted by a significant change in interest rates, a softening of the general economy and high non-interest expense levels. During the first quarter of 2005, the board of directors commenced a private placement of Legacy Bank common stock and warrants. Under the private placement 450,000 units were sold at a price of \$10.00 per unit. Each unit consisted of one share of common stock and one warrant to purchase an additional share of common stock at \$10.00 per share. The purpose of the capital offering was to increase the capital accounts to

enable Legacy Bank to grow faster, remain in line with regulatory capital levels and extend larger credits.

Earlier this year the board of directors accepted the resignation of the then President and Chief Executive Officer. The board of directors determined that Thomas Ray, the then Chairman of the Board should assume the position of CEO and that the Chairman's role should be assumed by Gary Hong, an outside director. At this time several of the larger shareholders expressed concern about the operation of Legacy Bank and encouraged the board of directors to find a candidate that had past CEO experience. If the board of directors could not find an acceptable candidate or the financial performance of Legacy Bank was not turned around, the larger shareholders suggested that the board of directors find a partner with which to merge Legacy Bank to protect shareholder value.

Over the past year, Legacy Bank has been contacted by individuals and financial institutions with respect to potential acquisitions and business combinations. Until the third quarter of 2006, the board of directors did not want to consider an acquisition or business combination where Legacy Bank would not be a stand alone entity. At the July 2006 regular board of directors meeting, the board of directors of Legacy Bank determined that because of the increased competition in the marketplace, the challenge of finding management personnel that would be acceptable to Legacy Bank's regulatory authorities, the concerns expressed by several of Legacy Bank's larger shareholders and the difficulty in implementing an acceptable business plan, Legacy Bank should contact several financial institutions concerning their interest in possibly acquiring Legacy Bank. The board of directors of Legacy Bank retained the services of Gary Steven Findley & Associates, Legacy Bank's corporate counsel in order to disseminate information out to prospective acquirors of Legacy Bank. Gary Steven Findley, a principal of Gary Steven Findley & Associates, has served as an investment banker for a number of merger transactions involving commercial banking institutions through his firm The Findley Group and was familiar with the financial institutions who would have interest in possibly acquiring Legacy Bank.

In July and August 2006, six financial institutions were contacted to determine whether they had interest in reviewing a confidential information package concerning Legacy Bank. Of the six financial institutions three expressed interest. After reviewing the financial condition of the three financial institutions the board of directors decided to have direct discussions with United Security. United Security executed a confidentiality agreement and was forwarded financial and related information concerning Legacy Bank.

In late August, 2006 representatives of United Security met with the board of directors of Legacy Bank and discussed a strategic alliance where Legacy Bank would be merged with and into United Security with shareholders of Legacy Bank receiving shares of common stock of United Security. Over the next several weeks, Legacy Bank's CEO, acting on behalf of the board of directors negotiated the terms of a term sheet that was executed by the parties on September 8, 2006. As a condition to the term sheet, if United Security did not proceed with the acquisition of Legacy Bank after completion of due diligence, United Security would pay to Legacy Bank the amount of \$100,000 to offset Legacy Bank's costs and the disruption caused by due diligence.

The parties conducted due diligence on each other from September 8, 2006 to October 5, 2006. During this time negotiations continued between the parties and Legacy Bank's board of directors retained Howe Barnes Hoefler & Arnett, a reputable investment banking firm that has experience in the valuation of California commercial banking institutions, to issue a fairness opinion concerning the consideration to be received by Legacy Bank's shareholders. On October 5, 2006, the

Legacy Bank board of directors deliberated at length concerning the transaction. The Legacy Bank board of directors reviewed the merger agreement and related documents, its strategic alternatives, the competitive banking environment in California, and the prospects for Legacy Bank if it remained independent. At this meeting, Howe Barnes Hoefler & Arnett discussed with the Legacy Bank board of directors its analysis of the merger and delivered to the Legacy Bank board of directors its opinion that the consideration to be received in the merger was fair to the Legacy Bank shareholders from a financial point of view. Thereafter, the Legacy Bank board of directors unanimously approved, and authorized the execution of the merger agreement. On October 6, 2006, the merger agreement was executed by Legacy Bank and United Security.

The terms of the merger agreement, including the consideration to be paid to Legacy Bank shareholders, were the result of arms length negotiations. In evaluating the proposal to merge with United Security, the Legacy Bank board of directors considered a number of factors at meetings of its board of directors in August, September and October 2006, including the following:

- information concerning the financial performance and condition, business operations, capital levels, asset quality, loan portfolio breakdown, and prospects of United Security;
- the structure of the transaction, including the fact that the Legacy Bank shareholders would receive approximately 9.5% of the common stock of United Security;
- the terms of the merger agreement and other documents to be executed in connection with the merger, including the premium over book value and the fact that Legacy Bank had only reached profitability in 2006 but still had a large negative undivided profits;
- the presentation of Howe Barnes Hoefler & Arnett and the opinion of Howe Barnes Hoefler & Arnett that the merger is fair to the shareholders of Legacy Bank from a financial point of view;
- the prices paid and the terms of other recent comparable combinations of banks and bank holding companies;
- the Legacy Bank board of directors' review with its legal and financial advisors of alternatives to the merger, the range of possible values to Legacy Bank shareholders obtainable through implementation of alternatives and the timing and likelihood of the same;
- the current and prospective economic environment and increasing regulatory and competitive burdens and constraints facing community banks;
- the advantages of being part of a larger entity, including the potential for operating efficiencies, the effect of a higher lending limit with respect to Legacy Bank's customers and prospective customers, and the generally higher trading multiples of larger financial institutions;

- the business strategies, the strength and depth of management of the combined entity and the extent of their interest in continuing Legacy Bank's business relationships in the Silicon Valley;
- the ability of a larger institution to compete in the banking environment and to leverage overhead costs;
- the anticipated positive effect of the merger on existing shareholders, employees, officers and customers of Legacy Bank;
- information concerning the ability of Legacy Bank and United Security to achieve operating efficiencies;
- the anticipated impact on the communities served by Legacy Bank and United Security in the merger, and the increased ability to serve the communities through the larger branch network;
- the unprecedented consolidation that has occurred during the past few years in the banking industry and increased competition from larger banks in California;
- the value of the consideration offered by United Security compared to the value of the consideration offered in other similar acquisitions of financial institutions in California in 2005-2006 and the prospects for enhanced value of the combined entity in the future;
- the tax-free nature of the United Security offer;
- the United Security common stock to be issued in the merger to the Legacy Bank shareholders will be listed on the Nasdaq Global Select Market and the liquidity of the United Security common stock; and
- the prospect for Legacy Bank on a stand alone basis and on the basis of alternative stand alone strategies, such as dividends, share repurchases, restructurings and growth through acquisitions.

In addition to the advantages, discussed in the previous paragraph, of a merger with a larger financial institution, the board of directors and management of Legacy Bank also discussed the various risks of combining with United Security, including:

- the disadvantages of being part of a larger entity, including the potential for decreased customer service; and
- the integration of Legacy Bank and United Security may divert the combined entities' management from other activities.



However, after weighing the advantages and disadvantages of a merger with United Security and Bank, the Legacy Bank board of directors determined that the advantages clearly outweighed the disadvantages. For example,

- the substantially larger lending limits of the combined entity will better serve customers and prospective customers of Legacy Bank;
- the prospects of the combined entity are substantially greater than the prospects of Legacy Bank on a stand alone basis;
- the liquidity of the United Security stock to be received by the Legacy Bank shareholders will be substantially greater than the current liquidity of Legacy Bank stock; and
- the likelihood that Legacy Bank's financial performance would continue to suffer due to the inability to implement the business plan and to satisfy the OCC.

The foregoing discussion of the information and factors considered by the Legacy Bank board of directors is not intended to be exhaustive, but constitutes the material factors considered by the Legacy Bank board of directors. In reaching its determination to approve and recommend the principal terms of the merger, the Legacy Bank board of directors did not assign relative or specific weights to the foregoing factors and individual directors may have weighed such factors differently.

**For reasons set forth above, the Legacy Bank board of directors has unanimously approved the merger agreement as being in the best interest of Legacy Bank and its shareholders and unanimously recommends that the Legacy Bank shareholders approve the principal terms of the merger.**

#### **Structure of the Merger**

The merger agreement provides that Legacy Bank will merge with United Security Bank, United Security's subsidiary. As a result of the merger, United Security Bank will be the surviving bank and will operate under the name United Security Bank. Each share of Legacy Bank common stock issued and outstanding, other than shares with respect to which dissenters' rights have been perfected, will be converted into the right to receive shares of United Security common stock. Each share of United Security common stock outstanding will remain outstanding after the merger. Please read the sections entitled "The Merger - Calculation of Consideration to be Paid to Legacy Bank Shareholders" and "Dissenters Rights" for additional information.

#### **Calculation of Consideration to be Paid to Legacy Bank Shareholders**

The merger agreement provides that the number of shares of United Security common stock into which a share of Legacy Bank common stock shall be converted shall be determined in accordance with a formula. The formula for the calculation of the number of shares of United Security received for each Legacy Bank share is as follows:

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First, we determine the amount of the per share merger consideration to be paid to the Legacy Bank shareholders. The merger consideration for each share of Legacy Bank common stock is the amount equal to the quotient of (A) the sum of (i) the product of \$13.00 multiplied by 1,672,373 plus (ii) the aggregate dollar amount of capital added to Legacy Bank's shareholders' equity account upon the exercise of the Legacy Bank stock options or Legacy Bank warrants, as applicable, minus (iii) the costs associated with the cancellation of Legacy Bank's data processing/technology agreements, divided by (B) the sum of (i) 1,672,373 plus (ii) the number of additional shares of Legacy Bank common stock issued upon exercise of any Legacy Bank stock option and/or Legacy Bank warrant, as applicable.

To determine the number of shares of United Security common stock, to be paid to for each share of Legacy Bank common stock, we then divide the per share merger consideration by the average closing price of a share of United Security common stock during the 20 business days ending on the fifth business day immediately prior to the closing of the merger, provided, however, that the average closing price for purposes of the calculation shall not be more than \$25.00.

In the event the average closing price is less than \$20.00, the merger agreement will terminate unless the parties renegotiate the merger terms.

As of November 17, 2006, one holder of a Legacy Bank stock option has exercised his option and has acquired 2,000 shares of newly issued Legacy Bank common stock.

On a per share basis, each share of Legacy Bank common stock will be entitled to receive the merger consideration described above, in shares of United Security common stock. In addition, cash will be paid to Legacy Bank shareholders in lieu of any fractional shares of United Security common stock they would otherwise be entitled to receive.

The following table provides as illustration, at various assumed United Security average stock prices, of the number of shares of United Security common stock to be issued, the aggregate value of merger consideration to be received by Legacy Bank shareholders, and the Legacy Bank per share consideration, based upon the assumption that there are 1,674,373 shares of Legacy Bank common stock outstanding, that the costs associated with the cancellation of Legacy Bank's data processing/technology agreements are \$250,000, and that the aggregate dollar of capital added to Legacy Bank's shareholders' equity account upon the exercise of the Legacy Bank stock options or Legacy Bank warrants, as applicable is \$20,000. Please note that the following table is only an illustration.

Assumed Average United Security Stock Prices	Number of United Security Shares to be Received for each Legacy Bank Share	Aggregate Value of Merger Consideration	Value of Legacy Bank per Share Merger Consideration
\$20.00	.6424	\$ 21,510,849	\$ 12.8471
\$21.00	.6118	\$ 21,510,849	\$ 12.8471
\$22.00	.5840	\$ 21,510,849	\$ 12.8471
\$23.00	.5586	\$ 21,510,849	\$ 12.8471
\$24.00	.5353	\$ 21,510,849	\$ 12.8471
\$25.00	.5139	\$ 21,510,849	\$ 12.8471
\$26.00	.5139	\$ 22,371,283	\$ 13.3610
\$27.00	.5139	\$ 23,231,717	\$ 13.8749
\$28.00	.5139	\$ 24,092,151	\$ 14.3888
\$29.00	.5139	\$ 24,952,585	\$ 14.9026
\$30.00	.5139	\$ 25,813,019	\$ 15.4165

Assuming

- no other holders of Legacy Bank stock options or Legacy Bank warrants exercise either their options or warrants
- the costs associated with canceling Legacy Bank's data processing/technology agreements are approximately \$250,000, and
- the average closing price for United Security common stock is \$ \_\_\_\_\_,

then, the shareholders of Legacy Bank will receive approximately \_\_\_\_\_ shares of United Security common stock for each share of Legacy Bank common stock held. Please read the sections entitled Risk Factors - Risks Regarding the Merger and The Merger - Calculation of Consideration to be Paid to Legacy Bank Shareholders for additional information.

#### ***Fractional Shares***

It is very likely that most of Legacy Bank's shareholders will be entitled to receive a fractional interest of a share of United Security common stock in addition to a whole number of shares of United Security common stock. The merger agreement provides that, in lieu of receiving a fractional share, Legacy Bank's shareholders entitled to a fractional share will receive cash equal to the value of the fractional interest.

#### **Material United States Federal Income Tax Consequences**

**General.** The following discussion is a summary of the material United States federal income tax consequences to Legacy Bank shareholders who exchange Legacy Bank stock for United Security common stock pursuant to the merger. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), United States Treasury Regulations promulgated under the Code, administrative rulings and pronouncements and judicial decisions as of the date hereof, all of

which are subject to change, possibly with retroactive effect. Any such change could alter the tax consequences discussed in this proxy statement/prospectus.

As used in this section, a Legacy Bank shareholder is a citizen or resident of the United States; a corporation (or other entity treated as a corporation for United States federal income tax purposes) organized under the laws of the United States or any State or the District of Columbia; an estate the income of which is subject to United States federal income taxation regardless of its source; or a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust, and (ii) one or more United States persons have the authority to control all substantial decisions of the trust.

This discussion does not address the effects of any state, local, or non-United States tax laws. This discussion does not discuss the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the merger, whether or not in connection with the merger. Furthermore, this discussion relates only to Legacy Bank shareholders who hold Legacy Bank stock, and will hold United Security common stock, as capital assets. The tax treatment of a Legacy Bank shareholder may vary depending upon such shareholder's particular situation, and certain shareholders may be subject to special rules not discussed below. Such shareholders would include, for example, insurance companies, tax-exempt organizations, financial institutions, investment companies, broker-dealers, domestic shareholders whose functional currency is not the United States dollar, shareholders who hold Legacy Bank stock as part of a hedge, straddle, constructive sale or conversion transaction, and individuals who receive United Security stock pursuant to the exercise of employee stock options or otherwise as compensation.

**You are strongly urged to consult with your tax advisor with respect to the tax consequences to you of the merger in light of your own particular circumstances, including tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States federal or other tax laws.**

**Consequences of the Merger.** The completion of the merger is conditioned upon the delivery, at closing of the merger, by Bullivant Houser Bailey PC of its opinion that the merger will constitute a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code. The closing tax opinion of counsel will be subject to certain assumptions, limitations and qualifications and will be based on the truth and accuracy of certain customary factual representations of Legacy Bank and United Security. Assuming the merger does qualify as a reorganization within the meaning of Section 368(a) of the Code, then, subject to the limitations and qualifications referred to herein, the following material United States federal income tax consequences will result from qualification of the merger as a reorganization within the meaning of Section 368(a) of the Code:

- a Legacy Bank shareholder will not recognize any gain or loss upon the receipt of United Security common stock in exchange for Legacy Bank common stock in connection with the merger, except with respect to cash received in lieu of a fractional share of United Security common stock;
- a Legacy Bank shareholder will have an aggregate tax basis in the United Security common stock received in the merger (including a fractional share deemed received and redeemed as described below) equal to the shareholder's aggregate tax basis in its shares surrendered pursuant to the merger, reduced by the portion of the

shareholder's tax basis in its shares surrendered in the merger that is allocable to a fractional share of United Security common stock. If a Legacy Bank shareholder acquired any of its shares of Legacy Bank common stock at different prices or at different times, Treasury Regulations provide guidance on how such shareholder may allocate its tax basis to United Security common stock received in the merger. Legacy Bank shareholders that hold multiple blocks of Legacy Bank common stock are urged to consult their tax advisors regarding the proper allocation of their basis among shares of United Security common stock received under the Treasury Regulations;

- the holding period of the United Security common stock received by a Legacy Bank shareholder in connection with the merger (including a fractional share of United Security common stock deemed received and redeemed) will include the holding period of the Legacy Bank common stock surrendered in connection with the merger;
- cash received by a Legacy Bank shareholder in lieu of a fractional share of United Security common stock in the merger will be treated as if such fractional share had been issued in connection with the merger and then redeemed by United Security for cash in a separate transaction, and a Legacy Bank shareholder will generally recognize capital gain or loss with respect to such cash payment, measured by the difference between the amount of cash received and the tax basis in such fractional share. Any capital gain will be long-term capital gain if, as of the date of the merger, the Legacy Bank shareholder's holding period in the Legacy Bank stock is greater than one year; and

If a Legacy Bank shareholder receives cash pursuant to the exercise of dissenters' rights, that shareholder generally will recognize gain or loss measured by the difference between the cash received and the adjusted tax basis in the shareholder's Legacy Bank common stock. This gain will be long-term capital gain or loss if the shareholder's holding period in the Legacy Bank stock is greater than one year. In certain circumstances, you can be deemed for tax purposes to own shares that are actually owned by a nondissenter who is related to you, or to own shares of United Security common stock, with the possible result that the cash received upon the exercise of your rights could be treated as a dividend received in a corporate distribution rather than as an amount received in a sale or exchange of Legacy Bank common stock. Any Legacy Bank shareholder that plans to exercise dissenters' rights in connection with the merger is urged to consult a tax advisor to determine the related tax consequences.

**Treatment of United Security, United Security Bank and Legacy Bank.** No gain or loss will be recognized by United Security, United Security Bank and Legacy Bank as a result of the merger.

Neither United Security nor Legacy Bank will request a ruling from the Internal Revenue Service regarding the tax consequences of the merger to Legacy Bank shareholders. The closing tax opinion does not bind the Internal Revenue Service and does not prevent the Internal Revenue Service from successfully asserting a contrary opinion.

A successful Internal Revenue Service challenge to the reorganization status of the merger would result in each Legacy Bank shareholder recognizing taxable gain or loss equal to the difference between the sum of the fair market value of the Legacy Bank stock, as of the closing date

of the merger, and the amount of cash received in the merger (including cash received in lieu of fractional shares of United Security common stock) and the shareholder's tax basis in Legacy Bank stock surrendered in exchange therefore. United Security common stock so received would equal its fair market value as of the closing date of the merger, and the shareholder's holding period for such stock would begin the day after the merger. Further, if the Internal Revenue Service successfully challenged the reorganization status of the merger, Legacy Bank would be subject to tax on the merger. In addition, if any of the representations or assumptions upon which the closing tax opinion is based are inconsistent with the actual facts, the tax consequences of the merger could be adversely affected.

**Backup Withholding.** Any cash payments to Legacy Bank shareholders in connection with the merger may be subject to backup withholding at a rate of 28% on a shareholder's receipt of cash, unless such shareholder furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding. Any amount withheld under the backup withholding rules will generally be allowed as a refund or credit against the shareholder's U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

**HOLDERS OF SHARES OF LEGACY BANK COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER, AS WELL AS THE EFFECTS OF STATE, LOCAL, AND FOREIGN TAX LAWS.**

### **Regulatory Approvals**

#### *Federal Reserve Board*

Because the survivor of the merger will be a state-chartered member bank, the merger is subject to approval of an application by United Security Bank to the FRB. In reviewing the application, the FRB takes into consideration, among other things, competition, the financial and managerial resources and future prospects of the companies, and the convenience and needs of the communities to be served. Federal law prohibits the FRB from approving the merger if the merger would result in undue concentration of resources or decreased or unfair competition, unless the anti-competitive effects of the merger are clearly outweighed by the benefits to the public.

The FRB has the authority to deny United Security Bank's application if the FRB concludes that the combined organization would have an inadequate capital structure, taking into account, among other factors, the nature of the business and operations and plans for expansion. Furthermore, the FRB must also evaluate the records of United Security Bank in meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation. United Security Bank has an Outstanding Community Reinvestment Act evaluations.

United Security Bank submitted its application for FRB approval of the merger on November 13, 2006. United Security Bank has no reason to believe that its application will not be approved.

#### *California Department of Financial Institutions*

Because the survivor of the merger will be a California-chartered bank, the approval of the DFI is also required. In determining whether to approve the merger, the DFI evaluates the application to determine, among other things, that:

- the merger will not result in a monopoly;
- the merger will not have the effect of substantially lessening competition;
- the shareholders' equity of United Security will be adequate and will not jeopardize United Security Bank's financial condition;
- the directors and executive officers of United Security Bank after the merger will be competent;
- the merger will afford a reasonable promise of successful operation and that United Security Bank will be operated in a safe and sound manner, in compliance with all applicable laws; and
- the merger will be fair, just and equitable.

The application for DFI approval of the merger was submitted on \_\_\_\_\_, 2006. United Security Bank has no reason to believe that its application will not be approved.

#### ***Statutory Waiting Period***

Under federal banking laws, a 30-day waiting period must expire following the FRB's approval of the merger. Within that 30-day waiting period the Department of Justice may file objections to the merger under federal antitrust laws. The FRB may reduce the waiting period to 15 days with the concurrence of the Department of Justice. The Department of Justice could take such action under antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the merger unless divestiture of an acceptable number of branches to a competitively suitable purchaser can be made. If the Department of Justice commences an action challenging the merger on antitrust grounds during either the 30-day or 15-day waiting periods, commencement of that action would stay the effectiveness of the regulatory approvals, unless a court of competent jurisdiction specifically orders otherwise.

The merger cannot proceed in the absence of the regulatory approvals and the expiration of the statutory waiting period. United Security and Legacy Bank are not aware of any reasons why regulatory approvals will not be received. United Security and Legacy Bank have agreed to use their reasonable best efforts to obtain all necessary regulatory approvals. ***However, there can be no assurance that approvals will be obtained, nor can there be assurance as to the date of any approval. There also can be no assurance that any approvals will not contain unacceptable conditions or requirements.***

#### **Resale of United Security Common Stock**

The shares of United Security common stock that you receive as a result of the merger will be registered under the Securities Act of 1933, or the Securities Act. You may freely trade these shares of United Security common stock if you are not considered an affiliate of Legacy Bank, as that term is defined in the federal securities laws. Generally, an affiliate of Legacy Bank is any person or entity directly or indirectly controlling or who is controlled by Legacy Bank. Legacy Bank's

affiliates generally include directors, certain executive officers and holders of 10% or more of Legacy Bank's common stock.

Legacy Bank's affiliates may not sell their shares of United Security common stock acquired in the merger, unless those shares are registered under an effective registration statement under the Securities Act, or by complying with Securities Act Rule 145 or another applicable exemption from the registration requirements of the Securities Act. United Security may also place restrictive legends on certificates representing shares of United Security common stock issued to all persons considered affiliates of Legacy Bank.

Before United Security and Legacy Bank complete the merger, the merger agreement requires each affiliate of Legacy Bank to execute and deliver to United Security a letter acknowledging that such person or entity will not dispose of any United Security common stock in violation of the Securities Act or Securities Act Rule 145.

#### **Certain Effects of the Merger**

The merger agreement requires Legacy Bank to merge into United Security Bank, with United Security Bank as the surviving entity. After the merger, United Security Bank will continue to be United Security's subsidiary, and will continue to have its headquarters at 2151 West Shaw Avenue, Fresno, California 93710. United Security and United Security Bank will continue to operate with its present directors and executive officers.

After the merger, there will be no more trading in Legacy Bank's common stock. Each Legacy Bank shareholder will receive instructions from United Security's exchange agent regarding exchanging Legacy Bank stock certificates.

#### **Interests of Certain Persons in the Merger**

Legacy Bank's executive officers have interests in the merger in addition to their interests as Legacy Bank shareholders. Legacy Bank's board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement. As a condition to the merger, one of the Legacy Bank directors will be appointed as a director of United Security and United Security Bank. In addition, United Security has agreed to offer each director of Legacy Bank who is not selected to serve as a member of United Security's and United Security Bank's boards of directors, the title of Director Emeritus which includes a monthly stipend of \$400 as long as the director continues to hold at least 50% of the shares of United Security common stock issued to the director at the completion of the merger, and takes no actions construed as detrimental to United Security Bank.

Legacy Bank's bylaws provide Legacy Bank's directors and officers with contractual rights to indemnification binding upon a successor. Please read the section entitled [Comparison of Shareholder Rights - Indemnification of Directors and Officers](#) for additional information.

The discovery period for Legacy Bank's policy of directors and officers liability insurance will be extended for up to 48 months with respect to all matters arising from facts or events which occurred before the effective time of the merger for which Legacy Bank would have an obligation to indemnify its directors and officers. The cost of this extension shall not exceed \$50,000 under the terms of the merger agreement.



### **Dissenters' Rights of Legacy Bank's Shareholders**

Dissenters' rights will be available to the Legacy Bank shareholders in accordance with Section 214a(b) of Title 12 of the United States Code. ***The required procedure set forth in Section 214a(b) of the United States Code must be followed exactly or any dissenters' rights may be lost.***

The information set forth below is a general summary of dissenters' rights as they apply to Legacy Bank shareholders and is qualified in its entirety by reference to Section 214a(b) of Title 12 of the United States Code which is attached to this proxy statement-prospectus as Appendix B.

### ***Fair Market Value of Shares***

If the merger is approved, Legacy Bank shareholders who dissent from the merger by complying with the procedures set forth in Section 214a(b) of Title 12 of the United States Code will be entitled to receive an amount equal to the fair market value of their shares as of (Meeting date, 200 ), the date of the shareholders' meeting.

### ***Voting Procedure***

In order to be entitled to exercise dissenters' rights, the shares of Legacy Bank common stock which are outstanding and are entitled to be voted at the special shareholders' meeting must be voted **AGAINST** the merger by the holder of such shares, or the holder of such shares must give written notice to Legacy Bank at or prior to the special meeting of shareholders that such shareholder dissents from the merger agreement. Thus, any Legacy Bank shareholder who wishes to dissent and executes and returns a proxy in the accompanying form or votes at the special shareholders' meeting must vote **AGAINST** the merger. If the shareholder does not return a proxy or provide written notice of dissent, or returns a proxy without voting instructions or with instructions to vote **FOR** or **ABSTAIN** with respect to the merger, or votes in person or by proxy at the special shareholders' meeting **FOR** the merger, his or her shares will be counted as votes in favor of the merger and the shareholder will lose any dissenters' rights.

### ***Written Demand***

Furthermore, in order to preserve his or her dissenters' rights, a Legacy Bank shareholder must make a written demand upon Legacy Bank for the purchase of dissenting shares and payment to the shareholder of their fair market value, specifying the number of shares held of record by the shareholder and a statement of what the shareholder claims to be the fair market value of those shares as of (Meeting date, 200 ), the date of the special meeting of shareholders. The demand must be addressed to United Security Bank, 2126 Inyo Street, Fresno, California 93721; Attention: Ken Donahue, Assistant Corporate Secretary, and the demand must be received by United Security Bank not later than 30 days after the date of completion of the merger. A vote **AGAINST** the merger does not constitute the written demand.

### ***Surrender of Certificates***

Within 30 days after the date of completion of the merger, the dissenting shareholder must surrender to United Security Bank, both the written demand and the certificates representing the dissenting shares to be stamped or endorsed with a statement that they are dissenting shares or to be

exchanged for certificates of appropriate denomination so stamped or endorsed. Any shares of Legacy Bank common stock that are transferred prior to their submission for endorsement lose their status as dissenting shares.

***Valuation of Shares and Payment***

The value of the shares of Legacy Bank common stock will be determined by a committee of three persons, one to be selected by the majority vote of the dissenting shareholders entitled to receive the value of their shares, one by the directors of United Security Bank and the third by the two so chosen. The valuation agreed upon by any two of the three appraisers shall be the value used for payment to the dissenters.

***Disagreement on Price and Comptroller Determination***

If the value decided by the appraisers is not satisfactory to a dissenting shareholder who has requested payment, such shareholder may within five days after being notified of the appraised value of his or her shares appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding as to the value of the shares. If within ninety days from the date of completion of the merger, for any reason one or more of the appraisers is not selected as provided above, or the appraisers fail to determine the value of the shares, the Comptroller shall upon written request of any interested party, cause an appraisal to be made, which shall be final and binding on all parties.

***Withdrawal of Demand***

A dissenting shareholder may not withdraw his or her dissent or demand for payment unless Legacy Bank consents to the withdrawal.

**Opinion of Financial Advisor**

Legacy Bank's board of directors retained Howe Barnes to render financial advisory and investment banking services. Howe Barnes is a nationally recognized investment banking firm with substantial expertise in transactions similar to the proposed transaction and is familiar with Legacy Bank and its business. The firm is a member of the National Association of Securities Dealers (NASD) with direct access to inter-dealer markets in NASD Automated Quotation (NASDAQ) and Over-the-Counter (OTC) securities, and makes markets in securities. As part of its investment banking activities, Howe Barnes is regularly engaged in the independent valuation of financial institutions and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

On October 6, 2006, the Legacy Bank board of directors held a meeting to evaluate the proposed merger with United Security. At this meeting, Howe Barnes rendered an opinion that the terms of the proposed merger of Legacy Bank with and into United Security was fair, from a financial point of view, to Legacy Bank shareholders. Howe Barnes has confirmed its October 6, 2006 opinion by delivering to the Legacy Bank board a written opinion dated the date of this proxy statement-prospectus. In rendering its updated opinion, Howe Barnes confirmed the appropriateness of its reliance on the analyses used to render its earlier opinion by reviewing the assumptions upon which its analyses were based, performing procedures to update certain of its analyses and reviewing

certain other factors considered in rendering its opinion. The full text of Howe Barnes' opinion is attached as Appendix C to this proxy statement-prospectus and should be read in its entirety.

In rendering its opinion, Howe Barnes reviewed and analyzed, among other things, the following:

- the merger agreement;
- certain publicly available financial statements, both audited (where available) and un-audited, and related financial information of Legacy Bank and United Security, including those included in their respective annual reports for the past three years and their respective quarterly reports for the past two years;
- held discussions with member of senior management of Legacy Bank regarding financial forecasts and projections of Legacy Bank, as well as the amount and timing of the cost savings and related expenses and synergies expected to result from the merger;
- held discussions with members of senior management of Legacy Bank and United Security regarding past and current business operations, regulatory matters, financial condition and future prospects of the respective companies;
- reviewed reported market prices and historical trading activity of Legacy Bank and United Security common stock;
- reviewed certain aspects of the financial performance of Legacy Bank and United Security and compared such financial performance of Legacy Bank and United Security, together with stock market data relating to Legacy Bank and United Security common stock, with similar data available for certain other financial institutions and certain of their publicly traded securities;
- compared the proposed financial terms of the merger with the financial terms of certain other transactions deemed to be relevant;
- reviewed the potential pro forma impact of the merger; and
- certain other information, financial studies, analyses and investigations and financial, economic and market criteria as Howe Barnes deemed relevant.

Howe Barnes has assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to it by Legacy Bank, United Security, and their respective representatives, and of the publicly available information that was reviewed by it. Howe Barnes is not an expert in the evaluation of allowances for loan losses and has not independently verified such allowances, and has relied on and assumed that the aggregate allowances for loan losses set forth in the balance sheets of each of Legacy Bank and United Security are adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. Howe Barnes was not retained to and it did not conduct a physical inspection of any of the properties or facilities of Legacy Bank or

United Security, did not make any independent evaluation or appraisal of the assets, liabilities or prospects of Legacy Bank or United Security, was not furnished with any such evaluation or appraisal, and did not review any individual credit files.

Howe Barnes' opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to it as of, the date hereof. Events occurring after the date of issuance of the opinion, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of Legacy Bank or United Security could materially affect the assumptions used in preparing the opinion. Howe Barnes assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived.

No limitations were imposed by Legacy Bank's board of directors upon Howe Barnes with respect to the investigations made or procedures followed in rendering its opinion. Howe Barnes' opinion as expressed herein is limited to the fairness, from a financial point of view, of the merger Consideration to be paid by United Security to holders of Legacy Bank common stock in the merger and does not address Legacy Bank's underlying business decision to proceed with the merger. Howe Barnes has been retained on behalf of the Board of Directors of Legacy Bank, and its opinion does not constitute a recommendation to any director of Legacy Bank as to how such director should vote with respect to the merger agreement.

Howe Barnes relied upon the management of Legacy Bank as to the reasonableness of the financial and operating forecasts, and projections (and the assumptions and bases therefor) provided to it, and Howe Barnes assumed that such forecasts and projections reflect the best currently available estimates and judgments of Legacy Bank management. Legacy Bank does not publicly disclose internal management forecasts, projections or estimates of the type furnished to Howe Barnes in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. These forecasts and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the management of Legacy Bank, including without limitation to, the general economic, regulatory and competitive conditions.

Accordingly, actual results could vary materially from those set forth in such forecasts and estimates. The following is a summary of the material financial analyses performed by Howe Barnes in connection with the preparation of its opinion and does not purport to be a complete description of all the analyses performed by Howe Barnes. The summary includes information presented in tabular format, which should be read together with the text that accompanies those tables. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, an opinion is not necessarily susceptible to partial analysis or summary description. Howe Barnes believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the processes underlying its opinion. In its analyses, Howe Barnes made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Legacy Bank, United Security and Howe Barnes. Any estimates contained in Howe Barnes' analyses are not necessarily indicative of future results or values, which may be significantly

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more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

*Summary of Proposal.* Howe Barnes reviewed the financial terms of the proposed transaction. Based on a market price of \$22.05 for United Security, assuming data processing/technology cancellation costs of \$300,000 and assuming all Legacy Bank Stock Options accept cash consideration, the merger consideration would equal \$12.82 per share and each share of Legacy Bank common stock would have the right to receive 0.5814 shares of United Security common stock.

### Transaction Ratios:

Transaction Value to June 30, 2006 Stated Book Value	2.06	x
Transaction Value to June 30, 2006 Tangible Book Value	2.09	x
Transaction Value to Estimated 2006 Earnings Per Share	50.45	x
Transaction Value to June 30, 2006 Assets	27.56	%
Tangible Premium on June 30, 2006 Core Deposits	20.41	%

For purposes of Howe Barnes analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately \$22.4 million, based upon 1,672,373 shares of Legacy Bank common stock outstanding and including the intrinsic value of options to purchase 322,836 shares with an exercise price of \$10.00 and warrants to purchase 15,000 shares with an exercise price of \$10.10.

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*Analysis of Selected Public Companies.* Howe Barnes used publicly available information to compare selected financial and market trading information for United Security with those of a group of comparable publicly traded California banking organizations with total assets between \$550 and \$750 million. The companies in United Security's peer group were:

American River Bankshares

Bank of Commerce Holdings

Bridge Capital Holdings

First Northern Community Bancorp

FNB Bancorp

North Bay Bancorp

San Joaquin Bancorp

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To perform this analysis, Howe Barnes used financial data as of and for the six months ended June 30, 2006 and pricing data as of September 27, 2006. The following table sets forth the comparative financial and market data:

	<b>United Security</b>	<b>Peer Group Median</b>
Total Assets (in millions)	\$ 664.3	\$ 635.8
Equity/Assets	9.55	% 8.25 %
Loans/Deposits	85.88	% 82.93 %
Loan Loss Reserve/Loans	1.67	% 1.39 %
Return on Average Assets	2.18	% 1.41 %
Return on Average Equity	22.15	% 15.86 %
Nonperforming Assets/Assets	2.54	% 0.04 %
Efficiency Ratio	50.41	% 64.10 %
Price/Book Value Per Share	3.95	x 2.30 x
Price/Tangible Book Value Per Share	4.17	x 3.09 x
Price/Last 12 Months Earnings Per Share	19.7	x 16.6 x

Howe Barnes used publicly available information to compare selected financial and market trading information for Legacy Bank with those of a group of comparable publicly traded California banking organizations with total assets between \$60 and \$100 million. The companies in Legacy Bank's peer group were:

Bank of Santa Clarita  
Chino Commercial Bancorp  
Community Bank of the Bay  
County Commerce Bank  
Mojave Desert Bank, N.A.  
Mother Lode Bank  
Pacific Commerce Bank, N.A.  
Pacific Valley Bank  
Private Bank of California  
Private Bank of the Peninsula  
Redwood Capital Bank  
San Diego Trust Bank  
Santa Clara Valley Bank, N.A.  
Security Bank of California  
Ventura County Business Bank





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To perform this analysis, Howe Barnes used financial data as of and for the six months ended June 30, 2006 and pricing data as of September 27, 2006. The table on the following page sets forth the comparative financial and market data:

	<b>Legacy Bank</b>		<b>Peer Group Median</b>	
Total Assets (in millions)	\$	81.2	\$	90.3
Equity/Assets		12.80	%	13.66
Loans/Deposits		90.12	%	77.47
Loan Loss Reserve/Loans		1.62	%	1.22
Return on Average Assets		0.23	%	0.03
Return on Average Equity		1.74	%	0.21
Nonperforming Assets/Assets		0.25	%	0.00
Efficiency Ratio		92.30	%	89.07
Price/Book Value Per Share		1.61	x	1.88