

UNITED COMMUNITY BANKS INC
Form S-3
December 28, 2012

As filed with the Securities and Exchange Commission on
December 28, 2012

File No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

UNITED COMMUNITY BANKS, INC.

(Exact name of issuer as specified in its charter)

Georgia
(State or other jurisdiction of
incorporation or organization)

58-1807304
(I.R.S. Employer
Identification Number)

United Community Banks, Inc.
125 Highway 515 East
Blairsville, Georgia 30512
(706) 781-2265

Jimmy C. Tallent
125 Highway 515 East
Blairsville, Georgia 30512
(706) 781-2265

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

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

Copies to:

James W. Stevens
Kilpatrick Townsend & Stockton LLP
1100 Peachtree Street, Suite 2800
Atlanta, Georgia 30309-4530
(404) 815-6500

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

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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

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(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

(Do not check if smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Security (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
9.0% Senior Notes due 2017	\$35,000,000	100%	\$35,000,000	\$4,774.00
Total:			\$35,000,000	\$4,774.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended, based on 100% of the aggregate principal amount of the 9.0% Senior Notes due 2017 (the "Notes").

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

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

SUBJECT TO COMPLETION, DATED _____, 2012

PROSPECTUS

\$35,000,000

9.0% SENIOR NOTES DUE 2017

On October 3, 2012, we completed a private offering of \$35,000,000 aggregate principal amount of the 9.0% Senior Notes due 2017 (the “Notes”). The Notes were sold to three institutional purchasers (the “Purchasers”) at an offering price of 100% of face amount. This prospectus relates to the potential resale from time to time by the Purchasers of some or all of the Notes (the “Selling Noteholders”). We will not receive any proceeds from the resale of the Notes by the Selling Noteholders.

The Notes were issued pursuant to an indenture (the “Indenture”), dated as of October 3, 2012, between the Company and Wilmington Trust, National Association, as trustee. The Indenture contains covenants that, among other things, limit the ability of the Company to create liens on the stock of its bank subsidiary.

Interest on the Notes will be payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2013. The Notes are not redeemable and will mature on October 15, 2017.

No public trading market currently exists for the Notes. We do not intend to list the Notes on any securities exchange or any automated quotation system.

The Notes may be offered and sold from time to time by the Selling Noteholders identified in this prospectus or in supplements to this prospectus. The Selling Noteholders may sell the Notes directly or through underwriters, broker-dealers or agents and in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. If the Notes are sold through underwriters, broker-dealers or agents, the Selling Noteholders will be responsible for underwriting discounts or commissions or agent’s commissions. The Selling Noteholders will receive all of the net proceeds from the sale of the Notes.

Investing in our securities involves a high degree of risk. We urge you to carefully read the sections entitled “Risk Factors” beginning on page 2 and in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which is incorporated herein by reference.

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

The date of this prospectus is _____, 2012

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ABOUT THIS PROSPECTUS

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

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

It is important for you to read and consider all of the information contained in this prospectus in making your investment decision. To understand the offering fully and for a more complete description of the offering you should read this entire document carefully, including particularly the “Risk Factors” section beginning on page 2. You also should read and consider the information in the documents to which we have referred you in the sections entitled “Where You Can Find More Information” and “Incorporation of Certain Information by Reference”.

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

PROSPECTUS SUMMARY

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

Business

We are the third largest bank holding company headquartered in Georgia. As of September 30, 2012, we have total consolidated assets of \$6.70 billion, total loans of \$4.14 billion, excluding the loans acquired from Southern Community Bank (“SCB”) that are covered by loss sharing agreements and therefore have a different risk profile, total deposits of \$5.82 billion and shareholders’ equity of \$585 million. We conduct substantially all of our operations through our wholly-owned Georgia bank subsidiary, United Community Bank (the “bank”), which operates with decentralized management that is currently organized as 27 separate “community banks” at 106 locations in north Georgia, the Atlanta metropolitan statistical area (or MSA), the Gainesville, Georgia MSA, coastal Georgia, western North Carolina and eastern Tennessee. While we enjoy the efficiencies of a single bank charter, each of our “community banks” is led by a local president and management team who collectively have significant experience in and ties to their respective communities. Our community banks offer a full range of retail and corporate banking services, including checking, savings and time deposit accounts, secured and unsecured lending, wire transfers, brokerage services and other financial services.

For a complete description of our business, financial condition, results of operations and other important information, we refer you to our filings with the Securities and Exchange Commission (the “SEC”) that are incorporated by reference in this prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2011, and our Quarterly Report on Form 10-Q for the period ended September 30, 2012. For instructions on how to find copies of these documents, see “Where You Can Find More Information”.

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

About the Offering

On October 3, 2012, we completed a private offering of \$35,000,000 aggregate principal amount of the 9.0% Senior Notes due 2017 (the “Notes”). The Notes were sold to three institutional purchasers (the “Purchasers”) at an offering price of 100% of face amount. This prospectus relates to the potential resale from time to time by the Purchasers of some or all of the Notes (the “Selling Noteholders”). We will not receive any proceeds from the resale by the Selling Noteholders of the Notes.

The Notes were issued pursuant to an indenture (the “Indenture”), dated as of October 3, 2012, between the Company and Wilmington Trust, National Association, as trustee. The Indenture contains covenants that, among other things, limit the ability of the Company to create liens on the stock of its bank subsidiary.

Interest on the Notes will be payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2013. The Notes are not redeemable and will mature on October 15, 2017.

No public trading market currently exists for the Notes. We do not intend to list the Notes on any securities exchange or any automated quotation system.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully review the risks and uncertainties listed below, together with the risk factors described in the section entitled “Risk Factors” in our most recent Annual Report on Form 10-K, as updated by any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we have filed or will file with the SEC and which are incorporated by reference into this prospectus. The risks described in these documents are not the only ones we face, but those that we currently consider to be material. There may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. Please also read carefully the section below entitled “A Warning About Forward Looking Statements”.

Risks Associated with Our Business and Related to Regulatory Events

For the risks associated with our business and industry, as well as the risks related to legislative and regulatory events, see the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated in this prospectus by reference.

Risks Related to the Notes

It is unlikely that an active trading market for the Notes will develop.

The Notes will not be liquid investments because no public trading market currently exists for such Notes and it is unlikely that a market will develop. Potential purchasers of the Notes should consider carefully the limited liquidity of such investment before purchasing some or all of the Notes. We do not intend to apply for the listing of the Notes on any securities exchange. We cannot assure you that an active market for the Notes will develop. Even if a trading market for the Notes were to develop, it may not continue, and a purchaser of some or all of the Notes may not be able to sell such Notes at or above the price at which they were purchased.

We may be unable to repay the Notes.

As a bank holding company, our ability to pay dividends depends primarily on the receipt of dividends from our wholly-owned bank subsidiary. Dividend payments from the bank are subject to legal and regulatory limitations, generally based on retained earnings, imposed by bank regulatory agencies. The ability of the bank to pay dividends is also subject to financial condition, regulatory capital requirements, capital expenditures and other cash flow requirements. As of September 30, 2012, pursuant to these restrictions, the bank does not have the ability to pay dividends to us without prior regulatory approval.

Future dividend payments are restricted by the terms of Treasury’s equity investment in us and an informal memorandum of understanding.

Beginning in the third quarter of 2008, we began to pay stock dividends in lieu of cash dividends to preserve capital and strengthen our tangible common equity levels. Under the terms of the Troubled Asset Relief Capital Purchase Program of the United States Department of the Treasury, as long as the Series B Preferred Stock is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including the Common Stock, are prohibited until all accrued and unpaid dividends are paid on the Series B Preferred Stock, subject to certain limited exceptions. See “Item 1. Business—Payment of Dividends” in United’s Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated herein by reference.

In addition, pursuant to an informal memorandum of understanding we entered into with Federal Reserve Bank of Atlanta and the Georgia Department of Banking and Finance, we may not incur additional indebtedness, pay cash dividends, make payments on our trust preferred securities or subordinated indebtedness or repurchase outstanding capital stock, including the Common Stock, without prior approval of the Federal Reserve Bank of Atlanta.

At maturity, the entire outstanding principal amount of the Notes will become due and payable by us. In addition, if an “event of default”, as defined in the Indenture, occurs and is continuing, holders of at least 25% of the principal amount of the then outstanding Notes may declare all the Notes and interest accrued thereon to be due and payable immediately. We may not have sufficient funds to make the required repayment at such time or have the ability to arrange necessary financing on acceptable terms. We cannot assure you that we will have sufficient funds or will be able to arrange for additional financing to pay the principal amount due. In addition, future borrowing arrangements or regulatory or other agreements or obligations to which we become a party may contain restrictions on, or prohibitions against, our repayment of the Notes. Our inability to pay for your Notes could result in your receiving substantially less than the principal amount of the Notes.

We significantly increased our leverage as a result of the sale of the Notes.

As a result of incurring \$35,000,000 of indebtedness, our principal and interest payment obligations are significant. The degree to which we will be leveraged could materially and adversely affect our ability to obtain additional necessary financing and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt service obligations will be dependent upon our future performance, which will be subject to financial, business, regulatory and other factors affecting our operations, many of which are beyond our control, including the uncertain impact on our business operations of the federal “fiscal cliff” arising from the combination of tax increases and automatic spending cuts scheduled to take effect at the end of calendar 2012 and in early calendar 2013 in the United States.

An investment in the Notes is not an insured deposit.

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

We may be unable to generate sufficient cash flow to satisfy our obligations under the Note.

Our ability to generate cash flow from operations to make interest payments on the Notes will depend on our future performance, which will be affected by a range of economic, competitive and business factors. We cannot control many of these factors, including general economic conditions and the federal “fiscal cliff.” If our operations do not generate sufficient cash flow from operations to satisfy our obligations under the Note, we may need to borrow additional funds to make these payments or undertake alternative financing plans, such as refinancing or restructuring our debt, or reducing or delaying capital investments and acquisitions. For example, additional funds or alternative financing may not be available to us on favorable terms, or at all. Our inability to generate sufficient cash flow from operations, incur substantially more debt or obtain additional funds or alternative financing on acceptable terms could have a material adverse effect on our business, financial condition and results of operations.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

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

Our businesses and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the risk factors set forth in this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2011:

our ability to maintain profitability;

our ability to fully realize our deferred tax asset balances, including net operating loss carry-forwards;

the condition of the banking system and financial markets;

the results of our most recent internal credit stress test may not accurately predict the impact on our financial condition if the economy were to continue to deteriorate;

our ability to raise capital as may be necessary;

our ability to maintain liquidity or access other sources of funding;

changes in the cost and availability of funding;

the success of the local economies in which we operate;

our concentrations of residential and commercial construction and development loans and commercial real estate loans are subject to unique risks that could adversely affect our earnings;

changes in prevailing interest rates may negatively affect our net income and the value of our assets;

the accounting and reporting policies of United;

if our allowance for loan losses is not sufficient to cover actual loan losses;

we may be subject to losses due to fraudulent and negligent conduct of our loan customers, third party service providers or employees;

competition from financial institutions and other financial service providers;

the U.S. Treasury may change the terms of our fixed rate cumulative perpetual preferred stock, Series B (the “Series B preferred stock”);

risks with respect to future expansion and acquisitions;

if the conditions in the stock market, the public debt market and other capital markets deteriorate;

the impact of the Dodd-Frank Wall Street Reform Act of 2010 and related regulations and other changes in financial services laws and regulations;

the potential impact of the federal “fiscal cliff” arising from the combination of tax increases and automatic spending cuts scheduled to take effect at the end of calendar 2012 and in early calendar 2013 in the United States;

the failure of other financial institutions;

a special assessment that may be imposed by the FDIC on all FDIC-insured institutions in the future, similar to the assessment in 2009 that decreased our earnings;

the formal investigation by the SEC on any penalty, sanction or further restatement of our previously issued financial statements that may result from such investigation;

the costs and effects of litigation, examinations, investigations, or similar matters, or adverse facts and developments related thereto, including possible dilution; and

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

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

RATIOS OF EARNINGS TO FIXED CHARGES

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

	Year Ended December 31,						
	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	2011	2010	2009	2008	2007
Including interest on deposits	1.34 x	(2.74) x	(1.94) x	(2.84) x	(.90) x	.55 x	1.32 x
Excluding interest on deposits	1.61 x	(8.24)	\$	4.65			
Implied Consideration Based on 10/21/2014 Prices	\$ 94.79	\$ 95.20	\$	40.86			
Premium to 8/8/2014 Prices(b)	18.0%		23.6%	21.6%			

(a) Subject to proration, KMP and EPB unitholders will have the option to elect all-cash consideration of \$91.72 per KMP unit and \$39.53 per EPB unit, or all-stock consideration of 2.4849 KMI shares per KMP unit and 1.0711 KMI shares per EPB unit.

(b) Transaction announced on 8/10/2014. Last trading date prior to announcement was 8/8/2014.

The consideration mix includes a cash component that can be used to fund taxes for KMP and EPB holders. The \$10.77/unit of cash to KMP and \$4.65/unit to EPB will cover a portion of, and in many cases all, taxes due for the average unit holder generated as a result of this transaction. Further, KMP and EPB unit holders may elect all cash or all equity (subject to pro ration). If you chose all-cash (and are not pro-rated), your cash value would be \$91.72/unit for KMP or \$39.53/unit for EPB.

2) **Lower Cost of Capital** By eliminating the GP share of KMP and EPB's cash flows, we will significantly reduce our cost of capital. This will allow us to generate better margins on our identified growth projects. A lower cost of capital will also enable us to increase the overall level of capital projects we are pursuing as well as be competitive pursuing a greater number of acquisitions going forward. As a result, we believe we will be better positioned to take advantage of the tremendous energy infrastructure build out we are witnessing across North America.

3) **Higher Dividend Growth** While the transaction is cash flow dilutive to KMP, KMR and EPB in the next few years, it turns accretive and then becomes highly accretive in the medium and long-term term. Moreover, the value uplift greatly overwhelms the short-term cash dilution. KMP, KMR and EPB holders are receiving a security with a much faster growing annual dividend per share. KMP and EPB are expected to grow their distributions at 5% and 3% each year from 2015-2020, respectively. Pro forma KMI expects to grow its dividend by 10% a year over that same time frame.

4) **Greater Coverage and Dividend Visibility** The entire enterprise will be stronger and more certain to meet dividend targets. KMP and EPB typically have had very low coverage, which we believe is appropriate for our assets given their predictable, fee-based nature. However, after the transaction, KMI expects to have cash coverage (above our target cash dividends) in excess of \$2.0 billion in total from 2015-2020. This excess cash will provide greater cushion to withstand headwinds, while maintaining a best-in-class dividend growth rate for a long time. Moreover, we will be able to reinvest this cash back in to our business thereby reducing our need to access public equity and debt markets.

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5) Simplified, Investment Grade Organization Combined KMI will have world class scale with an unparalleled North American energy infrastructure footprint. The simplified public structure eliminates complexities, including incentive distribution rights and structural subordination. Additionally, having only one publicly-traded security results in only one equity holder base, one dividend policy and one debt rating. We are committed to an investment grade rating on this new entity, and the rating agencies have published reports indicating the consolidated company is expected to have investment grade ratings. The simplified organization will allow the agencies to focus on our world class business profile and scale. We will remain the largest energy infrastructure company in North America, with over 82% of our cash flows fee-based and 94% fee-based or hedged for 2014.

Frequently Asked Questions (FAQs)

These FAQs are for summary reference only. Please refer to the applicable proxy statement or proxy statement/prospectus and other transaction-related documents filed with the SEC for additional important information regarding this transaction.

Q: When are the special meetings?

A: The KMI, KMP, KMR and EPB special meetings for their respective equity holders will be held on November 20, 2014.

Q: When do I need to act?

A: Once you have received and reviewed the applicable proxy statement or proxy statement/prospectus, please follow the instructions included in order to submit your vote and make your consideration election.

Q: When do you expect the mergers to be completed?

A: We are working toward completing the mergers diligently and currently expect the mergers to close before Thanksgiving.

Q: What matters will be voted on at the respective special meetings of KMP, KMR and EPB?

A: The equity holders of KMP, KMR and EPB each will be asked to consider and vote on the following proposals:

- To approve the respective merger agreements of each; and
- To approve the adjournment of the respective special meetings of each, if necessary, in order to solicit additional proxies in the event there are insufficient votes to approve the respective merger agreements.
- In addition, the equity holders of KMR will be asked to vote to determine how the KMP I-units will be voted in respect to the proposals to be considered at the KMP special meeting.

Q: How do the conflicts committees and boards of directors of the general partners of EPB and KMP and the special committee and board of directors of KMR recommend that I vote on the proposals?

A: The conflicts committees and boards of directors of the general partners of EPB and KMP and the special committee and board of directors of KMR each recommend that you vote:

- FOR the proposal to approve the applicable merger agreement; and

- FOR the applicable adjournment proposal

Q: Who is entitled to vote at the special meetings?

A: Only equity holders at the close of business on Monday, October 20, 2014 are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof.

Q: If my units or shares are held in a brokerage account, will my financial advisor vote my interests for me?

A: Your financial advisor will only be permitted to vote your interests for you if you instruct them how to vote. Therefore, it is important that you promptly follow the directions provided by your financial advisor regarding how to instruct them to vote your KMP units, KMR shares or EPB units. If you do not instruct your financial advisor how to vote your interests that they hold, those units or shares will not be voted and the effect will be the same as a vote against the approval of the merger agreements, but it will not affect the vote on any proposal to adjourn the special meeting unless a quorum is present.

Q: What constitutes a quorum for the special meeting?

A: The presence, in person or by proxy, of equity holders representing a majority of the units or shares outstanding for each of KMI, KMP, KMR and EPB on their respective record dates will constitute a quorum for each special meeting.

Q: What consideration will I receive for my KMP units, KMR shares or EPB units?

A: Holders of KMP, KMR, or EPB will have the right to receive the following consideration for each unit or share owned at the effective time of the mergers:

- KMP A KMP unitholder may elect one of the following consideration options (subject to proration): (i) all-stock - 2.4849 shares of KMI common stock, (ii) all-cash - \$91.72 in cash without interest, or (iii) mixed - a combination of 2.1931 shares of KMI common stock and \$10.77 in cash without interest. Holders who elect to receive the mixed consideration will not be subject to proration.
- KMR 2.4849 shares of KMI common stock.

- **EPB** An EPB unitholder may elect one of the following consideration options (subject to proration): (i) all-stock - 1.0711 shares of KMI common stock, (ii) all-cash - \$39.53 in cash without interest, or (iii) mixed - a combination of 0.9451 of a share of KMI common stock and \$4.65 in cash without interest. Holders who elect to receive the mixed consideration will not be subject to proration.

Q: For holders of KMP and EPB, is there a way to estimate the taxes due as a result of this transaction?

A: A gain / loss calculator is available at K-1 Tax Package Support and can be used to estimate your tax liabilities. This calculator can be accessed at www.taxpackagesupport.com. The gain / loss calculator uses tax information as of 12/31/2013. Please note the gain / loss calculator does not incorporate 2014 partnership activity and also excludes any unused passive losses a unitholder may have accumulated. These and other factors can affect the outcome of these calculations and, accordingly, the gain / loss calculator should only be relied upon as an estimate. Consult your tax advisor for more information.

Q: Can I access the Registration Statement, Proxy Statement / Prospectus and other documents filed with the SEC by KMI online?

A: These materials, as filed with the SEC, are available online at www.sec.gov and on Kinder Morgan's website at www.kindermorgan.com (click on Investors, KMI and then SEC Filings).

Q: Did the conflicts committees of the boards of directors of the general partners of KMP and EPB and the special committee of the board of directors of KMR receive separate opinions of fairness from a financial advisor regarding the exchange ratio?

A: Yes. The separate, independent committees of the boards representing KMP, KMR and EPB received opinions of fairness from their respective financial advisors, Jefferies LLC (KMP and KMR) and Tudor, Pickering, Holt & Co. Securities, Inc. (EPB).

Q: Who should I contact should I have questions related to the KMI proxy statement or the KMP, KMR or EPB proxy statements/prospectuses?

A: If you would like additional copies, without charge, of the KMI proxy statement or the KMP, KMR or EPB proxy statement/prospectus or if you have additional questions about the proposals, including the procedures for voting your units or shares, you should contact D. F. King & Co., Inc., which is assisting us in the solicitation of proxies, as follows:

D. F. King & Co., Inc.

48 Wall Street, 22nd Floor

New York, New York 10005

Toll-Free: 1-800-331-5963

Q: Will I receive dividends after the mergers?

A: Yes, KMI has paid in the past, and intends to continue to pay, quarterly cash dividends to its stockholders. In fact, management has stated it intends to target a KMI dividend of \$2.00 per share for 2015 and expects to grow that dividend by 10% each year from 2015 to 2020.

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The amount and timing of past dividends paid is not a guarantee of any future dividends, the amount, the payment, timing and amount of which will be determined by KMI's board of directors and depend on KMI's cash requirements, its financial condition, contractual restrictions, legal and regulatory considerations and other factors. Based on our projected targeted dividends, the transaction is expected to be cash flow dilutive to KMP, KMR and EPB holders in the next few years. However, the transaction turns cash flow accretive and then highly accretive in the medium- and long-term. Moreover, the value uplift overwhelms the short-term cash dilution.

Q: What type of dividend does KMI pay?

A: KMI is classified as a corporation for U.S. federal income tax purposes, and thus, KMI (and not its stockholders) is subject to U.S. federal income tax on its taxable income. A distribution of cash by KMI to a stockholder who is a U.S. holder will generally be included in such U.S. holder's income as ordinary dividend income to the extent of KMI's current and accumulated earnings and profits as determined under U.S. federal income tax principles. A portion of the cash distributed to KMI shareholders by KMI after the mergers may exceed KMI's current and accumulated earnings and profits. Distributions of cash in excess of KMI's current and accumulated earnings and profits will be treated first as a non-taxable return of capital reducing a U.S. holder's adjusted tax basis in such U.S. holder's shares of KMI common stock and, to the extent the distribution exceeds such stockholder's adjusted tax basis, as capital gain from the sale or exchange of such shares of KMI common stock.

Q: What are the expected U.S. federal income tax consequences resulting from the mergers?

A: Consequences will be different for each holder due to a number of factors, including whether the holder owns KMP or EPB units or KMR shares.

- **KMP and EPB** The receipt of KMI common stock, cash or a combination of KMI common stock and cash in exchange for KMP or EPB units pursuant to the applicable merger will be a taxable transaction to U.S. holders for U.S. federal income tax purposes. A U.S. holder will generally recognize capital gain or loss on the receipt of KMI common stock and / or cash in exchange for KMP or EPB units. However, a portion of this gain or loss, which portion will likely be substantial, will be separately computed and taxed as ordinary income or loss. Passive losses that were not deductible by a U.S. holder in prior taxable periods may become available to offset a portion of the gain recognized by such U.S. holder. Consult your tax advisor for more information.

- **KMR** Assuming the KMR merger constitute a reorganization for U.S. federal income tax purpose, KMR shareholders that are U.S. holders will generally not be subject to U.S. federal income tax as a result of the exchange of their KMR shares for KMI common stock (except in connection with cash received in lieu of a fractional share of KMI common stock) in the KMR merger. Consult your tax advisor for more information.

Q: What tax documents will I receive after the close of the mergers?

A:

- **KMP and EPB** KMP and EPB unitholders will receive a final Schedule K-1 and supporting materials (expected to be delivered in February 2015).

- **KMR** KMR shareholders will not receive any tax documents as a result of the KMR merger, except in connection with cash received in lieu of a fractional share of KMI common stock.

- **KMI** KMI shareholders will not receive any tax documents as a result of the mergers. KMI shareholders will receive an annual IRS Form 1099-DIV pertaining to their dividend income (or IRS Form 1042-S if the KMI shareholder is a non-U.S. person).

Q: Will KMI continue being a corporation that generates an IRS Form 1099?

A: Yes, the surviving entity will be Kinder Morgan, Inc. (KMI), a Delaware corporation, which is classified as a corporation for U.S. federal income tax purposes. KMI shareholders will receive an annual IRS Form 1099-DIV pertaining to their dividend income (or IRS Form 1042-S if the KMI shareholder is a non-U.S. person).

Q: What will my basis be in my new shares of KMI?

A:

- **KMP and EPB** A U.S. holder's tax basis in any shares of KMI common stock received in the KMP merger or the EPB merger will equal the price of such KMI shares at closing.

- **KMR** A U.S. holder will have an aggregate adjusted tax basis in the shares of KMI common stock received in the KMR merger, including any fractional share of KMI common stock for which cash is received, equal to the aggregate adjusted tax basis of the KMR shares surrendered by that holder in the KMR merger.

IMPORTANT ADDITIONAL INFORMATION AND WHERE TO FIND IT

This communication may be deemed to be solicitation material in respect of the proposed acquisition by Kinder Morgan, Inc. (KMI) of each of Kinder Morgan Energy Partners, L.P. (KMP), Kinder Morgan Management, LLC (KMR) and El Paso Pipeline Partners, L.P. (EPB) (collectively, the Proposed Transactions). KMI has filed with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 (Registration Statement), which contains a proxy statement for KMI and a proxy statement / prospectus for each of KMP, KMR and EPB. The Registration Statement was declared effective by the SEC on October 22, 2014. Each of KMI, KMP, KMR and EPB mailed to their respective security holders, as applicable, a proxy statement or proxy statement / prospectus in connection with the Proposed Transactions on or about October 22, 2014. The Registration Statement, the KMI proxy statement and each proxy statement / prospectus contain important information about KMI, KMP, KMR, EPB, the Proposed Transactions and related matters. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY, AS APPLICABLE, THE REGISTRATION STATEMENT, THE PROXY STATEMENT FOR KMI, THE PROXY STATEMENT / PROSPECTUS FOR EACH OF KMP, KMR AND EPB AND ANY OTHER DOCUMENTS THAT HAVE BEEN FILED OR WILL BE FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTIONS OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT OR THE APPLICABLE PROXY STATEMENT / PROSPECTUS.

Investors and security holders will be able to obtain copies of the KMI proxy statement and each proxy statement / prospectus as well as other filings containing information about KMI, KMP, KMR and EPB, without charge, at the SEC 's website, <http://www.sec.gov>. Copies of documents filed with the SEC by KMI, KMP, KMR and EPB will be made available free of charge on Kinder Morgan, Inc. 's website at <http://www.kindermorgan.com/investor/> or by written request by contacting the investor relations department of KMI, KMP, KMR or EPB at the following address: 1001 Louisiana Street, Suite 1000, Houston, Texas 77002, Attention: Investor Relations or by phone at (713) 369-9490 or by email at km_ir@kindermorgan.com.

NO OFFER OR SOLICITATION

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

PARTICIPANTS IN THE SOLICITATION

KMI, KMP, KMR and EPB, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies in respect of the Proposed Transactions. Information regarding the directors and executive officers of KMI is contained in KMI 's Form 10-K for the year ended December 31, 2013, and its proxy statement filed on April 9, 2014, each of which has been filed with the SEC. Information regarding the directors and executive officers of KMP 's general partner and KMR, the delegate of KMP 's general partner, is contained in KMP 's Form 10-K for the year ended December 31, 2013, which has been filed with the SEC. Information regarding the directors and executive officers of KMR is contained in KMR 's Form 10-K for the year ended December 31, 2013, which has been filed with the SEC. Information regarding the directors and executive officers of EPB 's general partner is contained in EPB 's Form 10-K for the year ended December 31, 2013, which has been filed with the SEC.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Statements in this communication regarding the Proposed Transactions involving KMI, KMP, KMR and EPB, the expected timetable for completing the Proposed Transactions, the expected benefit of the Proposed Transactions, future financial and operating results, future opportunities for the combined company and any other statements about management 's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words believes, plans, anticipates, expects, estimates and similar expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events

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to differ materially from those indicated by such forward-looking statements, including: the ability to consummate the Proposed Transactions; the ability to obtain requisite regulatory and shareholder or unitholder approval and the satisfaction of the other conditions to the consummation of the Proposed Transactions; the ability to realize anticipated synergies and cost savings; the potential impact of the announcement or consummation of the Proposed Transactions on relationships, including with employees, suppliers, customers and competitors; the ability to achieve revenue growth; the effects of environmental, legal, regulatory or other uncertainties; the effects of government regulations and policies and of the pace of deregulation of retail natural gas; national, international, regional and local economic or competitive conditions and developments; possible changes in credit ratings; capital and credit markets conditions; interest rates; the political and economic stability of oil producing nations; energy markets, including changes in the price of certain commodities; weather, alternative energy sources, conservation and technological advances that may affect price trends and demand; business and regulatory or legal decisions; the timing and success of business development efforts; acts of nature, accidents, sabotage, terrorism (including cyber attacks) or other similar acts causing damage greater than the insurance coverage limits of the combined company; and the other factors and financial, operational and legal risks or uncertainties described in KMI's, KMP's, KMR's and EPB's Annual Reports on Form 10-K for the year ended December 31, 2013, and other subsequent filings with the SEC. KMI, KMP, KMR and EPB disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this communication, other than as required by applicable law.

Welcome to this Kinder Morgan update and thank you for your participation. I'm Rich Kinder, Chairman and CEO. As you are aware, on August 10, 2014 we announced a transaction to consolidate all of the Kinder Morgan assets under one public company. Kinder Morgan, Inc., which trades under the symbol KMI, will acquire all outstanding common units of Kinder Morgan Energy Partners, which trades under KMP, and El Paso Pipeline Partners, or EPB, and all of the outstanding shares of Kinder Morgan Management, which trades as KMR.

I wanted to provide you with an update on the transaction. The Securities and Exchange Commission has declared our registration statement on Form S-4 effective, and therefore we have now received all regulatory approvals necessary to proceed with the transaction. We have set our unitholder and shareholder vote dates for November 20, 2014. Subject to a favorable outcome of those votes, we would expect to close the transaction just before Thanksgiving.

If you are a KMI, KMP, KMR or EPB equity holder, you may vote on or before November 20th. Your vote is very important and we urge you to submit your vote as soon as you have reviewed the applicable proxy statement or proxy statement/prospectus. Failure to vote will have the same effect as a vote against the transaction.

To update you on the value of the proposed transaction consideration, the implied consideration value, based on the close on Tuesday, October 21st, is \$94.79 per KMP unit, or a premium of 18% over the closing price on August 8th (which was the last trading day pre-announcement). For KMR, the consideration value is \$95.20. That is an all-stock transaction and that consideration represents a premium of 24% over the pre-announcement price. EPB's total consideration value is \$40.86 or a 22% premium over the pre-announcement price. So, the market continues to react positively to the announced transaction.

I won't go in to a lot of detail on the transaction highlights since you have probably seen or heard us talk about that detail already. If not, please visit the Kinder Morgan website where we have a webpage dedicated solely to the transaction. However, I would like to briefly touch on some of the key transaction highlights:

- First, as a result of the simplifying transaction, we will have one equity holder base in one publicly traded company; we'll have one dividend policy, and just one debt rating.
- There will be no structural subordination and there will be no incentive distribution rights.

From a numbers standpoint, I think the most important things to remember, are the numbers 2, 10 and 2. And this is why you should remember those numbers:

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- We are raising the dividend at KMI to \$2 per share for 2015. That is a 16% increase over the \$1.72 budgeted dividend for 2014. That is the first 2 in the equation that I mentioned.
- The 10 is the growth rate in the dividend. We expect to be able to grow the dividend off of the \$2 base by 10% per year from 2015 through 2020.
- And the last 2 in my 2, 10, 2 equation is that we expect, notwithstanding this great raise in the dividend and this much better growth rate in the dividend, that we will have well in excess of \$2 billion of dividend coverage over that period between 2015 and 2020.

As you will recall, these transaction benefits are driven by 4 main factors:

- First is the lower cost of capital. This transaction eliminates the incentive distribution rights that KMI previously had with respect to both KMP and EPB. So that dramatically lowers our cost of equity.
- Secondly, we will have less equity issuance under the new structure.
- Third, we will have modest cost synergies, and
- Fourth, we will have additional tax depreciation at KMI from the purchase price being paid in this transaction and from future capex expended at KMI.

The transaction generates significant immediate and long-term value and is expected to be highly cash flow accretive to all Kinder Morgan security holders in the medium and long term. The bottom line is: We believe this transaction will greatly benefit our current equity holders on a pre-tax and after-tax basis for multiple reasons.

- First, our current MLP equity holders' investment values will now be capitalized on a yield closer to 4% to 4.5% instead of a much higher yield of around 7% to 8%. This represents tremendous value uplift.
- Second, you will be converting securities expected to grow at 3% for EPB and 5% for KMP with one that is expected to grow at 10% in the pro forma KMI security.
- Third, KMI's expected dividend coverage of over \$2 billion provides greater cushion to withstand headwinds while maintaining a best-in-class long-term growth rate. We plan to invest this excess cash flow in our business thereby reducing our need to access public equity and debt markets.
- Finally, our lower cost of capital will provide incremental growth opportunities and creates a more competitive acquisition currency.

Let me emphasize that the Kinder Morgan strategy will remain the same. We will remain committed to increasing shareholder value. If you had invested with us when Bill Morgan and I started KMP back in early 1997, you would have had over those 17 plus years a 24% compound annual total return. If you look at KMR since its inception in 2001, you have a 15% annualized return and EPB also a 15% return since the time that we took it over as part of the El Paso acquisition.

I would just conclude with 3 thoughts.

- First, as mentioned previously, the KMI and KMR shareholder meetings and KMP and EPB unitholder meetings will be held on November 20, 2014 and we expect to close the transaction before Thanksgiving. Your vote is important and you can vote before November 20. We encourage you to vote as soon as you have reviewed the applicable proxy statement or proxy statement/prospectus.
- Second, for more information, please go to our website at www.kindermorgan.com/investor. There you will see links to our latest Investor Presentation, the KMI proxy statement and the KMP, KMR and EPB proxy statements/prospectuses as well as several additional resources posted recently for additional transaction-related information.

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- Finally, as I ve said in the past, I would not be moving forward with this transaction unless I thought it was very favorable for the shareholders of KMI and the holders of KMP, KMR and EPB. I own 23% of the company, I am seeing my share go down to 11% and I can assure you I would not do this if I did not believe it would deliver tremendous value to the shareholders in this company, of which I am the largest. Thank you for your time.

From: News

Sent: Wednesday, October 22, 2014 3:45 PM

To: #All KMI Employees; K. M. Global List; #KMC-AllStaff

Subject: Message from the Office of the Chair

We are delighted to inform you that the special meeting date has been set for shareholders and unitholders of the Kinder Morgan companies to vote on the transactions by which all of the Kinder Morgan assets will be consolidated under one public company. Each company has filed a proxy statement or proxy statement/prospectus, as applicable, with the Securities and Exchange Commission and has set Nov. 20, 2014, as the date of its special meeting to vote on the proposals related to the merger transactions. We anticipate the transaction will close by Thanksgiving.

Unitholders and shareholders of record at the close of business on Monday, Oct. 20, 2014, will be entitled to vote at the applicable special meeting. **Your vote is crucial your failure to vote will have the same effect as a vote against the transaction.** We encourage you to vote your units and/or shares as soon as you have reviewed the applicable proxy statement or proxy statement/prospectus. You can find more information related to the transaction on KMONLINE as well as www.kindermorgan.com.

We believe combining the companies under one public company benefits our employees, shareholders and unitholders, simplifies the Kinder Morgan story by transitioning to one security and paves the way for superior growth at KMI for years to come. KMI projects a dividend of \$2.00 per share for 2015, a 16 percent increase over the budgeted 2014 KMI dividend target of \$1.72 per share, and the company expects to grow the dividend by approximately 10 percent each year from 2015 through 2020 while producing excess coverage of over \$2 billion.

Rich Kinder

Steve Kean

Kim Dang

Chairman and CEO

President and COO

Chief Financial Officer

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email at km_ir@kindermorgan.com.

NO OFFER OR SOLICITATION

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

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