

UNITED SECURITY BANCSHARES

Form S-4/A

January 05, 2007

As Filed With the Securities and Exchange Commission on January 5, 2007

Registration No. 333-139139

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1

TO

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

Daniel B. Eng, Esq.
Bullivant Houser Bailey, P.C.

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1470 N. Hundley Street, Anaheim, California 92806
(714) 630-7136 / Fax: (714) 630-7910

1415 L Street, Suite 1000, Sacramento, California 95814
(916) 930-2500 / Fax: (916) 930-2501

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.

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 (2)

(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.

(2) Previously paid.

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 , 2007.

Legacy Bank, N.A.

Notice of Special Meeting of Shareholders

February 12, 2007

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 Legacy Bank's head office, located at 125 East Campbell Avenue, Campbell, California, on Monday, February 12, 2007, at 6:00 p.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. Based on United Security's recent trading prices, it is anticipated 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. The closing price per share of Legacy Bank common stock as of October 6, 2006 was \$10.00.

The Board of Directors has fixed the close of business on January 5, 2007, 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.

Shareholders who wish to exercise dissenters' rights 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 must vote against the merger or give written notice to Legacy Bank prior to the meeting that they dissent from the merger and must also fully comply with all applicable provisions of Section 214a of Title 12 of the United States Code, including making a written demand for dissenters' rights and surrendering their certificates to United Security Bank for endorsement within 30 days of completion of the merger. 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 on dissenters' rights.

By Order of the Board of Directors

Dated: , 2007

, 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: If the merger is approved what is the merger consideration to Legacy Bank shareholders?

A: If you do not exercise dissenters' rights, you will receive newly issued shares of United Security common stock in exchange for your shares of Legacy Bank common stock. The actual number of shares of United Security common stock to be issued is based upon a formula in the merger agreement that considers the average closing price of United Security common stock over a 20 business day period prior to the completion of the merger, the options and warrants of Legacy Bank exercised prior to the completion of the merger, and the costs associated with the termination of certain Legacy Bank data processing agreements. The number of shares of United Security common stock you will likely receive for a share of Legacy Bank common stock is estimated to range between .5139 shares to .6424 shares of United Security common stock. Please read the sections entitled Risk Factors - Risks Regarding the Merger and The Merger - Calculation of Consideration to be Paid to Legacy Bank Shareholders, and the merger agreement included as Appendix A for additional information.

Q: Do Legacy Bank shareholders have dissenters' rights in the merger?

A: Yes. 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 dissenters' 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.

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 66²/₃% 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 Legacy Bank's head office, located at 125 East Campbell Avenue, Campbell, California 95008 on Monday, February 12, 2007 at 6:00 p.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 January 5, 2007. 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 January 5, 2007. 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. The closing per share price of United Security common stock as of 2007 was \$. 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 7)

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 7)

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 7)

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 7)

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 7 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 7)

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 **- Financial Interests in the Merger of Directors and Executive Officers of Legacy** for additional information.

Financial Interests in the Merger of Directors and Officers of Legacy (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. Under the merger agreement, the Legacy director will be selected by the Board of Directors of United Security from a list of three candidates determined by Legacy Bank. Legacy Bank has not made a determination of the three candidates. Finally, the directors and officers of Legacy Bank 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 - Financial Interests in the Merger of Directors and Executive Officers of Legacy** 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)

In order to perfect dissenters' rights and to receive cash instead of shares of United Security common stock in the merger, a shareholder of Legacy Bank common stock must do the following:

- vote against the merger, or give written notice to Legacy Bank prior to the meeting that he or she dissent from the merger; and
- within 30 days of the completion of the merger, make a written demand for dissenters' rights and surrender his or her certificate to United Security Bank at 2121 Inyo Street, Fresno, California 93721, Attention: Ken Donahue, for endorsement of dissenting shares.

Following receipt of the certificate by United Security Bank, the dissenting shareholder of Legacy Bank shall have 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 shareholders' meeting based upon a valuation by a committee of three persons, one to be selected by majority 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.

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 10)

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 which contain all known material risks, 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. Under the terms of the merger agreement, for purposes of the calculation of the exchange ratio, the average closing price per share of United Security common stock shall not exceed \$25.00. In addition, in the event that the average closing price per share of United Security common stock is less than \$20.00, the merger may be terminated. 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

Legacy Bank has Entered into a Formal Agreement with the Office of the Comptroller of the Currency

On December 21, 2006, Legacy entered into a formal written agreement with the Office of the Comptroller of the Currency (OCC) to address certain issues, including Legacy Bank's management, underwriting and credit risk policies, portfolio management and capital and liquidity maintenance. (See "Information Regarding Legacy's Legal Proceedings"). United Security believes that it has the management and policies to address all of the issues raised by the OCC. In addition, in the event the merger is completed, the formal written agreement will terminate and will have no impact on United Security Bank as the successor.

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
2005		
First Quarter	\$ 10.00	\$ 10.00
Second Quarter	\$ 10.00	\$ 10.00
Third Quarter	\$ 15.00	\$ 15.00
Fourth Quarter	\$ 11.00	\$ 11.00
2006		
First Quarter	\$ 10.10	\$ 8.05
Second Quarter	\$ 9.50	\$ 8.40
Third Quarter	\$ 10.00	\$ 8.40
Fourth Quarter	\$ 13.00	\$ 10.00

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
2004		
First Quarter	\$ 14.25	\$ 11.81
Second Quarter	\$ 13.03	\$ 10.35
Third Quarter	\$ 11.72	\$ 10.13
Fourth Quarter	\$ 12.88	\$ 10.95
2005		
First Quarter	\$ 12.75	\$ 11.52
Second Quarter	\$ 13.25	\$ 11.50
Third Quarter	\$ 14.49	\$ 12.80
Fourth Quarter	\$ 16.35	\$ 13.98
2006		
First Quarter	\$ 22.65	\$ 15.26
Second Quarter	\$ 24.63	\$ 12.18
Third Quarter	\$ 24.41	\$ 20.26
Fourth Quarter	\$ 26.24	\$ 21.30

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 , 2007, 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
, 2007	\$

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 incorporated by reference in 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 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 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	
SUMMARY OF EARNINGS:								
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	
FINANCIAL POSITION:								
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	
PER SHARE DATA (restated for 2-for-1 stock split May 1, 2006):								
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	
SELECTED FINANCIAL RATIOS:								
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(1)
Summary of Earnings:					
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)
Financial Position:					
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
Per Share Data:					
Net Income (Loss)-Basic	\$ 0.16	\$ (0.61)	\$ (0.55)	\$ (2.08)	\$ (0.47)
Net Income (Loss)-Diluted	\$ 0.16	\$ (0.61)	\$ (0.55)	\$ (2.08)	\$ (0.47)
Book Value	\$ 6.39	\$ 6.15	\$ 6.15	\$ 5.55	\$ 7.62
Selected Financial Ratios:					
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

(1) Operations commenced on October 1, 2003.

The Legacy Bank Meeting

General

Legacy Bank will hold a special shareholders' meeting on Monday, February 12, 2007 at 6:00 p.m., local time, at Legacy Bank's head office located at 125 East Campbell Avenue, 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 January 5, 2007, 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.

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. The six institutions contacted were selected on the basis of Legacy Bank's board's desire to find an acquirer that was a successful entity that would continue Legacy Bank's business in the general San Jose area, be able to obtain regulatory approval quickly and provide a majority of the merger consideration in the form of stock rather than cash. Of the six financial institutions, three expressed interest. The only information about Legacy Bank provided at this time to the three financial institutions that expressed an interest was limited to information that was publicly available. One of the three was a financial institution that was eight years old, never done an acquisition, never achieved a consistent return on average equity over ten percent until 2005, had a price earnings ratio that was greater than 23 and its common stock was thinly traded. The second financial institution was seven years old, never done an acquisition, experienced a change in ownership and a realignment of management within the last two years, and had common stock that was thinly traded. The third bank was United Security. United Security had a strong price to earnings ratio because of its strong financial performance, had prior experience in completing other acquisitions, inclusive of an entity that had an informal regulatory enforcement action, and had the desire to expand into the California Bay Area. While no formal offers to merge were made by the three financial institutions that expressed an interest in acquiring Legacy Bank, all three interested financial institutions as part of their indication of interest were asked to give a range of value for an outstanding share of Legacy Bank common stock. United Security stated a value in the \$12 to \$13 range, and the other two indicated a preliminary value in the \$10 to \$11 range. After reviewing the financial condition and earnings performance of the three financial institutions, the board of directors of Legacy Bank decided to have direct discussions with United Security. Thereafter 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. United Security's initial offer was for \$12.45 per share, and the board of directors of Legacy Bank rejected that offer. 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 Hoefer & 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 final agreement demonstrated a \$13.00 per share price, minus data processing termination costs. Based upon the estimates of the costs of the data processing termination costs, the price per share would be approximately \$12.85.

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 Hoefer & 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, including the stability of United Security's management team and the upward performance trend;
- the structure of the transaction, including the fact that the options and warrants of Legacy Bank would be paid out in cash at approximately \$2.85 per share, and that the 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 Hoefer & Arnett and the opinion of Howe Barnes Hoefer & 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 and the success of United Security's previous acquisitions;
- 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 of \$16 million versus Legacy Bank's current \$1.7 million, 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 as Legacy Bank's office will remain open, staff elimination will be kept to a minimum, and remaining staff will receive a strong benefits program;
- 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, the quality of the United Security common stock, 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, and is supported by an opinion of Bullivant Houser Bailey PC subject to the limitations, qualifications and assumptions set forth in the opinion, and to the extent it reflects statements of law or legal conclusions with respect thereto, is accurate in all material respects. 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 received approval from the FRB on December 22, 2006.

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 November 30, 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.

Financial Interests in the Merger of Directors and Executive Officers of Legacy

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. Under the merger agreement, the Legacy director will be selected by the Board of Directors of United Security from a list of three candidates determined by Legacy Bank. Legacy Bank has not made a determination of the three candidates.

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 February 12, 2007), 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 February 12, 2007, 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 members 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

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:

	United Security	Peer Group Median	
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:

	Legacy Bank	Peer Group Median
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
Price/Tangible Book Value Per Share	1.63	x 1.88
Price/Last 12 Months Earnings Per Share	NM	16.0

Stock Trading History. Howe Barnes reviewed the closing per share market prices and volumes for United Security common stock, which is listed for trading on NASDAQ and Legacy Bank common stock, which is quoted on the over-the-counter market on the OTC Bulletin Board, on a daily basis from June 27, 2006 to September 27, 2006.

For the period between June 27, 2006 and September 27, 2006 the market value of Legacy Bank common stock ranged from a low of \$8.40 to a high of \$10.00. The average closing price for the period was \$9.07, the closing price on September 27, 2006 was \$10.00 per share and the average daily trading volume for Legacy Bank was 1,430 shares.

For the period between June 27, 2006 and September 27, 2006 the market value of United Security common stock ranged from a low of \$20.01 to a high of \$24.79. The average closing price for the period was \$22.19, the closing price on September 27, 2006 was \$22.05 per share and the average daily trading volume for United Security was 31,003 shares.

Howe Barnes compared the stock price performance for Legacy Bank and United Security to movements in certain stock indices, including the Standard & Poor's 500 Index, the Nasdaq Bank Index and the median performance of publicly traded banking organizations located in the West. During the period between September 27, 2005 and September 27, 2006 United Security's common stock outperformed each of the indices to which it was compared.

	Beginning Index Value September 27, 2005	Ending Index Value September 27, 2006
Legacy Bank	100.00	% 102.04
United Security	100.00	% 157.73
SNL Western Banks	100.00	% 117.12
Nasdaq Bank Index	100.00	% 109.14
S&P 500 Index	100.00	% 109.95

Analysis of Selected Bank Merger Transactions. Howe Barnes reviewed certain publicly available information regarding eight selected merger and acquisition transactions (the Comparable Transactions) announced from January 1, 2005 to September 27, 2006 involving California banking organizations with total assets between \$50 and \$200 million.

Howe Barnes reviewed the multiples of transaction value to stated book value, transaction value to tangible book, transaction value to last twelve months earnings, transaction value to assets and tangible book premium to core deposits and calculated high, low, mean and median multiples for the Comparable Transactions. The median multiples were then applied to Legacy's balance sheet information as of June 30, 2006 and estimated 2006 earnings (last twelve months earnings were negative) to derive an imputed range of values per share of Legacy's common stock. The following table sets forth the median multiples as well as the imputed values based upon those median multiples.

	Comparable Transaction Median Multiple		Implied Value
Transaction Value/Book Value	2.05	x \$	12.74
Transaction Value/Tangible Book Value	2.05	x \$	12.60
Transaction Value/Earnings	20.00	x \$	5.08
Transaction Value/Assets	26.01	% \$	12.64
Tangible Premium/Core Deposits	21.66	% \$	13.83

The transaction value of \$12.82 per share falls within the range of values computed in using the Comparable Transactions, which supports the fairness of the transaction.

Present Value Analysis. Howe Barnes calculated the present value of theoretical future earnings of Legacy Bank and compared the transaction value to the calculated present value of Legacy Bank's stock on a stand-alone basis. Based on projected earnings for Legacy Bank for 2006 through 2010, discount rates ranging from 10% to 18%, and including a residual value, the stand-alone present value of Legacy Bank's stock ranged from \$3.81 to \$8.95.

Discounted Cash Flow Analysis. Using a discounted cash flow analysis, Howe Barnes estimated the net present value of the future streams of after-tax cash flow that Legacy Bank could produce to benefit a potential acquiror, referred to as dividendable net income, and added a terminal value. Based on projected earnings for Legacy Bank for 2006 through 2010, Howe Barnes calculated assumed after-tax distributions to a potential acquiror such that its tier 1 leverage ratio would be maintained at 7.00%. The terminal values for Legacy Bank were calculated based on Legacy Bank's projected 2010 equity and earnings, the median price to book and price to earnings multiples paid in the Comparable Transactions and utilized a discount rate of 12%. This discounted cash flow analysis indicated implied values of \$8.54 and \$8.47.

Pro Forma Merger Analysis. Howe Barnes performed pro forma merger analyses to calculate the financial implications of the merger to the Legacy Bank stockholders. This analysis assumes, among other things, the terms of the transaction as indicated above, that the merger closes at year-end 2006 and cost savings and revenue enhancement opportunities equaling approximately 20% of Legacy Bank's estimated 2006 overhead expenses. This analysis utilized the First Call consensus earnings per share estimates for 2006 and 2007 for United Security. This analysis

indicated that the merger would be approximately 62% accretive to Legacy Bank's projected earnings per share in 2007.

Howe Barnes has not previously provided investment banking and financial advisory services to Legacy Bank or United Security and received compensation for such services. Howe Barnes provides a full range of financial advisory and securities services and, in the course of its normal trading activities, may effect transactions and hold securities of Legacy Bank and United Security for its own account and for the accounts of customers.

In its engagement letter, dated September 20, 2006, Legacy Bank agreed to pay Howe Barnes a fee of \$22,500. In addition, Legacy Bank has agreed to indemnify Howe Barnes against certain liabilities and expenses arising out of or incurred in connection with its engagement, including liabilities and expenses which may arise under the federal securities laws.

Accounting Treatment

United Security must account for the merger under the purchase method of accounting prescribed by accounting principles generally accepted in the United States. Under this method, United Security's purchase price will be allocated to Legacy Bank's assets acquired and liabilities assumed based upon their estimated fair values as of the completion of the merger. Deferred tax assets and liabilities will be adjusted for the difference between the tax basis of the assets and liabilities and their estimated values. The excess, if any, of the total acquisition cost over the sum of the assigned fair values of the tangible and identifiable intangible assets acquired, less liabilities assumed will be recorded as goodwill and periodically evaluated for impairment. United Security's financial statements issued after completion of the merger will reflect these values, but historical data are not restated retroactively to reflect the combined historical financial position or results of operations of United Security and Legacy Bank. For additional information, please read the section entitled "Description of United Security Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Merger Agreement

The Merger

United Security and Legacy Bank entered into the merger agreement on October 6, 2006. Under the merger agreement's terms, Legacy Bank will merge with United Security Bank. The separate corporate existence of Legacy Bank will cease, and United Security Bank will be the survivor. 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 shares of United Security common stock.

Each share of United Security common stock outstanding immediately before the merger closes will remain outstanding after the merger closes. Please read the sections entitled "The Merger - Calculation of Consideration to be Paid to Legacy Bank Shareholders" and "Dissenters' Rights" for additional information.

United Security and Legacy Bank have structured the merger to qualify as a tax-free reorganization from their perspectives. For more information, you are urged to read the section entitled "The Merger - Certain Federal Income Tax Consequences" for additional information.

The Closing

The merger will be effective at the date and time a short-form merger agreement is filed with the DFI, after having been filed with the California Secretary of State and previously approved by the DFI. At the closing the parties will exchange various documents, including officers certificates, as required by the merger agreement. The merger agreement provides that the timing for the closing and the completion of the merger shall be mutually agreed upon by the parties and shall be held within 30 days after the last to occur of:

- all conditions to the completion of the merger being satisfied or waived;
- the receipt of all regulatory approvals; and
- the expiration of all applicable waiting periods in connection with the regulatory approvals.

Based upon the timing for Legacy Bank's special shareholders' meeting and the present and anticipated timing of the regulatory approvals, it is presently anticipated that the merger will be closed on or about February 16, 2007. Neither United Security nor Legacy Bank can assure you that the merger will close on that date.

Exchange Procedures

United Security's current transfer agent, Wells Fargo Shareowner Services, will be United Security's exchange agent to effect the exchange of shares of United Security common stock for shares of Legacy Bank common stock. A letter of transmittal will be sent to you shortly after the merger is completed. If you do not exercise dissenters' rights, you must use the letter of transmittal to receive shares of United Security common stock in exchange for your shares of Legacy Bank common stock.

In order to promptly receive shares of United Security common stock, you must deliver to the exchange agent:

- a properly completed letter of transmittal form;
- your certificates representing former shares of Legacy Bank common stock; and
- any other required documents described in the letter of transmittal.

Do not return your certificates representing shares of Legacy Bank common stock with the enclosed proxy. The certificates should only be forwarded to the exchange agent with the letter of transmittal.

Following the completion of the merger and upon surrender of all of the certificates representing former shares of Legacy Bank common stock registered in your name, or a satisfactory indemnity if any of such certificates are lost, stolen or destroyed, together with a properly completed letter of election and transmittal, the exchange agent will mail to you the United Security common stock to which you are entitled, less the amount of any required withholding taxes.

Representations and Warranties

The merger agreement contains various customary representations and warranties that United Security and Legacy Bank make for each other's benefit. The representations and warranties relate to:

- corporate organization and similar corporate matters;
- authorization, execution, delivery, performance and enforceability of the merger agreement and related matters;
- conflicts under charter documents, required consents or approvals, and violations of any agreements or law;
- capital structure;
- the accuracy of documents filed with the Securities and Exchange Commission and bank regulatory agencies;
- absence of certain material adverse events, changes, effects or undisclosed liabilities;
- retirement and other employee plans and matters relating to the Employee Retirement Income Security Act of 1974, as amended;
- litigation;
- compliance with laws, including environmental laws;
- tax returns and audits;
- ownership of real property;
- regulatory actions; and
- labor matters.

The foregoing is an outline of the representations and warranties made by United Security and Legacy Bank contained in the merger agreement attached as Appendix A. You should carefully review the entire merger agreement, and in particular Articles 3 and 4, containing the detailed representations and warranties of the parties.

Conduct of Business Before the Merger

The merger agreement places restrictions on and requires commitments by United Security and Legacy Bank regarding the conduct of their respective businesses between the date of the merger agreement and the closing. Legacy Bank has agreed to make its books and records available to United Security for ongoing review. Additionally, Legacy Bank has agreed to allow a representative from United Security to attend the meetings of its Board of Directors and loan committees. Both

United Security and Legacy Bank have agreed to use their best efforts to prepare and file the necessary regulatory applications and to obtain the approvals from the various regulatory agencies as well as to work together for the purpose of preparing this proxy statement-prospectus. Also, both United Security and Legacy Bank have agreed to use their best efforts to prevent any material changes to their respective representations and warranties contained in the merger agreement.

In addition, Legacy Bank has agreed that until the closing it will not without United Security's prior written consent (which consent shall not be unreasonably withheld and which consent shall be deemed granted if within five (5) business days of United Security's receipt of written notice of a request for prior written consent written notice of objection is not received by Legacy Bank):

- declare or pay any dividend;
- issue any stock options to acquire shares of Legacy Bank common stock;
- amend its Articles of Association or Bylaws;
- authorize another acquisition proposal to acquire Legacy Bank unless the Board of Directors of Legacy Bank has determined that the proposal is more favorable to Legacy Bank's shareholders and that the action is necessary for Legacy Bank to comply with its fiduciary duties to shareholders under applicable law;
- make the credit underwriting policies less stringent than those in effect on December 31, 2005 or reduce the amount of the loan loss reserves;
- take into other real estate owned any commercial property without an environmental report reporting no adverse environmental condition on the property; or
- materially change its pricing practices on loans or deposit products.

In addition, Legacy Bank has agreed that until the closing it will not without United Security's prior written consent (which consent shall not be unreasonably withheld and which consent shall be deemed granted if within two (2) business days of United Security's receipt of written notice of a request for prior written consent written notice of objection is not received by Legacy Bank) make, renew, or extend any loan if the aggregate indebtedness of the borrower exceeds or will exceed \$50,000 if unsecured and \$100,000 if secured.

Until the closing, Legacy Bank has agreed to use its best efforts to take certain actions and to:

- maintain a reserve for loan losses at an adequate level and charge off all loans deemed uncollectible;
- provide Legacy Bank's monthly board reports, copies of all material reports filed with or received from any governmental entity, and monthly unaudited balance sheets, statements of income and changes in shareholders' equity to United Security; and
- provide copies of each credit authorization package for credit of \$250,000 or more for secured loans, \$100,000 for unsecured loans, and renewals of any classified or criticized loans, concurrently with submission to Legacy Bank's loan committee.

Until the closing, subject to certain exceptions including Legacy Bank's prior approval, United Security has agreed that it will not, other than in the ordinary and usual course of business, declare or pay any extraordinary dividend.

The foregoing is a summary of the material negative and affirmative covenants of the merger agreement. You are encouraged to carefully read the terms of the merger agreement attached as Appendix A, including the specific covenants contained in Articles 5 and 6.

Discussions with Third Parties

The merger agreement provides that Legacy Bank shall not solicit or encourage third party proposals which would result in a merger, exchange offer, or other form of combination and requires that if such a proposal is received, notification must be given to United Security. Notwithstanding the prohibition on soliciting or encouraging such proposals, the merger agreement recognizes that an unsolicited third party proposal might be received. Moreover, the merger agreement permits Legacy Bank engaging in discussions or negotiations with the third party if the proposal is determined, after consultation with counsel and a financial advisor, to be superior, from the shareholders' perspective, to the merger.

In the event the merger agreement is terminated because Legacy Bank elects to proceed with a third party transaction, Legacy Bank will be obligated to pay a termination fee to United Security in the amount of \$500,000.

The foregoing is a summary of the material provisions of the merger agreement regarding discussions with third parties. You are encouraged to read the terms of the merger agreement attached as Appendix A, including the specific provisions contained in Sections 6.2.5 and 8.5. of the merger agreement.

Employee Benefits

Immediately prior to the closing, Legacy Bank shall terminate any employee benefit arrangement requested by United Security. After completion of the merger, all employees of Legacy Bank at the date of the completion of the merger, shall be entitled to participate in all of United Security's and United Security Bank's employee benefit arrangements on the same basis as other similarly situated employees of United Security and United Security Bank. Each of these employees will be credited for eligibility, participation and vesting purposes with such employee's respective years of past service with Legacy Bank as though they had been employees of United Security and United Security Bank, except with respect to United Security's Employee Stock Option Plan and 401(k) Plan.

Conditions to the Parties' Obligations

The obligations of United Security and Legacy Bank to complete the merger are subject to certain mutual conditions, including, but not limited to the following:

- approval of the principal terms of the merger by holders of two-thirds of the outstanding shares of Legacy Bank common stock entitled to vote;
- receipt of the regulatory approvals, without the imposition of burdensome conditions, required in connection with the merger;

- absence of any statute, rule, regulation or order, being in effect and prohibiting completion of the merger;
- the registration statement having become effective regarding the shares of United Security common stock to be issued upon completion of the merger;
- the receipt and continued effectiveness of all qualifications or registrations under state securities laws necessary for the issuance of the shares of United Security common stock to be issued upon completion of the merger;
- receipt of a tax opinion stating, among other things, that the merger will qualify as a tax-free reorganization for federal income tax purposes; and
- the average closing price for a share of United Security common stock shall not be less than \$20.00.

United Security's obligation to complete the merger is also subject to the fulfillment or waiver by United Security of certain conditions, including but not limited to the following:

- Legacy Bank's representations and warranties being and remaining true, accurate and correct in all material respects;
- Legacy Bank performing, in all material respects, all of its required obligations contained in the merger agreement before the closing;
- delivery of affiliate letters executed by each of Legacy Bank's affiliates;
- delivery of voting agreements executed by each of Legacy Bank's directors, as well as other various and customary closing documents; and
- the number of shares of Legacy Bank common stock which are eligible to be dissenting shares under Section 214a of the National Bank Act shall not exceed an amount which, when combined with other cash amounts payable in connection with the merger, would result in the merger being disqualified from a tax free reorganization.

In addition, Legacy Bank's obligation to complete the merger is also subject to the fulfillment or waiver by Legacy Bank of certain conditions, including but not limited to the following:

- United Security's representations and warranties being and remaining true, accurate and correct in all material aspects;
- United Security performing, in all material respects, all of its required obligations contained in the merger agreement before the closing;
- receipt of a fairness opinion to the effect that the terms of the merger are fair, from a financial standpoint, to Legacy Bank and its shareholders;

- the fairness opinion shall not have been withdrawn prior to the Legacy Bank meeting; and
- United Security shall have offered 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 provided the director meets certain conditions.

The foregoing is a summary of the material conditions of the merger agreement. You are encouraged to read the terms of the merger agreement attached as Appendix A, including the specific provisions contained in Article 7 of the merger agreement.

Termination

United Security and Legacy Bank can mutually agree to terminate the merger agreement and abandon the merger at any time.

Under certain circumstances, either United Security or Legacy Bank can terminate the merger agreement:

- if the other party materially breaches any representation, warranty, covenant, or agreement contained in the merger agreement that is not cured prior to completion of the merger; or
- if the conditions to the merger have not been met by March 31, 2007; or
- if there is a breach or default that would be reasonably likely to have, a material adverse effect upon the consummation of the merger.

United Security can terminate the merger agreement if Legacy Bank's board of directors approves a merger agreement with a party other than United Security or fails to publicly oppose an offer to acquire 25% of the outstanding shares of Legacy Bank common stock.

If the merger agreement is terminated by United Security or Legacy Bank due to a material breach of any representation, warranty, covenant or agreement, the breaching party will owe the other party liquidated damages of \$200,000. If United Security terminates the merger agreement due to lack of shareholder approval by Legacy Bank's shareholders, Legacy Bank will owe United Security liquidated damages of \$200,000. In addition, if Legacy Bank's board of directors approves an alternative merger or similar proposal within one year of United Security's termination of the merger agreement, Legacy Bank will owe United Security an additional \$300,000. The payment of these fees shall be made as reasonable liquidated damages and not as a penalty or forfeiture.

The foregoing is a summary of the material termination provisions of the merger agreement. You are encouraged to read the terms of the merger agreement attached as Appendix A, including the specific provisions contained in Article 8 of the merger agreement.

Expenses

The merger agreement provides that United Security and Legacy Bank shall bear their own costs and expenses incurred in connection with the merger agreement and the merge. The total estimated cost of the merger is approximately \$. United Security will bear approximately \$ and Legacy Bank will bear approximately \$. For example, United Security shall bear, among others, the expenses of:

- preparation of the merger agreement;
- preparation and delivery of the tax opinion from Bullivant, Houser, Bailey, PC;
- preparation of the registration statement, including filing fees;
- filing fees and related costs of regulatory applications; and
- any notifications and press releases to United Security shareholders, including printing expenses.

Legacy Bank shall bear, among others, the expenses of:

- preparation of the merger agreement;
- preparation of its proxy materials;
- the fairness opinion; and
- any notifications and press releases to Legacy Bank shareholders, including printing expenses.

Director Voting Agreements

United Security has entered into voting agreements with each of Legacy Bank's directors who hold, in the aggregate, shares representing approximately % of Legacy Bank common stock entitled to vote. The director's agreements, in the form attached as Exhibit 7.2.7 to the merger agreement, require each of Legacy Bank's directors to vote in favor of the merger at Legacy Bank's shareholders' meeting.

Each director's agreement also provides that the directors will not take any action that will alter or affect in any way the director's right to vote his or her shares of Legacy Bank common stock.

The director's agreements bind the actions of the directors only in their capacity as Legacy Bank shareholders. The directors are not and could not be contractually bound to abrogate their fiduciary duties as directors of Legacy Bank. Accordingly, while the directors are contractually bound to vote as a Legacy Bank shareholder in favor of the merger, their fiduciary duties as directors nevertheless require them to act in their capacities as directors in the best interests of Legacy Bank when they consider the merger. In addition, the directors will continue to be bound by their fiduciary duties as Legacy Bank's directors with respect to any further decisions they make in connection with the merger.

The director's agreements also provide that for a period of two years after the completion of the merger, the director agrees not to compete with United Security through the ownership of more than 1% of, or be connected as an officer, director, employee, principal, agent or consultant to any financial institution whose deposits are insured by the Federal Deposit Insurance Corporation, or FDIC, that has its head offices or a branch office within 50 miles of the head office of Legacy Bank.

The director's agreements terminate at the earlier of two years following the completion of the merger or when the merger agreement terminates according to its terms.

Description of United Security

Business

United Security is a California corporation incorporated during March of 2001 and is registered with the Board of Governors of the Federal Reserve System as a bank holding company under the Bank Holding Company Act of 1956, as amended. United Security's stock is listed on NASDAQ under the symbol "UBFO". United Security Bank is a wholly-owned bank subsidiary of United Security and was formed in 1987. United Security Bancshares Capital Trust I (the "Trust") is also a wholly-owned subsidiary of United Security and was formed during June of 2001 as a Delaware business trust for the sole purpose of issuing Trust Preferred securities.

United Security Bank is a California state-chartered bank headquartered in Fresno, California. It is also a member of the Federal Reserve System. United Security Bank originally commenced business on December 21, 1987 as a national bank and, in February, 1999, converted to a state-chartered bank. United Security Bank's operations are currently subject to federal and state laws applicable to state-chartered, member banks and its deposits are insured up to the applicable limits by the FDIC. United Security Bank is also subject to the Federal Deposit Insurance Act and regulatory reporting requirements of the FDIC. As a state-chartered bank and a member of the Federal Reserve System, United Security Bank is subject to supervision and regular examinations by the FRB and the DFI. In addition, United Security Bank is required to file reports with the FRB and provide such additional information as the FRB may require.

Effective August 25, 1995, United Security Bank consummated a merger with Golden Oak Bank, a two branch California state chartered bank located in Oakhurst, California, with assets of approximately \$45 million at the date of merger. The merger was accounted for as a pooling of interests.

During February of 1997, United Security Bank completed the purchase of the deposits and certain assets of two branches of Wells Fargo Bank located in Caruthers and San Joaquin, both located in Fresno County. This brought the total branches operated at that time by United Security Bank to six and the total assets to approximately \$190 million. United Security Bank paid a premium of approximately \$1.2 million to purchase deposit accounts totaling approximately \$33.4 million. United Security Bank also purchased cash balances as well as certain fixed assets of the branch operations.

During October of 1997, United Security Bank completed the purchase from Bank of America of two of its branches located in Firebaugh and Coalinga, both located in Fresno County. The acquisition brought the total branches operated by United Security Bank to eight at that time and the total assets to approximately \$238 million. The premium paid by United Security Bank totaled approximately \$3.0 million and the amount of deposits totaled approximately \$44.4 million. The transaction included the receipt of cash balances of approximately \$1.0 million and the purchase of premises and equipment totaling approximately \$600,000.

USB Investment Trust Inc. was incorporated effective December 31, 2001 as a special purpose real estate investment trust, or REIT, under Maryland law. The REIT is a subsidiary of United Security Bank and was funded with \$133.0 million in real estate-secured loans contributed by United Security Bank. USB Investment Trust was originally formed to give United Security Bank flexibility in raising capital, and reduce the expenses associated with holding the assets contributed to USB Investment Trust.

On April 23, 2004, United Security completed its acquisition of Taft National Bank headquartered in Taft, California. Taft was merged into United Security Bank and Taft's two branches are operated as branches of United Security Bank. The total consideration paid to Taft shareholders was 482,894 shares of United Security's common stock valued at just over \$6 million. In the merger, United Security acquired \$15.4 million in cash and short-term investments, \$23.3 million in loans, and \$48.2 million in deposits. The transaction was accounted for using the purchase accounting method, and resulted in the purchase price being allocated to the assets acquired and liabilities assumed from Taft based on the fair value of those assets and liabilities. The consolidated statement of income includes the operations of Taft from the date of the acquisition through December 31, 2004.

During August 2005, United Security Bank formed a new subsidiary named United Security Emerging Capital Fund, or the Fund, for the purpose of providing investment capital for Low-Income Communities (LICs). The Fund was formed as a Community Development Entity (CDE) and was certified by the Community Development Financial Institutions Fund of the United States Department of the Treasury. The Fund submitted an application to apply for an allocation of New Market Tax Credits (NMTC) in September 2005, which was denied. The Fund will reapply for the allocation of NMTCs. If the Fund is successful in the application process, the Fund can attract investments and make loans and investments in LICs and thereby qualify its investors to receive Federal Income Tax Credits. The maximum that can be applied for under the NMTC program by any one CDE is \$150 million, and United Security Bank is subject to an investment limitation of 10% of its risk-based capital. Federal new market tax credits would be applied over a seven-year period, 5% for the first three years, and 6% for the next four years for a total of 39%.

At September 30, 2006, United Security operated ten full-service bank branches and one construction lending office; with seven branches in Fresno County, two branches in Kern County, and one branch in Madera County. United Security Bank operates three branches (including its main office) and one construction lending office in Fresno and one branch each, in Oakhurst, Caruthers, San Joaquin, Firebaugh, Coalinga, Bakersfield, and Taft. In addition, United Security and United Security Bank have administrative headquarters at 2126 Inyo Street, Fresno, California, 93721. As a community-oriented bank, United Security continues to seek ways to better meet its customers' needs for financial services, and to expand its business opportunities in today's ever-changing financial services environment. United Security's strategy is to be a better low-cost provider of

services to its customer base while enlarging its market area and corresponding customer base to further its ability to provide those services.

Management and Additional Information

Certain information relating to executive compensation, benefit plans, voting securities and the principal holders thereof, certain relationships and related transactions and other related matters as to United Security is set forth in United Security's annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this proxy statement-prospectus, and quarterly reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, also incorporated by reference in this proxy statement-prospectus. See also "Where You Can Find More Information" beginning on page 52.

Information About Legacy Bank

General

Legacy Bank received its first organizational funds on October 18, 2001 and was organized as a national association under the laws of the United States on November 12, 2002. On September 30, 2002, Legacy Bank received conditional approval of its application to obtain a national bank charter and federal deposit insurance from the Office of the Comptroller of the Currency (OCC). Legacy Bank's initial public offering of common stock began on January 16, 2003, and was completed on September 11, 2003 having received \$12.2 million in capital through the sale of 1,217,373 shares of common stock. The FDIC issued its insurance certificate and Legacy Bank opened October 1, 2003.

Legacy Bank was formed as a locally owned and managed financial institution, with an active community role. Legacy Bank's business plan focuses primarily upon local banking services and community needs. Legacy Bank's marketing strategy stresses its local ownership and commitment to serve the banking needs of small-to-medium size businesses, professionals, entrepreneurs, hospitality industry clients, as well as their employees and families.

Legacy Bank offers a full range of banking and related financial services to businesses and individuals in its market area with an emphasis upon efficiency and personalized attention. The specific services offered include personal and business checking, money market and savings accounts, time certificates of deposit, and IRA's.

A full complement of lending activities is offered and includes the following types of loans: consumer; commercial; real estate construction; Small Business Administration (SBA) guaranteed; and letters of credit. In the event loan demands exceed Legacy Bank's legal lending limit, Legacy Bank seeks to utilize the services of correspondent banks.

Other services Legacy Bank offers include safe deposit boxes, night depository facilities, travelers checks, money orders, wire transfer services, cashiers checks, and 24 hour ATM banking services. Legacy Bank offers a secure Internet website where customers can view account balances and recent transactions, perform account transfers, pay bills, request wire transfers and ACH origination. Legacy Bank is a member of regional ATM networks and offers nationwide access.

services. Through third parties, Legacy Bank provides business courier services for non-cash deposits and credit card services.

Employees

On September 30, 2006 Legacy Bank employed 24 full-time equivalent persons. None of Legacy Bank's employees are represented by any collective bargaining agreements, and relations with employees are considered satisfactory.

Properties

Legacy Bank's main office, located at 125 E. Campbell Avenue, Campbell, California 95008, currently houses Legacy Bank's main office and certain administrative functions. Legacy Bank leases these premises pursuant to a lease which provides for an initial four and one half year term with three options to renew of five years each at the then current market rate. The initial lease expires on December 31, 2006.

On October 17, 2005, Legacy Bank entered into a lease for 4,011 square feet of office space located at 51 E. Campbell Avenue, Suite 141, Campbell, California 95008. This office space is used for administrative services personnel including finance and credit administration. The initial lease expires on December 31, 2006, and thereafter is month-to-month.

Current rental payments under the aforementioned leases total approximately \$26 thousand per month. Legacy Bank is also responsible for common area maintenance, taxes and insurance.

Legal Proceedings

From time to time, Legacy Bank is a party to claims and legal proceedings arising in the ordinary course of business. Legacy Bank's management is not aware of any material pending litigation proceedings to which it is a party or has recently been a party, which will have a material adverse effect on the financial condition or results of operations of Legacy Bank.

On December 21, 2006, Legacy Bank entered into a formal written agreement within the meaning of 12 U.S.C. 1818(b)(1) with the OCC which requires Legacy Bank to take actions to ensure Legacy Bank has competent management in place on a permanent full time basis; review and revise Legacy Bank's written loan policy to strengthen underwriting and reduce credit risk; develop a written program to improve loan portfolio management; develop a three year capital program and maintain Tier 1 capital, at least equal to 10% of the risk-weighted assets and Tier 1 capital, at least equal to 8% of adjusted total assets; and maintain a level of liquidity to sustain Legacy Bank's operations and revise the liquidity plans.

Market Area and Competition

The area from which Legacy Bank expects to attract most of its business and which is coextensive with its Community Reinvestment Act designated community (assessment area), will include the communities of Santa Clara County, California and the contiguous surrounding counties.

The banking business in California, generally, and specifically in the greater San Jose and adjacent areas, is highly competitive with respect to both loans and deposits. The business is dominated by a relatively small number of major banks, most of which have many offices operating over wide geographic areas. Many of the major commercial banks and their affiliates, including those headquartered outside California, offer certain services (such as trust and securities brokerage services) that are not offered directly by Legacy Bank. By virtue of their greater total capitalization, such banks have substantially higher lending limits than Legacy Bank and substantially larger advertising and promotional budgets. In addition, Legacy Bank faces competition from other community banks headquartered in the greater San Jose area that are also serving individuals and businesses.

In recent years, a large number of mergers and consolidations of both banks and savings entities have occurred in California and throughout the nation. A substantial number of the larger banks have been involved in major mergers. The result is that these institutions generally have centralized and standardized their services. Similarly, most lending functions and decisions are sent outside the area. Acquisitions by major interstate bank holding companies and other large acquirers in the greater San Jose vicinity have resulted in numerous branch consolidations in the area. Many long-standing relationships have been disrupted or severed, while many other customers are now subjected to less personalized and more standardized services.

Legacy Bank believes that this recent merger and consolidation activity presents Legacy Bank with the opportunity to attract customers who are dissatisfied with the level of service provided by larger banks. Legacy Bank solicits customers displaced by the recent and current merger activity.

In order to compete with the major financial institutions in Legacy Bank's primary service areas, Legacy Bank uses to the fullest extent possible the contacts of its organizers, founders, advisors, directors and officers with residents and businesses in Legacy Bank's primary service areas. Legacy Bank emphasizes specialized services, local promotional activity and personal contacts by Legacy Bank's officers, directors and other employees. Programs have been developed to specifically address the needs of small to medium-sized businesses, professional businesses, and individuals in the community. As necessary, Legacy Bank can arrange for loans that are too large for Legacy Bank to make by itself to be made on a participation basis with other financial institutions and intermediaries.

Legacy Bank also helps its customers who require other services not offered by Legacy Bank to obtain such services from its correspondent banks or other sources. In addition, Legacy Bank has joined the STAR® and PLUS® ATM networks and also offers, among other services, a night depository, courier services, bank-by-mail services, direct deposit, and on-line Internet banking.

Effect of Government Policies and Recent Legislation

Banking is a business that depends on rate differentials. In general, the difference between the interest rate paid by Legacy Bank on its deposits and its other borrowings and the interest rate received by Legacy Bank on loans extended to its customers and securities held in Legacy Bank's portfolio comprise the major portion of Legacy Bank's earnings. These rates are highly sensitive to many factors that are beyond the control of Legacy Bank. Accordingly, the earnings and growth of Legacy Bank are subject to the influence of domestic and foreign economic conditions, including inflation, recession and unemployment.

The commercial banking business is not only affected by general economic conditions but is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the Federal Reserve Board. The Federal Reserve Board implements national monetary policies, with objectives such as curbing inflation and combating recession, by its open-market operations in United States Government securities, by adjusting the required level of reserves for financial institutions subject to its reserve requirements and by varying the discount rates applicable to borrowings by depository institutions. The actions of the Federal Reserve Board in these areas influence the growth of bank loans, investments and deposits and also affect interest rates charged on loans and paid on deposits. The nature and impact on Legacy Bank of any future changes in monetary policies cannot be predicted.

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From time to time, legislation is enacted which has the effect of increasing the cost of doing business, limiting or expanding permissible activities or affecting the competitive balance between banks and other financial institutions. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies and other financial institutions are frequently made in Congress, in the California legislature and before various bank regulatory and other professional agencies. See Supervision and Regulation.

Legacy Bank

Summary Selected Financial Data

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Year Ended December 31, 2005	Year Ended December 31, 2004
(dollars in thousands, except per share data)				
Condensed Income Statement				
Interest Income	\$ 4,853	\$ 2,938	\$ 4,377	\$ 1,498
Interest Expense	1,251	588	921	403
Net Interest Income	3,602	2,350	3,456	1,095
Provision for loan losses	125	169	261	781
Noninterest income	635	73	229	38
Noninterest expense	3,853	3,178	4,283	2,880
Provision for income taxes	1	1	3	1
Net income (loss)	\$ 259	\$ (925)	\$ (862)	\$ (2,529)
Period End Data				
Assets	\$ 83,346	\$ 70,955	\$ 82,595	\$ 59,594
Loans, gross	65,090	57,075	63,495	36,027
Securities	7,635	8,303	8,019	8,721
Deposits	72,312	60,374	68,937	52,583
Other Borrowings			3,000	
Shareholders' equity	10,685	10,283	10,282	6,758
Ratios				
Return Average Assets	.43	% (1.98)	)(1.31	)(7.33)%
Return on Average Equity	3.36	% (13.07	)(8.91	)(31.28)%
Equity to Assets	12.82	% 14.49	% 12.45	% 11.34
Asset Quality				
Nonperforming assets	\$	\$	\$ 300	\$
Allowance for loan losses	\$ 1,044	\$ 716	842	820
Allowance for loan losses to loans	1.60	% 1.25	% 1.33	% 2.28
Net Charge-offs (recoveries) to average loans	(0.10	)% 0.01	% 0.01	%
Per Common Share				
Basic income (loss) per share	\$ 0.16	\$ (0.61)	\$ 0.55	\$ 2.08
Book Value per share at period end	\$ 6.39	\$ 6.15	\$ 6.15	\$ 5.55
Period end common shares outstanding	1,672,373	1,672,373	1,672,373	1,217,373
Weighted average shares outstanding	1,666,247	1,562,373	1,562,373	1,217,373

Overview

Legacy Bank received preliminary approval from the Comptroller of the Currency to organize as a national bank and was incorporated on September 30, 2002. Prior to that date, and up to the inception of business of October 1, 2003, organizers of Legacy Bank incurred costs in connection with the organizational process and raising of the initial capitalization of Legacy Bank. These costs were reimbursed at the inception of business from the proceeds of the initial capitalization, which totaled \$12.2 million.

As of September 30, 2006 and December 31, 2005, Legacy Bank had assets of \$83.3 million and \$82.6 million, respectively. Gross loans were \$65.1 million at September 30, 2006 and \$63.5 million at December 31, 2005. Total deposits were \$72.3 million at September 30, 2005 and \$68.9 million at December 31, 2005. Total stockholders equity at September 30, 2006 was \$10.7 million compared to \$10.3 million at December 31, 2005. For the nine months ended September 30, 2006, Legacy Bank recorded net income of \$259 thousand compared to a net loss of \$925 thousand for the same period in 2005.

As of December 31, 2005 and 2004, Legacy Bank had assets of \$82.6 million and \$59.6 million, respectively. Gross loans were \$63.5 million and \$36.0 million at December 31, 2005 and 2004, respectively. Total deposits were \$68.9 million at December 31, 2005 and \$52.6 million at December 31, 2004. Total stockholders equity at December 31, 2005 was \$10.3 million compared to \$6.8 million at December 31, 2004. For the year ended December 31, 2005, Legacy recorded a net loss of approximately \$862 thousand compared to a net loss of approximately \$2.5 million for the year ended December 31, 2004.

Results of Operations

Net Interest Income and Net Interest Margin

Net Interest Income. Legacy Bank's primary source of revenue is net interest income, which is the difference between interest income on interest earning assets and interest expense on interest bearing liabilities. For the nine month periods ended September 30, 2006 and 2005, average interest earning assets were \$76.9 million and \$60.1 million, respectively, generating net interest income of \$3.6 million and \$2.3 million, respectively. The significant increase in net interest income in 2006 reflects the substantial increase in interest earning assets, primarily loans, which reflects the use of the additional funds provided by stock proceeds and the continued transition of cash and short-term investments to higher yielding adjustable rate loans per Legacy Bank's strategic plan. The net interest margins are calculated on an annualized basis

The net interest margin (net interest income annualized divided by average interest-earning assets) for the nine month periods ended September 30, 2006 and 2005, were 6.26% and 5.22%, respectively.

The increase in the net interest margin, when comparing the nine month periods ended September 30, 2006 and 2005, was primarily due to: (1) the increases in the average balances of loans as a percentage of the earning assets; (2) increases in the prime rate, which is the primary index for the majority of Legacy Bank's loan portfolio; (3) increases in the short-term interest rates, which

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benefit Legacy Bank's short-term investments and (4) transitioning interest bearing liabilities to certificates of deposits to reduce the interest rate risk in the current increasing rate environment.

The following table sets forth, for the nine months ended September 30, 2006 and 2005, information related to Legacy Bank's average balance sheet and average yields on assets and average costs of liabilities. These yields were derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances were derived from the daily balances throughout the periods indicated.

	Nine Months Ended, September 30, 2006				Nine Months Ended, September 30, 2005			
	Average Balance	Yield / Cost		Income / Expense	Average Balance	Yield / Cost		Income / Expense
Assets								
Interest Earning Assets:								
Loans, gross	\$ 62,053,048	9.42	%	\$ 4,370,329	\$ 43,740,685	7.66	%	\$ 2,504,527
Due From Banks	940,596	4.90	%	34,451	2,650,538	3.07	%	60,779
Federal Funds Sold	5,314,542	4.79	%	190,245	4,679,524	2.96	%	103,578
Debt Securities	7,531,806	3.90	%	219,558	8,564,930	3.85	%	246,464
Other Securities	1,127,299	4.56	%	38,430	511,869	5.95	%	22,770
Total Interest Earning Assets	76,967,291	8.43	%	4,853,013	60,147,546	6.53	%	2,938,118
Non-Interest Earning Assets:								
Cash and Due From Banks	3,533,244				2,163,860			
All Other Assets	16,452				214,082			
Total Assets	\$ 80,516,987				\$ 62,525,488			
Liabilities and Equity								
Interest Bearing Liabilities:								
NOW	3,496,789	1.30	%	34,091	2,221,779	0.78	%	12,968
Money Market	7,937,920	1.71	%	101,702	8,301,069	1.09	%	67,779
Savings	13,284,123	3.07	%	305,357	14,005,221	2.02	%	212,033
CDs < \$100K	3,595,917	3.77	%	101,433	2,630,565	2.64	%	51,885
CDs > \$100K	11,279,664	3.74	%	315,206	6,902,419	2.78	%	143,611
CDARS	11,247,648	4.43	%	372,431	5,035,464	2.65	%	99,901
Total Interest Bearing Deposits	50,842,061	3.24	%	1,230,220	39,096,517	2.01	%	588,177
Other Borrowings	576,154	4.76	%	20,529	10,037			
Total Interest Bearing Liabilities	51,418,215	3.25	%	1,250,749	39,106,554	2.01	%	588,177
Non-Interest Bearing Liabilities:								
Non-Interest Bearing Demand	17,919,466				13,721,216			
Other Liabilities	879,338				242,092			
Stockholders' Equity	10,299,968				9,455,626			
Total Liabilities and Equity	\$ 80,516,987				\$ 62,525,488			
Net Interest Margin /								
Net Interest Income		6.26	%	3,602,264		5.22	%	2,349,941

Net interest income was \$3.5 million in 2005 compared to \$1.1 million in 2004, an increase of 215.7%. Legacy Bank's net interest margin was 5.46% for the year ended December 31, 2005 as compared to 3.38% for the year ended December 31, 2004. The increase in net interest income and net interest margin was primarily the result of higher interest earning assets and higher general market rates. The level of net interest income is also determined by the level of earning assets and the successful management of the net interest margin. Changes in interest rates paid on assets and liabilities, the rate of growth of the asset and liability base, the ratio of interest-earning assets to interest-bearing liabilities, and management of the balance sheet's interest rate sensitivity all factor into changes in net interest income.

The following table sets forth, for the years ended December 31, 2005 and 2004, information related to Legacy Bank's average balance sheet and average yields on assets and average costs of liabilities. These yields were derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances were derived from the daily balances throughout the periods indicated.

(dollars in thousands)	December 31, 2005			
	Average Balance	Yield / Cost		Income / Expense
Assets				
Interest Earning Assets:				
Loans, gross	\$ 47,625	8.00	%	\$ 3,810
Federal Funds Sold	4,690	3.20	%	150
Investment Securities	8,449	3.92	%	331
Other Interest-Earning Assets	2,530	3.40	%	86
Total Interest Earning Assets	63,294	6.92	%	4,378
Noninterest Earning Assets:				
All Other Assets	2,611			
Total Assets	\$ 65,905			
Liabilities and Equity				
Interest-Bearing Liabilities:				
Demand Accounts	2,202	0.81	%	18
Savings & Money Market	21,653	1.69	%	367
Time Deposits Under \$100,000	9,757	3.13	%	305
Time Deposits, \$100,000 or More	7,580	2.97	%	225
Total Interest-Bearing Deposits	41,191	2.22	%	915
Other Borrowings	129	4.69	%	6
Total Interest-Bearing Liabilities	41,320	2.23	%	921
Noninterest-Bearing Liabilities:				
Noninteresting-Bearing Demand	14,623			
Other Liabilities	281			
Stockholders Equity	9,682			
Total Liabilities and Equity	\$ 65,905			
Net Interest Margin / Net Interest Income		5.46	%	\$ 3,456

(dollars in thousands)	December 31, 2004			
	Average Balance	Yield / Cost		Income / Expense
Assets				
Interest Earning Assets:				
Loans, gross	\$ 17,500	6.69	%	\$ 1,171
Federal Funds Sold	9,357	1.38	%	129
Investment Securities	3,677	3.92	%	144
Other Interest-Earning Assets	1,814	2.98	%	54
Total Interest Earning Assets	32,348	4.63	%	1,498
Noninterest Earning Assets:				
All Other Assets	2,150			
Total Assets	\$ 34,498			
Liabilities and Equity				
Interest-Bearing Liabilities:				
Demand Accounts	1,032	0.68	%	7
Savings & Money Market	14,258	2.01	%	287
Time Deposits Under \$100,000	1,403	1.85	%	26
Time Deposits, \$100,000 or More	4,262	1.97	%	84
Total Interest-Bearing Deposits	20,955	1.93	%	404
Other Borrowings		NA		
Total Interest-Bearing Liabilities	20,955	1.93	%	404
Noninterest-Bearing Liabilities:				
Noninteresting-Bearing Demand	5,319			
Other Liabilities	138			
Stockholders Equity	8,086			
Total Liabilities and Equity	\$ 34,498			
Net Interest Margin / Net Interest Income		3.38	%	1,094

Volume, Mix and Rate Analysis of Net Interest Income

The following table presents the extent to which changes in volume, changes in interest rates, and changes in the interest rates times the changes in volume of interest earning assets and interest bearing liabilities affected Legacy Bank's interest income and interest expense during the periods indicated. Information is provided on changes in each category due to (1) changes attributable to changes in volume (change in volume times the prior period interest rate), (2) changes attributable to changes in interest rate (changes in rate times the prior period volume), and (3) changes attributable to changes in rate/volume (changes in interest rate times changes in volume). Changes attributable to the combined impact of volume and rate have been allocated proportionally to the changes due to volume and the changes due to rate:

	Nine months ended September 30, 2006 vs. 2005		
	Increase (decrease) due to change in		Total
Interest income	Average Volume	Average Rate	Change
Loans	\$ (1,680)	\$ 3,545	\$ 1,865
Federal funds sold	(100)	186	86
Investment securities	(281)	255	(26)
Other interest earning assets	(713)	703	(10)
Total interest income	(2,774)	4,689	1,915
Interest expense			
Demand	\$ (7)	\$ 28	\$ 21
Savings and money market	(278)	405	127
Time deposits \$100,000 or more	(64)	235	171
Time under \$100,000	(13)	336	323
Total interest expense	(363)	1,005 0	642
Change in net interest income	\$ (2,411)	\$ 3,684	\$ 1,273

December 31, 2005 Compared to December 31, 2004

	Change Due to Volume	Change Due to Rate	Total Change
Interest Earning Assets:			
Loans, gross	\$ 2,370	\$ 269	\$ 2,639
Federal Funds Sold	(13)	) 34	21
Investment Securities	187	0	187
Other Interest-Earning Assets	24	8	32
Increase in interest income	2,568	312	2,880
Interest-Bearing Liabilities:			
Demand Accounts	9	2	11
Savings & Money Market	115	(35)	) 80
Time Deposits Under \$100,000	250	29	279
Time Deposits, \$100,000 or More	85	56	141
Other Borrowings	6		6
Increase in interest expense	466	51	517
Increase in net interest income	\$ 2,102	\$ 261	\$ 2,362

Provision for Loan Losses

Legacy Bank's management performs quarterly detailed reviews to identify the risks inherent in Legacy Bank's loan portfolio, to assess the overall quality of the loan portfolio, and to determine the adequacy of the allowance for loan losses and the related provision for loan losses to be charged to expense. The systematic reviews follow the methodology set forth in the Comptroller's policy statement on the allowance for loan losses. The allowance for loan losses is reduced by charge-offs and increased by provisions for loan losses charged to operating expense and recoveries of previously charged-off loans.

Legacy Bank provided \$125 thousand for loan losses for the nine months ended September 30, 2006. There were no charge-offs for the nine months ended September 30, 2006. Recoveries for the nine months ended September 30, 2006 totaled \$77 thousand. There were net charge-offs for the nine months ended September 30, 2005 of \$273 thousand.

As of September 30, 2006, Legacy Bank had established an allowance for loan losses of \$1.04 million compared to \$842 thousand at December 31, 2005. The allowance for loan losses was approximately 1.60% of total loans at September 30, 2006 and 1.33% of total loans at December 31, 2005. There were no nonperforming loans at September 30, 2006. As of December 31, 2005, the Bank had one nonperforming loan for \$300 thousand.

Legacy Bank provided \$261 thousand for loan losses for the year ended December 31, 2005. Net charge-offs for the year ended December 31, 2005 totaled \$238 thousand. There were no charge-offs during the year 2004.

As of December 31, 2005, Legacy Bank had established an allowance for loan losses of \$842 thousand compared to \$820 thousand at December 31, 2004. The allowance for loan losses was approximately 1.33% of total loans at December 31, 2005 and 2.28% of total loans at December 31, 2004. As of December 31, 2005, Legacy Bank had one nonperforming loan totaling \$300 thousand. There were no nonperforming loans at December 31, 2004.

Legacy Bank's management is of the opinion that the allowance for loan losses is maintained at a level adequate for known and unidentified losses inherent in the loan portfolio. However, Legacy Bank's loan portfolio could be adversely affected if economic conditions in California and Santa Clara County and surrounding areas were to weaken. The effect of such events, although uncertain at this time, could result in an increase in the level of non-performing loans and the level of the allowance for loan losses, which could adversely affect Legacy Bank's future growth and profitability.

Noninterest Income and Noninterest Expense

Noninterest Income Total non-interest income was \$635.3 thousand and \$73.1 thousand for the nine month period ended September 30, 2006 and 2005, respectively. The increase in the non-interest income was primarily due to: (1) \$401.7 thousand in gain on sale of SBA loans; (2) increase of \$139.3 thousand in service charges on deposit accounts and (3) \$21.2 thousand in other SBA-related fee income.

Noninterest income in 2005 was \$228 thousand, an increase of \$190 thousand compared to noninterest income of \$38 thousand in 2004. The increase was primarily the result of additional volume of service charges and fees on deposits and gain on sale of SBA loans.

Noninterest Expense Non-interest expenses increased by \$675.2 thousand or 21.2% for the nine months ended September 30, 2006, compared to the nine months ended September 30, 2005. The largest increases were in salaries and employee benefits, which increased \$481.4 thousand, which was attributable to increased lending staff and one-time severance costs related to the Bank's former chief executive officer; occupancy expenses increased \$131.9 thousand, which was related to short-term lease of additional space to relocate certain administrative personnel. Data processing expenses also increased by \$102.3 thousand due to the normal operational growth of Legacy Bank.

Noninterest expense in 2005 totaled \$4.3 million of which salaries and employee benefits totaled \$2.4 million. Professional services fees were \$484 thousand while occupancy expenses was the next largest expense at \$446 thousand followed by data services \$376 thousand and marketing \$179 thousand.

Income Taxes

No tax benefit was recognized in 2006, 2005 and 2004 for the net operating losses incurred, as the ultimate realization was not reasonably assured.

Financial Condition***Investment Portfolio***

Legacy Bank's investment security portfolio consists of obligations of the U.S. Treasury, U.S. Government agencies, mortgage-backed securities, and money market mutual funds.

The following table summarizes the amounts and distribution of Legacy Bank's fixed income investment securities held as of September 30, 2006 and the weighted average yields:

	September 30, 2006			
	Amortized Cost	Market Value	Weighted Average Yield	
Available-for-Sale Securities				
U.S. Government Agencies				
Less than one year	\$ 2,558,929	\$ 2,526,849	3.74	%
Mortgage-backed Securities				
One to five years	2,102,464	3,066,647	4.25	%
Five years and over	3,090,580	2,041,111	3.99	%
	5,193,044	5,108,758	4.09	%
	\$ 7,751,973	\$ 7,634,607	3.98	%

Securities may be pledged to meet collateral requirements imposed as a condition of receipt of deposits of public funds and other purposes. At September 30, 2006, the total market value of securities pledged was \$2.5 million.

The following table summarizes the amounts and distribution of Legacy Bank's fixed income investment securities held as of December 31, 2005 and the weighted average yields:

	December 31, 2005			
	Amortized Cost	Market Value	Weighted Average Yield	
Available-for-Sale Securities				
U.S. Government Agencies				
One to five years	\$ 2,000,000	\$ 1,958,400	3.40	%
Mortgage-backed Securities				
Five to ten years	1,624,647	1,565,106	3.89	%
After ten years	4,113,200	4,067,269	4.07	%
	5,737,847	5,632,375	4.09	%
	\$ 7,737,847	\$ 7,590,775	3.86	%

At December 31, 2005, the total market value of securities pledged was \$3.5 million. At December 31, 2004, Legacy Bank had not pledged any securities.

Loan Portfolio

The following table sets forth the components of total net loans outstanding in each category as of September 30, 2006 and December 31, 2005:

Loan category	September 30, 2006	Percent of Total	December 31, 2005	Percent of Total
	Amount		Amount	
Commercial	\$ 26,201,624	40	% \$ 29,528,917	47
Real estate construction	11,598,749	18	% 9,495,433	15
Real estate other	25,006,343	38	% 21,772,802	34
Installment and other	2,283,357	4	% 2,697,705	4
Gross Loans	65,090,073	100	% 63,494,857	100
Deferred loan fees and costs, net	(388,816)		(339,007)	
Allowance for loan losses	(1,044,439)		(842,346)	
Net Loans	\$ 63,656,818		\$ 62,313,504	

The following table sets forth the components of total net loans outstanding in each category as of December 31, 2005 and 2004:

	2005	2004
Commercial	\$ 29,528,917	\$ 18,318,860
Real estate construction	9,495,433	1,791,718
Real estate other	21,772,802	11,581,490
Installment and other	2,697,705	4,334,762
Gross Loans	63,494,858	36,026,830
Deferred loan fees and costs, net	(339,007)	(161,338)
Allowance for loan losses	(842,346)	(820,000)
Net Loans	\$ 62,313,504	\$ 35,045,492

The following table shows the contractual maturities of Legacy Bank's loan portfolio at September 30, 2006 as well as the distribution of fixed rate and variable rate loans.

(dollars in thousands)	Within One Year	After One Year But Within Five Years	After Five Years	Total
Commercial	\$ 28,546	\$ 739	\$ 2,311	\$ 31,596
Real Estate:				
Construction	18,579	1,016		19,595
Other	6,581	3,539	2,799	12,919
Installment and Other	977	3		980
Total	\$ 54,683	\$ 5,297	\$ 5,110	\$ 65,090
Loans with variable (floating) interest rates				\$ 52,723
Loans with predetermined (fixed) interest rates				12,367

The following table shows the contractual maturities of Legacy Bank's loan portfolio at December 31, 2005 as well as the distribution of fixed rate and variable rate loans.

(dollars in thousands)	Within One Year	After One Year But Within Five Years	After Five Years	Total
Commercial	\$ 20,693	\$ 7,730	\$ 1,106	\$ 29,529
Real Estate:				
Construction	8,924	571		9,495
Other	7,623	5,997	8,152	21,772
Installment and Other	2,691	8		2,699
Total	\$ 39,931	\$ 14,306	\$ 9,258	\$ 63,495
Loans with variable (floating) interest rates				\$ 51,299
Loans with predetermined (fixed) interest rates				12,196

Nonperforming Assets

There were no nonperforming loans at September 30, 2006. As of December 31, 2005, Legacy Bank had one nonperforming loans totaling \$300 thousand. Legacy Bank had no other real estate owned at September 30, 2006 and December 31, 2005.

As of December 31, 2005, Legacy Bank had one nonperforming loans totaling \$300 thousand. There were no nonperforming loans at December 31, 2004. Legacy Bank had no other real estate owned at December 31, 2005 and 2004.

Allowance for Loan Losses

Management performs quarterly detailed reviews to identify the risks inherent in Legacy Bank's loan portfolio, to assess the overall quality of the loan portfolio, and to determine the adequacy of the allowance for loan losses and the related provision for loan losses to be charged to expense. The systematic reviews follow the methodology set forth by the Comptroller in its 1993 policy statement on the allowance for loan losses.

As of September 30, 2006, Legacy Bank had established an allowance for loan losses of \$1.04 million or approximately 1.60% of total loans.

The following table sets forth information concerning the allocation of Legacy Bank's allowance for loan losses by loan categories. The allowance for loan losses is available for offsetting credit losses in connection with any loan, but is internally allocated to various loan categories as part of Legacy Bank's process for evaluating the adequacy of the allowance for loan losses.

September 30, 2006	Amount	% of Total (1)	
Commercial	\$ 669,560	40.3	%
Real estate construction	110,837	17.8	%
Real estate other	141,925	38.4	%
Installment and other	65,048	3.5	%
Unallocated	57,069		%
	\$ 1,044,439	100.0	%

(1) Represents percentage of loans in category to total loans

There were no charge offs for the nine months ending September 30, 2006. For the year ended December 31, 2005, Legacy Bank had net-charge offs of \$238 thousand representing 0.01% of average loans.

As of December 31, 2005, Legacy Bank had established an allowance for loan losses of \$842 thousand or approximately 1.33% of total loans.

The following table sets forth information concerning the allocation of Legacy Bank's allowance for loan losses by loan categories. The allowance for loan losses is available for offsetting credit losses in connection with any loan, but is internally allocated to various loan categories as part of Legacy Bank's process for evaluating the adequacy of the allowance for loan losses.

December 31, 2005	Amount	% of Total (1)	
Commercial	\$ 560,791	46.5	%
Real estate construction	100,669	15.0	%
Real estate other	138,888	34.3	%
Installment and other	41,999	4.2	%
Unallocated			%
	\$ 842,346	100.0	%

(1) Represents percentage of loans in category to total loans

December 31, 2004	Amount	% of Total (1)	
Commercial	\$ 652,530	50.8	%
Real estate construction	29,894	5.0	%
Real estate other	76,654	32.2	%
Installment and other	60,922	12.0	%
Unallocated			
	\$ 820,000	100.0	%

(1) Represents percentage of loans in category to total loans.

For the year ended December 31, 2005, Legacy Bank had net-charge offs of \$238 thousand representing 0.01% of average loans. There were no charge offs during 2004.

Deposits

Deposits are Legacy Bank's primary source of funds. At September 30, 2006, Legacy Bank had a deposit mix of 20% in time deposits, 55% in savings, money market and NOW deposits, and 25% in noninterest-bearing demand deposits.

The scheduled maturity distribution of Legacy Bank's time deposits of \$100,000 or greater, as of September 30, 2006, were as follows (dollars in thousands):

	9/30/2006
Remaining Maturity	
Three Months or Less	\$ 5,367
Over Three Months to Six Months	1,474
Over Six Months to Twelve Months	2,670
Over Twelve Months	229
Balance at the End of the Period	\$ 9,740

Deposits are Legacy Bank's primary source of funds. At December 31, 2005, Legacy Bank had a deposit mix of 40% in time deposits, 30% in savings, money market and NOW deposits, and 30% in noninterest-bearing demand deposits.

The scheduled maturity distribution of Legacy Bank's time deposits of \$100,000 or greater, as of December 31, 2005, were as follows (dollars in thousands):

Three Months or Less	\$ 2,887
Over Three Months to Six Months	542
Over Six Months to One Year	4,898
Over One Year	
	\$ 8,327

Borrowings

The Bank had no outstanding other borrowings at September 30, 2006. Average outstanding borrowings during the quarter ended September 30, 2006 was \$44.3 thousand. The Bank maintains a \$4.0 million line of credit with a correspondent bank for the purchase of overnight federal funds.

At December 31, 2005, Legacy Bank had sold \$3.0 million of a security under agreements to repurchase with a broker at a rate of 4.5% that matures in less than 90 days. This agreement was secured by a security with a market value of approximately \$3.3 million. There were no other repurchase agreement transactions during 2005.

At December 31, 2005, Legacy Bank had one unused Federal funds purchased lines of credit totaling \$2.3 million.

Liquidity and Liability Management

Liquidity management for banks requires that funds always be available to pay deposit withdrawals and maturing financial obligations in accordance with their terms and to meet customer requests for loans. The acquisition of deposits has been Legacy Bank's primary source of funds used to invest in earning assets. Legacy Bank expects that deposits will continue to be the primary source of funds in future periods. Legacy Bank emphasizes seeking demand deposits from business customers in Legacy Bank's market area. When necessary, Legacy Bank also pursues the higher cost time deposits, including brokered deposits, typically attracting large certificates of deposit at high interest rates. Other sources of funds have been the cash provided from operations, the proceeds of common stock sales and from borrowings.

At September 30, 2006 and December 31, 2005, the Bank had brokered deposits of \$1.9 million and \$15.8 million, respectively.

To meet liquidity needs, the Bank maintains a portion of its funds in cash deposits in other banks, federal funds sold, and investment securities. As of September 30, 2006 and December 31, 2005, Legacy Bank's liquidity ratio was 21.0% and 20.9%, respectively (defined as liquid assets as a percentage of client deposits). Liquid assets were composed of federal funds sold, available-for-sale investment securities less securities that are pledged to secure treasury, tax and loan deposits and other purposes as required by law, interest bearing deposits in other financial institutions and cash and due from banks. Client deposits exclude broker deposits and all CDARS deposits. The Bank monitors Legacy Bank's liquidity ratios daily to ensure the ratio is above Legacy Bank's policy target of 20.0%. The Bank attempts to maximize its loan to deposit ratios and minimize its liquidity ratio, consistent with its liquidity needs and policy, to maximize net interest margin.

The table below sets forth the interest rate sensitivity of Legacy Bank's interest-earning assets and interest-bearing liabilities as of September 30, 2006 using the interest rate sensitivity gap ratio. For purposes of the following table, an asset or liability is considered rate-sensitive within a specified period when it can be repriced or matures within its contractual terms:

(dollars in thousands)	Within Three Months	Three Months But Within One Year	Year But Within Five Years	After Five Years	Total	
Interest-Earning Assets:						
Federal Funds Sold	\$ 5,360	\$	\$	\$	\$ 5,360	
Time Deposits		500			500	
Investment Securities	14	544	5,036	2,041	7,635	
Loans	50,736	3,947	5,297	5,110	65,090	
Total	56,110	4,991	10,333	7,151	78,585	
Interest-Bearing Liabilities:						
Money Market, Savings And NOW Deposits	\$ 34,899	\$	\$	\$	\$ 34,899	
Time Deposits	8,812	5,154	529		14,495	
Other Borrowings						
Total	43,711	5,154	529		49,394	
Interest Rate Sensitivity Gap	\$ 12,399	\$ (163)	\$ 9,804	\$ 7,151	\$ 29,191	
Cumulative Interest Rate Sensitivity Gap	\$ 12,399	\$ 12,236	\$ 22,040	\$ 29,191	\$ 29,191	
Ratio Based on Total Assets	15	% 15	% 26	% 35	% 35	%

The objective of Legacy Bank's asset/liability strategy is to manage liquidity and interest rate risks to ensure the safety and soundness of Legacy Bank and its capital base, while maintaining adequate net interest margins and spreads to provide an appropriate return to Legacy Bank's shareholders.

Legacy Bank manages its interest rate risk exposure by limiting the amount of long-term fixed rate loans it holds for investment, increasing emphasis on shorter-term, higher yield loans for portfolio, increasing or decreasing the relative amounts of long-term and short-term borrowings and deposits, originating SBA loans for sale to the secondary market, and/or purchasing commitments to sell loans.

The table below sets forth the interest rate sensitivity of Legacy Bank's interest-earning assets and interest-bearing liabilities as of December 31, 2005, using the interest rate sensitivity gap ratio. For purposes of the following table, an asset or liability is considered rate-sensitive within a specified period when it can be repriced or matures within its contractual terms:

(dollars in thousands)	Within Three Months	Three Months But Within One Year	Year But Within Five Years	After Five Years	Total	
Interest-Earning Assets:						
Federal Funds Sold	\$ 6,550	\$	\$	\$	\$ 6,550	
Time Deposits		531			531	
Investment Securities			5,271	2,320	7,591	
Loans	50,341	3,781	3,862	5,511	63,495	
Total	56,891	4,312	9,133	7,831	78,167	
Interest-Bearing Liabilities:						
Money Market, Savings And NOW Deposits	\$ 20,897	\$	\$	\$	\$ 20,897	
Time Deposits	16,276	10,512	732		27,520	
Other Borrowings		3,000			3,000	
Total	37,173	13,512	732		51,417	
Interest Rate Sensitivity Gap	\$ 19,718	\$ (9,200)	\$ 8,401	\$ 7,831	\$ 26,750	
Cumulative Interest Rate Sensitivity Gap	\$ 19,718	\$ 10,518	\$ 18,919	\$ 26,750	\$ 26,750	
Ratio Based on Total Assets	24	% 13	% 23	% 32	% 32	%

Liquidity refers to Legacy Bank's ability to maintain a cash flow adequate to fund both on-balance sheet and off-balance sheet requirements on a timely and cost-effective basis. Potentially significant liquidity requirements include funding of commitments to loan customers and withdrawals from deposit accounts.

Legacy Bank's liquidity ratio is defined as: the sum of cash and due from banks, federal funds sold, interest-bearing deposits with other financial institutions and investment securities, divided by the sum of total deposits. Using this definition at December 31, 2005, Legacy Bank's liquidity ratio was 26.7%.

Capital Resources

The banking industry is subject to regulatory capital adequacy requirements based on risk-adjusted assets. These requirements take into consideration the risk inherent in investments, loans, and other assets for both on-balance sheet and off-balance sheet items. Under these requirements, the regulatory agencies have set minimum thresholds for Tier 1 capital, total capital and leverage ratios. At September 30, 2006 and December 31, 2005 Legacy Bank's capital exceeded all minimum regulatory requirements and Legacy Bank was considered to be well capitalized as defined in the regulations issued by the FDIC. However, on December 21, 2006, Legacy Bank, entered into a formal written agreement within the meaning of 12 U.S.C. 1818(b)(1) with the OCC pursuant to findings contained in the Report of Examination for the examination that commenced on July 31, 2006. (See Information Regarding Legacy Legal Proceedings.)

As part of the formal written agreement, Legacy Bank is required to achieve and maintain Tier 1 capital at least equal to ten (10%) of risk-weighted assets, and Tier 1 capital at least equal to eight (8%) of adjusted total assets. The requirement of the formal written agreement to meet and maintain a specific capital level means that Legacy Bank may not be deemed to be well-capitalized for purposes of 12 U.S.C. 1831 and 12 C.F.R. Part 6 pursuant to 12 C.F.R. 6.4(b)(1)(iv).

Legacy Bank's risk-based capital ratios, shown below as of September 30, 2006 and December 31, 2005, have been computed in accordance with regulatory accounting policies.

September 30, 2006	Minimum Requirements	Legacy Bank	
Tier 1 Capital	4	% 14.6	%
Total Capital	8	% 15.9	%
Leverage Ratio	4	% 13.3	%

For the first nine months ended September 30, 2006, the return on average assets was .43%, the return on average equity was 3.27%, and the average equity to average assets was 14.7%.

December 31, 2005	Minimum Requirements	Legacy Bank	
Tier 1 Capital	4	% 14.6	%
Total Capital	8	% 15.8	%
Leverage Ratio	4	% 13.7	%

For 2005, the return on average assets was (1.31)%, the return on average equity was (8.91)%, and the average equity to average assets was 14.7%.

Effects of Inflation

The financial statements and related financial information presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or same magnitude as the price of goods and services.

Impact of New Accounting Pronouncements

See Note A of the NOTES TO FINANCIAL STATEMENTS for information concerning recent accounting pronouncements. Except as discussed in Note A, Legacy Bank believes there are no new accounting pronouncements that will have a material impact on Legacy Bank.

Comparison of Shareholder Rights

The following discusses some of the similarities and some of the differences in the rights of shareholders of Legacy Bank and United Security. This discussion is applicable to those shareholders of Legacy Bank who will receive United Security common stock in the merger and become shareholders of United Security.

Comparison of Corporate Structure

Legacy Bank has authorized 10,000,000 shares of common stock, \$5.00 par value and United Security has authorized 20,000,000 shares of common stock, no par value. The shares of common stock of Legacy Bank are fully paid and assessable by order of the OCC, while the shares of common stock of United Security are fully paid and nonassessable. There are no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions.

After completion of the merger, Legacy Bank will cease to exist and will be merged into United Security Bank, a subsidiary of United Security. Thus, after completion of the merger, matters requiring the approval of United Security Bank's shareholders, such as amendments to United Security Bank's articles of incorporation or approval of a merger with another corporation, will be subject to the approval of United Security as United Security Bank's sole shareholder. Legacy Bank's present shareholders who become shareholders of United Security will be entitled to vote on similar matters pertaining to United Security but will not be entitled to vote on matters affecting United Security Bank or United Security's other subsidiaries.

With respect to their charter documents, under National Bank Law amendments to Legacy Bank's articles of association require the approval of the OCC, in addition to any shareholder approvals which may be required. Amendments to United Security's articles of incorporation only require the approval of United Security's shareholders.

Voting Rights

Legacy Bank and United Security have different voting rights. Although as a general rule shareholders of Legacy Bank and United Security are entitled to one vote for each share of common stock held, Legacy Bank has supermajority voting provisions specific to national banks with respect to approval of certain corporate matters, including the vote on this merger, while United Security does not have any supermajority voting provisions.

Dividends

One of the most important differences between Legacy Bank and United Security involves dividends. Under California law, United Security would be prohibited from paying dividends unless: (1) its retained earnings immediately prior to the dividend payment equals or exceeds the amount of the dividend; or (2) immediately after giving effect to the dividend (i) the sum of United Security's assets would be at least equal to 125% of its liabilities, or, if the average of its earnings before taxes on income and before interest expense for the two preceding fiscal years was less than the average of its interest expense for the two preceding fiscal years, the current assets of United Security would be at least equal to 125% of its current liabilities. The primary source of funds with which dividends

will be paid to shareholders will come from cash dividends received by United Security from United Security Bank.

United Security Bank as a state-chartered bank is subject to dividend restrictions set forth in California state banking law, and administered by the DFI. Under such restrictions, United Security Bank may not pay cash dividends in an amount which exceeds the lesser of the retained earnings of United Security Bank or United Security Bank's net income for the last three fiscal years (less the amount of distributions to shareholders during that period of time). If the above test is not met, cash dividends may only be paid with the prior approval of the DFI, in an amount not exceeding United Security Bank's net income for its last fiscal year or the amount of its net income for the current fiscal year. Such restrictions do not apply to stock dividends, which generally require neither the satisfaction of any tests nor the approval of the DFI. Notwithstanding the foregoing, if the DFI finds that the shareholders' equity is not adequate or that the declarations of a dividend would be unsafe or unsound, the DFI may order the state bank not to pay any dividend. The FRB may also limit dividends paid by United Security Bank.

Legacy Bank as a national bank is subject to dividend restrictions set forth by the OCC. Under such restrictions, Legacy Bank may not, without the prior approval of the OCC, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years, provided that Legacy Bank's surplus fund is at least equal to its common capital. If the capital surplus falls below the balance of the common capital account, then further restrictions apply.

Number of Directors

Legacy Bank's bylaws provide for a range of five to twenty-five directors, with the exact number fixed by amendment to the bylaws or by resolution adopted by Legacy Bank's Board of directors or shareholders. Legacy Bank has currently fixed the number of its directors at eleven. United Security's bylaws provide for a range of eight to fifteen directors, with the exact number fixed by amendment to the bylaws or by resolution adopted by United Security's Board of Directors or shareholders. United Security has currently fixed the number of its directors at ten.

Indemnification of Directors and Officers

The articles of incorporation of United Security and bylaws of Legacy Bank authorize indemnification of directors, officers and agents to the fullest extent permissible under California law, and authorize the purchase of liability insurance. In addition, United Security's articles of incorporation eliminate directors' liability for monetary damages to the fullest extent permissible under California law. Both Legacy Bank and United Security have directors' and officers' liability insurance, and United Security has also entered into indemnification agreements with its directors and executive officers. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling United Security under the foregoing provisions, United Security has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Supervision and Regulation

Introduction

Banking is a complex, highly regulated industry. The primary goals of the regulatory scheme are to maintain a safe and sound banking system, protect depositors and the FDIC's insurance fund, and facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress and the states have created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and the financial services industry. Consequently, the growth and earnings performance of United Security, United Security Bank and Legacy Bank can be affected not only by management decisions and general economic conditions, but also by the requirements of applicable state and federal statutes, regulations and the policies of various governmental regulatory authorities, including:

- the FRB;
- the FDIC;
- the Office of the Comptroller of the Currency, or OCC; and
- the DFI.

The system of supervision and regulation applicable to United Security, its banking subsidiaries, and Legacy Bank governs most aspects of their business, including:

- the scope of permissible business;
- investments;
- reserves that must be maintained against deposits;
- capital levels that must be maintained;
- the nature and amount of collateral that may be taken to secure loans;
- the establishment of new branches;
- mergers and consolidations with other financial institutions; and
- the payment of dividends.

The following summarizes the material elements of the regulatory framework that apply to United Security, United Security Bank, and Legacy Bank. It does not describe all of the statutes, regulations and regulatory policies that are applicable. Also, it does not restate all of the requirements of the statutes, regulations and regulatory policies that are described. Consequently, the following summary is qualified in its entirety by reference to the applicable statutes, regulations and regulatory policies discussed in this proxy statement-prospectus. Any change in these applicable laws, regulations or regulatory policies may have a material effect on the business of United Security, United Security Bank and Legacy Bank.

United Security

United Security is a bank holding company within the meaning of the Bank Holding Company Act and is registered as such with, and subject to the supervision of, the Federal Reserve Board. United Security is required to file with the Federal Reserve Board quarterly and annual reports and such additional information as the Federal Reserve Board may require under the Bank Holding Company Act. The Federal Reserve Board may conduct examinations of bank holding companies and their subsidiaries.

United Security is required to obtain the approval of the Federal Reserve Board before it may acquire all or substantially all of the assets of any bank or ownership or control of the voting shares of any bank if, after giving effect to such acquisition of shares, United Security would own or control more than 5% of the voting shares of such bank. Prior approval of the Federal Reserve Board is also required for the merger or consolidation of United Security and another bank holding company.

United Security is prohibited by the Bank Holding Company Act, except in certain statutorily prescribed instances, from acquiring direct or indirect ownership or control of more than 5% of the outstanding voting shares of any company that is not a bank or bank holding company and from engaging, directly or indirectly, in activities other than those of banking, managing or controlling banks or furnishing services to its subsidiaries. However, United Security may, subject to the prior approval of the Federal Reserve Board, engage in any, or acquire shares of companies engaged in, activities that are deemed by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be acceptable.

The Federal Reserve Board may require that United Security terminate an activity or terminate control of or liquidate or divest subsidiaries or affiliates when the Federal Reserve Board determines that the activity or the control or the subsidiary of affiliates constitutes a significant risk to the financial safety, soundness or stability of any of its banking subsidiaries. The Federal Reserve Board also has the authority to regulate provisions of certain bank holding company debt, including authority to impose interest ceiling and reserve requirements on such debt. Under certain circumstances, United Security must file written notice and obtain approval from the Federal Reserve Board prior to purchasing or redeeming its equity securities.

Under the Federal Reserve Board's regulations, a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe and unsound manner. In addition, it is the Federal Reserve Board's policy that in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered by the Federal Reserve Board to be an unsafe and unsound banking practice or a violation of the Federal Reserve Board's regulations or both. Under certain conditions, the FRB may conclude that certain actions of a bank holding company, such as payment of cash dividends, would constitute unsafe and unsound banking practices because they violate the FRB's source of strength doctrine.

A bank holding company and its subsidiaries are prohibited from certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, a bank may not condition an extension of credit on a promise by its customer to obtain other services by it, its holding company or other subsidiaries, or on a promise by its customer not to obtain services from a competitor. In addition, federal law imposes certain restrictions between United Security and its subsidiaries, including United Security Bank. As an affiliate of United Security Bank, United Security is subject, with certain exceptions, to provisions of federal law imposing limitations on, and requiring collateral for, extensions of credit by United Security Bank to its affiliates.

As a public company, United Security Bancshares is subject to the Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act amends certain parts of the Securities and Exchange Act of 1934, and is intended to protect investors by, among other things, improving the reliability of financial reporting, increasing management accountability, and increasing the independence of Directors and United Security's external accountants.

United Security is subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, which include but are not limited to the filing of annual, quarterly and other current reports with the SEC.

United Security Bank and Legacy Bank

General

United Security Bank, as a California-chartered bank which is a member of the Federal Reserve System, is subject to regulation, supervision, and regular examination by the DFI and the FRB. Legacy Bank, as a nationally chartered banking association, is also a member of the Federal Reserve System and is subject to regulation, supervision and regular examination by the OCC. United Security Bank's and Legacy Bank's deposits are insured by the FDIC in an amount up to \$100,000 per customer, and, as such, both United Security Bank and Legacy Bank are subject to the regulations of the FDIC and the Federal Deposit Insurance Act. California law exempts all banks from usury limitations on interest rates. As a consequence of the extensive regulation of commercial banking activities in California and the United States, United Security Bank's and Legacy Bank's businesses are particularly susceptible to changes in California and federal legislation and regulation, which may have the effect of increasing the cost of doing business, limiting permissible activities or increasing competition.

United Security Bank is a member of the Federal Home Loan Bank System. Among other benefits, each Federal Home Loan Bank serves as a reserve or center bank for its members within its assigned region. Each Federal Home Loan Bank makes available to its members loans (i.e., advances) in accordance with the policies and procedures established by the Board of Directors of the individual Federal Home Loan Bank.

From time to time legislation is enacted which has the effect of increasing the cost of doing business and changing the competitive balance between banks and other financial and nonfinancial institutions. Various federal laws enacted over the past several years have provided, among other things, for:

- the maintenance of mandatory reserves with the Federal Reserve Bank on deposits by depository institutions;
- the phasing-out of the restrictions on the amount of interest which financial institutions may pay on certain types of accounts; and
- the authorization of various types of new deposit accounts, such as NOW accounts, Money Market Deposit accounts and Super NOW accounts, designed to be competitive with money market mutual funds and other types of accounts and services offered by various financial and non-financial institutions.

The lending authority and permissible activities of certain nonbank financial institutions such as savings and loan associations and credit unions have been expanded, and federal regulators have been given increased enforcement authority. These laws have generally had the effect of altering competitive relationships existing among financial institutions, reducing the historical distinctions between the services offered by banks, savings and loan associations and other financial institutions, and increasing the cost of funds to banks and other depository institutions.

Recent Legislation

The FRB in November 2005 approved amendments to Regulation CC that define remotely created checks and create transfer and presentment warranties that shift liability for an unauthorized remotely created check to the institution where it is first deposited. In place of a signature, a remotely created check generally bears a statement that the customer authorized the check or bears the customer's printed or typed name, such as when a debtor authorizes a credit card company to create a remotely created check by telephone so that the debtor may pay a credit card bill in a timely manner. Since the remotely created checks are vulnerable to fraud Regulation CC creates transfer and presentment warranties under which any bank that transfers or presents a remotely created check would warrant that the check is authorized by the person on whose account the check is drawn. The warranties would apply only to banks and would ultimately shift liability for losses attributable to an unauthorized remotely created check to the depository bank. These amendments would not affect the rights of checking account customers, as they are not liable for unauthorized checks drawn on their accounts. The amendments to Regulation CC became effective on July 1, 2006.

On August 2, 2005, the OCC, FDIC, and the FRB adopted a final rule to revise their Community Reinvestment Act (CRA) regulations. The effective date of the final rule was September 1, 2005. Major points of the final rule include:

- increasing the asset-size threshold for a small bank to \$1 billion. Small banks are not subject to certain data collection and reporting requirements and are eligible for evaluation under the small bank lending test.
- creating a new category of intermediate small banks for purposes of evaluation under the CRA. Intermediate small banks are those with at least \$250 million but less than \$1 billion in assets. The overall CRA rating for an intermediate small bank will be based both on the rating from the small bank lending test and the rating from a new community development test.

- Revising the definition of community development to increase the number and kinds of rural tracts in which bank activities are eligible for community development consideration.
- Revising the regulation to address the impact on a bank's CRA rating of evidence of discrimination or other illegal credit practices.

In May 2005, the FRB adopted a final rule to amend Regulation DD and the related official staff interpretations, to improve the uniformity and adequacy of information to consumers about certain services provided by banks to their deposit customers. These services are commonly referred to as bounced-check protection or courtesy overdraft protection services (overdraft services). These amendments became effective on July 1, 2006. These amendments require banks to disclose information about overdraft fees on periodic statements and account-opening disclosures, and to include certain disclosures in advertisements for overdraft services. Regulation DD generally requires that banks disclose the amount of any fee that may be imposed in connection with the account and the conditions under which a fee may be imposed. The final rule amends the official staff interpretations to state that, in satisfying this requirement with respect to fees for overdraft services, a bank must specify the categories of transactions for which an overdraft fee may be imposed.

The FRB issued a final rule on March 1, 2005 that amends Regulation H and Regulation Y to limit restricted core capital elements (including trust preferred securities) which count as Tier 1 capital to 25 percent of all core capital elements, net of goodwill less any associated deferred tax liability. Internationally active bank holding companies, defined as those with consolidated assets greater than \$250 billion or on-balance-sheet foreign exposure greater than \$10 billion, will be subject to a 15 percent limit, but they may include qualifying mandatory convertible preferred securities up to the generally applicable 25 percent limit. Amounts of restricted core capital elements in excess of these limits generally may be included in Tier 2 capital. The final rule provides a five-year transition period, ending March 31, 2009, for application of the quantitative limits.

During July 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002. The purpose of the Sarbanes-Oxley Act is to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes.

The Sarbanes-Oxley Act amends the Securities Exchange Act of 1934 to prohibit a registered public accounting firm from performing specified nonaudit services contemporaneously with a mandatory audit. The Sarbanes-Oxley Act also vests the audit committee of an issuer with responsibility for the appointment, compensation, and oversight of any registered public accounting firm employed to perform audit services. It requires each committee member to be a member of the board of directors of the issuer, and to be otherwise independent. The Sarbanes-Oxley Act further requires the chief executive officer and chief financial officer of an issuer to make certain certifications as to each annual or quarterly report filed with the SEC.

In addition, the Sarbanes-Oxley Act requires officers to forfeit certain bonuses and profits under certain circumstances. Specifically, if an issuer is required to prepare an accounting restatement due to the material noncompliance of the issuer as a result of misconduct with any financial reporting requirement under the securities laws, the chief executive officer and chief financial officer of the issuer shall be required to reimburse the issuer for (1) any bonus or other incentive-based or equity-based compensation received by that person from the issuer during the 12-

month period following the first public issuance or filing with the SEC of the financial document embodying such financial reporting requirement; and (2) any profits realized from the sale of securities of the issuer during that 12-month period.

The Sarbanes-Oxley Act also instructs the SEC to require by rule:

- disclosure of all material off-balance sheet transactions and relationships that may have a material effect upon the financial status of an issuer; and
- the presentation of pro forma financial information in a manner that is not misleading, and which is reconcilable with the financial condition of the issuer under generally accepted accounting principles.

The Sarbanes-Oxley Act also prohibits insider transactions in a company's stock during lock out periods of the company's pension plans, and any profits on such insider transactions are to be disgorged. In addition, there is a prohibition of company loans to its executives, except in certain circumstances. The Sarbanes-Oxley Act also provides for mandated internal control report and assessment with the annual report and an attestation and a report on such report by the company's auditor. The SEC is also required to issue a code of ethics for senior financial officers of the company. Further, the Sarbanes-Oxley Act adds a criminal penalty of fines and imprisonment of up to 10 years for securities fraud.

The FRB on October 31, 2002 approved a final Regulation W that comprehensively implements sections 23A and 23B of the Federal Reserve Act. Sections 23A and 23B and Regulation W restrict loans by a depository institution to its affiliates, asset purchases by a depository institution from its affiliates, and other transactions between a depository institution and its affiliates. Regulation W unifies in one public document the FRB's interpretations of sections 23A and 23B. Regulation W had an effective date of April 1, 2003.

In December of 2001 and January of 2002, the OCC, the FRB and the FDIC adopted final rules governing the regulatory capital treatment of equity investments in nonfinancial companies held by banks, bank holding companies and financial holding companies. The final rules became effective on April 1, 2002. The capital requirements apply symmetrically to equity investments made by banks and their holding companies in nonfinancial companies under the legal authorities specified in the final rules. Among others, these include the merchant banking authority granted by the Gramm-Leach-Bliley Act and the authority to invest in small business investment companies (SBICs) granted by the Small Business Investment Act. Covered equity investments will be subject to a series of marginal Tier 1 capital charges, with the size of the charge increasing as the organization's level of concentration in equity investments increases. The highest marginal charge specified in the final rules requires a 25 percent deduction from Tier 1 capital for covered investments that aggregate more than 25 percent of an organization's Tier 1 capital. Equity investments through SBICs will be exempt from the new charges to the extent such investments, in the aggregate, do not exceed 15 percent of the banking organization's Tier 1 capital. The new charges would not apply to individual investments made by banking organizations prior to March 13, 2000. Grandfathered investments made by state banks under section 24(f) of the Federal Deposit Insurance Act also are exempted from coverage.

The terrorist attacks in September 2001, have impacted the financial services industry and led to federal legislation that attempts to address certain issues involving financial institutions. On October 26, 2001, President Bush signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

Part of the USA Patriot Act is the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (IMLA). IMLA authorizes the Secretary of the Treasury, in consultation with the heads of other government agencies, to adopt special measures applicable to banks, bank holding companies, and/or other financial institutions. These measures may include enhanced recordkeeping and reporting requirements for certain financial transactions that are of primary money laundering concern, due diligence requirements concerning the beneficial ownership of certain types of accounts, and restrictions or prohibitions on certain types of accounts with foreign financial institutions.

Among its other provisions, IMLA requires each financial institution to: (i) establish an anti-money laundering program; (ii) establish due diligence policies, procedures and controls with respect to its private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign banks; and (iii) avoid establishing, maintaining, administering, or managing correspondent accounts in the United States for, or on behalf of, a foreign bank that does not have a physical presence in any country. In addition, IMLA contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities. IMLA expands the circumstances under which funds in a bank account may be forfeited and requires covered financial institutions to respond under certain circumstances to requests for information from federal banking agencies within 120 hours. IMLA also amends the Bank Holding Company Act and the Bank Merger Act to require the federal banking agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing an application under these acts.

IMLA became effective July 23, 2002. Additional regulations establish minimum standards to verify customer identity, to encourage cooperation among financial institutions, federal banking agencies, and law enforcement authorities regarding possible money laundering or terrorist activities, to prohibit the anonymous use of concentration accounts, and to require all covered financial institutions to have in place a Bank Secrecy Act compliance program.

It is impossible to predict what effect the enactment of certain of the above-mentioned legislation will have on United Security or Legacy Bank. Moreover, it is likely that other bills affecting the business of banks may be introduced in the future by the United States Congress or California legislature.

Recent Accounting Developments

On July 13, 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109*. FIN 48 clarifies SFAS No. 109, *Accounting for Income Taxes*, to indicate a criterion that an individual tax position would have to meet for some or all of the income tax benefit to be recognized in a taxable entity's financial statements. Under the guidelines of the Interpretation, an entity should recognize the financial statement benefit of a tax position if it

determines that it is *more likely than not* that the position will be sustained on examination. The term *more likely than not* means a likelihood of more than 50 percent. In assessing whether the more-likely-than-not criterion is met, the entity should assume that the tax position will be reviewed by the applicable taxing authority.

The scope of FIN 48 is broad and includes *all* tax positions accounted for in accordance with SFAS No. 109. Additionally, besides business enterprises, FIN 48 applies to pass-through entities, and entities whose tax liability is subject to 100 percent credit for dividends paid (such as real estate investment trusts).

FIN 48 will be effective for United Security and Legacy Bank beginning after January 1, 2007. Any cumulative effect of applying FIN 48 would be reported as an adjustment to retained earnings at the beginning of the period in which the Interpretation is adopted. Neither United Security nor Legacy Bank has yet determined what impact FIN 48 will have on their respective financial statements.

Impact of Monetary Policies

Banking is a business which depends on rate differentials. In general, the difference between the interest rate paid by a bank on its deposits and its other borrowings and the interest rate earned by a bank on its loans, securities and other interest-earning assets comprises the major source of the bank's earnings. These rates are highly sensitive to many factors which are beyond the bank's control and, accordingly, the earnings and growth of the bank are subject to the influence of economic conditions generally, both domestic and foreign, including inflation, recession, and unemployment; and also to the influence of monetary and fiscal policies of the United States and its agencies, particularly the FRB. The FRB implements national monetary policy, such as seeking to curb inflation and combat recession, by:

- its open-market dealings in United States government securities;
- adjusting the required level of reserves for financial institutions subject to reserve requirements;
- placing limitations upon savings and time deposit interest rates; and
- adjustments to the discount rate applicable to borrowings by banks which are members of the Federal Reserve System.

The actions of the FRB in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates. The nature and timing of any future changes in such policies and their impact on United Security and Legacy Bank cannot be predicted; however, depending on the degree to which their respective interest-earning assets and interest-bearing liabilities are rate sensitive, increases in rates would have a temporary effect of increasing their respective net interest margin, while decreases in interest rates would have the opposite effect. In addition, adverse economic conditions, including a downturn in the local or regional economy and rising energy prices, could make a higher provision for loan losses a prudent course and could cause higher loan charge-offs, thus adversely affecting United Security's or Legacy Bank's net income or other operating costs.

Validity of United Security's Common Stock

The validity of the shares of United Security common stock to be issued in the merger has been reviewed by the firm of Bullivant Houser Bailey, P.C., 1415 L Street, Suite 1000, Sacramento, California 95814. Such review should not be construed as constituting an opinion as to the merits of the offering made hereby, the accuracy or adequacy of the disclosures contained in this proxy statement-prospectus, or the suitability of United Security common stock for any of Legacy Bank's shareholders.

Experts

The audited consolidated financial statements of United Security as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005, have been included in the 2005 10-K for United Security by incorporation by reference in this proxy statement-prospectus in reliance on the reports of Moss Adams LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing. The audited financial statements of Legacy Bank as of December 31, 2005 and 2004, and for each of the years in the two-year period ended December 31, 2005, have been included in this proxy statement-prospectus in reliance on the reports of Vavrinek, Trine, Day & Co., LLP, independent certified public accountants, included in this proxy statement-prospectus, and upon the authority of said firms as experts in accounting and auditing.

Where You Can Find More Information

United Security is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. In accordance with the Exchange Act, United Security files reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may inspect these reports, proxy statements and other information United Security has filed with the SEC at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. You may also retrieve these materials at the SEC's Internet Web site at <http://www.sec.gov>.

United Security has filed a registration statement on Form S-4, including exhibits, with the SEC pursuant to the Securities Act of 1933, as amended, referred to as the Securities Act, covering the shares of United Security common stock issuable in the merger. This proxy statement-prospectus does not contain all the information contained in the registration statement. Any additional information may be obtained from the SEC's principal office in Washington, D.C. or through the SEC's Internet Web site. Statements contained in this proxy statement-prospectus as to the contents of any contract or other document referred to herein are not necessarily complete, and in each instance reference is made to the copy of that contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference.

The SEC allows United Security to incorporate by reference into this document, which means that United Security can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this document, except for any information superseded by information contained in later filed documents incorporated by reference in this document. United Security incorporates by

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reference the respective documents filed by it with the SEC listed below and any future filings made by it with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the election deadline date.

SEC Filings (File No. 000-1137547)

Period/Date

Annual Report on Form 10-K Quarterly Reports on Form 10-Q	Year ended December 31, 2005
	Quarter ended March 31, 2006
	Quarter ended June 30, 2006
	Quarter ended September 30, 2006
Current Reports on Form 8-K	January 18, 2006, January 31, 2006,
	March 8, 2006, March 28, 2006,
	April 12, 2006, July 17, 2006,
	October 10, 2006, October 11, 2006
	November 8, 2006 and December 5, 2006

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Accompanying this proxy statement-prospectus is United Security's Annual Report on Form 10-K for the year ended December 31, 2005 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2006. You may request a copy of documents incorporated by reference in this document but not otherwise accompanying this document, at no cost, by writing or telephoning United Security at the following address and telephone number:

United Security Bancorp

2126 Inyo Street

Fresno, California 93721

Attention: Kenneth Donahue, Chief Financial Officer

(559) 248-4944

To obtain timely delivery, you should request desired information no later than ten business days prior to the date of the special meeting, or by January 29, 2007.

You should rely only on the information contained or incorporated by reference in this document. United Security has not authorized anyone else to provide you with information that is different from that which is contained in this document. Moreover, United Security is not making an offer to sell or soliciting an offer to buy any securities other than the United Security common stock to be issued by United Security in the merger, and neither United Security nor Legacy Bank is making an offer of such securities in any state where the offer is not permitted. The information contained in this document speaks only as of its date unless the information specifically indicates that another date applies.

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Legacy Bank, N.A. Unaudited Financial Statements

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<u>Statements of Operations for the Nine Months Ended September 30, 2006 and 2005 (unaudited)</u>	F-3
<u>Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005 (unaudited)</u>	F-4
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Legacy Bank, N.A. Financial Statements

<u>Independent Auditor's Report of Vavrinek, Trine, Day & Co., LLP</u>	F-7
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LEGACY BANK, N.A.

STATEMENTS OF FINANCIAL CONDITION

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Cash and due from banks	\$ 4,018,971	\$ 3,711,146
Federal funds sold	5,360,000	6,550,000
Interest bearing deposits in other financial institutions	500,000	102,583
TOTAL CASH AND CASH EQUIVALENTS	9,878,971	10,363,729
Investment securities, available-for-sale	7,634,607	8,019,215
Loans, net	63,656,818	62,313,504
Premises and equipment, net	803,508	912,237
Correspondent bank stock, at cost	785,700	519,100
Accrued interest receivable and other assets	586,257	467,245
TOTAL ASSETS	\$ 83,345,861	\$ 82,595,030
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Non-interest bearing demand	17,758,540	20,520,942
Interest bearing demand	5,159,463	2,129,021
Money market	7,600,201	9,005,502
Savings	27,298,719	9,761,950
Time, \$100,000 or more	9,739,541	8,327,358
Other time deposits	4,755,662	19,192,702
TOTAL DEPOSITS	72,312,126	68,937,475
Other borrowings		3,000,000
Accrued interest payable and other liabilities	348,256	375,470
TOTAL LIABILITIES	72,660,382	72,312,945
Commitments and contingencies		
Shareholders Equity:		
Common stock - 10,000,000 shares authorized, \$5.00 par value, 1,672,373 issued	8,361,865	8,361,865
Surplus	8,169,910	8,055,152
Accumulated deficit	(5,728,930)	(5,987,860)
Accumulated other comprehensive income	(117,366)	(147,072)
TOTAL SHAREHOLDERS EQUITY	10,685,479	10,282,085
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 83,345,861	\$ 82,595,030

The accompanying notes are an integral part of these interim financial statements.

LEGACY BANK, N.A.

STATEMENTS OF OPERATIONS

(dollars in thousands, except share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	\$ 1,527,075	\$ 994,700	\$ 4,370,329	\$ 2,504,527
Interest on investment securities	72,481	79,418	219,558	246,464
Interest on federal funds sold	72,835	41,244	190,245	103,578
Other interest income	30,037	26,618	72,881	83,548
TOTAL INTEREST AND DIVIDEND INCOME	1,702,428	1,141,980	4,853,013	2,938,117
INTEREST EXPENSE				
Interest on deposits	461,211	217,263	1,230,220	588,176
Interest on other borrowings	705		20,529	-
TOTAL INTEREST EXPENSE	461,916	217,263	1,250,749	588,176
NET INTEREST INCOME	1,240,512	924,717	3,602,264	2,349,941
Provision for loan losses		136,020	124,877	169,020
NET INTEREST INCOME AFTER PROVISION (CREDIT) FOR LOAN LOSSES	1,240,512	788,697	3,477,387	2,180,921
NONINTEREST INCOME				
Service charges and other noninterest income	57,257	29,990	212,415	73,091
Gain on sale of SBA loans	104,190		401,661	
SBA Fee Income	18,066		21,245	
TOTAL NONINTEREST INCOME	179,513	29,990	635,320	73,091
NONINTEREST EXPENSE				
Salaries and benefits	668,511	749,553	2,227,424	1,746,004
Occupancy expense	148,310	119,144	443,513	311,625
Data processing expense	164,296	103,415	378,308	276,029
Professional services	133,378	111,818	331,111	373,760
Marketing	37,295	58,889	81,410	154,606
Other expenses	100,418	110,374	391,211	315,770
TOTAL NONINTEREST EXPENSE	1,252,208	1,253,193	3,852,977	3,177,794
INCOME (LOSS) BEFORE INCOME TAXES	167,817	(434,506)	259,730	(923,782)
Income taxes		838	800	838
NET INCOME (LOSS)	\$ 167,817	\$ (435,344)	\$ 258,930	\$ (924,620)
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED				
	\$ 0.10	\$ (0.26)	\$ 0.16	\$ (0.61)

The accompanying notes are an integral part of these interim financial statements.

LEGACY BANK, N.A.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
OPERATING ACTIVITIES		
Net income (loss)	\$ 258,930	\$ (924,620)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	157,903	206,841
Amortization and accretion on securities	(6,576)	(11,391)
Provision for loan losses	124,877	169,020
Gain on sale of loans	(402,601)	
Stock based compensation expense	114,760	
Net change in accrued interest receivable and other assets	(119,012)	(129,450)
Net change in accrued interest payable and other liabilities	(27,215)	45,140
NET CASH USED BY OPERATING ACTIVITIES	101,066	(644,460)
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(659,016)	1,185,691
Proceeds of matured and called securities available-for-sale	1,079,906	(21,321,186)
Net change in loans	(7,919,743)	(846,170)
Proceeds from sale of loans	6,854,153	
Purchase of premises and equipment	(49,174)	(103,750)
Purchase of correspondent bank stock	(266,600)	(60,975)
NET CASH USED BY INVESTING ACTIVITIES	(960,474)	(21,146,390)
FINANCING ACTIVITIES		
Net changes in deposits	3,374,650	7,790,718
Net changes in other borrowings	(3,000,000)	
Proceeds from sale of common stock, net		4,540,000
Organizational expense		
NET CASH USED BY FINANCING ACTIVITIES	374,650	12,330,718
DECREASE IN CASH AND CASH EQUIVALENTS	(484,758)	(9,460,132)
Cash and cash equivalents at beginning of year	10,363,729	14,191,680
Cash and cash equivalents at end of the period	\$ 9,878,972	\$ 4,731,548
Supplemental disclosures of cash flow information:		
Interest paid	\$ 399,436	\$ 593,160
Income taxes paid	\$ 800	\$
Supplemental disclosure of noncash activities:		
Net change in unrealized gains and losses on available-for-sale securities	\$ 29,706	\$ (90,410)
Net change in deferred taxes on unrealized gains and losses on available-for-sale securities	\$	\$

The accompanying notes are an integral part of these interim financial statements.

LEGACY BANK, N.A.
NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Business

Legacy Bank, National Association (the "Bank") was approved to open for business on October 1, 2003, in the State of California operating under the laws of a National Association ("N.A.") regulated by the Office of the Comptroller of the Currency. Legacy Bank, N.A. is a community based business bank that focuses on small and medium-sized businesses, professional firms, real estate professionals and investors, and sophisticated individuals residing principally in the San Francisco Bay Area. The Bank provides a wide range of banking services to meet the financial needs of the local residential community, with an orientation primarily directed towards owners and employees of our business client base. The Bank is subject to both the regulations and periodic examinations by the Office of the Comptroller of the Currency.

2. Summary of Significant Accounting Policies

The unaudited financial information included herein has been prepared in conformity with the accounting principles and practices disclosed in Note A to the Bank's audited financial statements as of December 31, 2005. The accompanying interim consolidated financial statements contained herein are unaudited. However, in the opinion of the management of the Bank, all adjustments, consisting of normal recurring items necessary for a fair presentation of the operating results for the periods shown, have been made.

3. Basis of Presentation

The accompanying unaudited financial statements of Legacy Bank, N.A. (the "Bank") have been prepared in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements have been omitted pursuant to SEC rules and regulations; however, the Bank believes the disclosures made are adequate to ensure that the information presented is not misleading. The results of operations for the nine months ended September 30, 2006, are not necessarily indicative of the result of operations that may be expected for any other interim period or for the year ending December 31, 2006.

The comparative balance sheet information as of December 31, 2005 is derived from the audited financial statements.

4. Stock Based Compensation

Prior to January 1, 2006, the Bank accounted for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees". No compensation expense has been recognized in the financial statements for employee stock option arrangements, as the Bank's stock option plan provides for the issuance of options at a price of no less than the fair market value at the date of the grant.

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", requires the disclosure of pro forma net income and earnings per share had the Bank adopted the fair value method at the grant date of all stock options. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which differ significantly from the Bank's stock option awards. Those models also require subjective assumptions, which greatly affect the calculated values. In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payment". SFAS No. 123 (R) is a revision of SFAS No. 123 and

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supersedes APB No. 25, and amends SFAS No. 95, Statement of Cash Flows and SFAS No. 128, Earnings Per Share. SFAS No. 123 (R) eliminates the ability to account for share-based compensation transactions using APB No. 25 and requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements using a fair value-based method. The Bank adopted SFAS No. 123 (R), as required, on January 1, 2006, using the modified prospective method.

During the first nine months of 2006, the Bank recorded stock based compensation expense of \$115.0 thousand. Amount of unrecognized stock based compensation at September 30, 2006 was \$397.1 thousand. The following table illustrates the effect on net income and earnings per share for the three and nine months ended September 30, 2005 if the fair value-based method under SFAS No. 123 had been applied to stock options granted.

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net income (loss):		
As reported	\$ (435,344)	\$ (924,620)
Stock-based compensation using Intrinsic value method		
Stock-based compensation that would have been reported using the Fair Value Method of SFAS 123	(25,727)	(77,181)
Pro forma	\$ (461,071)	\$ (1,001,801)
Basic loss per share:		
As reported	\$ (0.26)	\$ (0.61)
Pro forma	\$ (0.28)	\$ (0.66)

The fair value of these options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 89 months; risk free rate of 4.32%; no dividends; and disregarding any stock price volatility.

5. Earnings Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed using the weighted-average number of common shares outstanding plus the number of additional common shares that would have been outstanding if dilutive common shares had been issued. For all periods presented all potentially dilutive securities outstanding were anti-dilutive.

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Net income (loss)	\$ 167,817	\$ (435,344)	\$ 258,930	\$ (924,620)
Weighted average shares used in computing:				
Basic earnings per share	1,654,195	1,672,373	1,666,247	1,525,285
Effect of dilutive securities				
Total average shares and equivalents	1,654,195	1,672,373	1,666,247	1,525,285
Basic EPS	\$ 0.10	\$ (0.26)	\$ 0.16	\$ (0.61)
Diluted EPS	\$ 0.10	\$ (0.26)	\$ 0.16	\$ (0.61)

Vavrinek, Trine, Day & Co., LLP

VALUE THE DIFFERENCE

Certified Public Accountants & Consultants

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of
Legacy Bank, N.A.

We have audited the accompanying statements of financial condition of Legacy Bank, N.A. as of December 31, 2005 and 2004, and the related statements of operations, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Bank, N.A., as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pleasanton, California
February 22, 2006

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LEGACY BANK N.A.

STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and due from banks	\$ 3,711,146	\$ 1,648,680
Federal funds sold	6,550,000	8,880,000
Interest bearing deposits in other financial institutions	102,583	3,663,000
TOTAL CASH AND CASH EQUIVALENTS	10,363,729	14,191,680
Investment securities available-for-sale	8,019,215	8,721,470
Loans, net	62,313,504	35,045,492
Premises and equipment, net	912,237	973,753
Federal Reserve Bank stock, at cost	323,100	224,400
Accrued interest receivable and other assets	663,245	437,127
TOTAL ASSETS	\$ 82,595,031	\$ 59,593,922
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest-bearing accounts	20,520,942	9,178,967
Interest-bearing accounts	2,129,021	1,722,145
Money market	9,005,502	6,717,221
Savings	9,761,950	24,229,985
Time, \$100,000 or more	8,327,358	4,035,348
Other time deposits	19,192,702	6,699,175
TOTAL DEPOSITS	68,937,476	52,582,841
Other borrowings	3,000,000	
Accrued interest payable and other liabilities	375,470	253,038
TOTAL LIABILITIES	72,312,946	52,835,879
Commitments and contingencies - Note D and J		
Shareholders Equity:		
Common stock - 10,000,000 shares authorized, \$5.00 par value, 1,672,373 and 1,217,373 shares issued and outstanding, respectively	8,361,865	6,086,865
Surplus	8,055,152	5,789,050
Accumulated deficit	(5,987,860)	(5,125,649)
Accumulated other comprehensive income	(147,072)	7,778
TOTAL SHAREHOLDERS EQUITY	10,282,085	6,758,044
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 82,595,031	\$ 59,593,922

LEGACY BANK, N.A.

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2005 and 2004

	2005	2004
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 3,810,023	\$ 1,170,907
Interest on investment securities	331,420	143,521
Interest on federal funds sold	150,156	129,393
Other interest income	85,993	54,095
TOTAL INTEREST AND DIVIDEND INCOME	4,377,591	1,497,916
INTEREST EXPENSE		
Interest on deposits	915,140	403,094
Interest on other borrowings	6,044	
TOTAL INTEREST EXPENSE	921,184	403,094
NET INTEREST INCOME	3,456,407	1,094,822
Provision for loan losses	260,832	781,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,195,575	313,822
NONINTEREST INCOME		
Service charges and other noninterest income	118,620	37,745
Gain on sale of SBA loans	109,820	
TOTAL NONINTEREST INCOME	228,439	37,745
NONINTEREST EXPENSE		
Salaries and benefits	2,373,111	1,649,754
Occupancy expense	445,730	350,317
Data processing expense	375,924	253,654
Professional services	484,094	199,228
Marketing	178,870	162,050
Other expenses	425,548	265,260
TOTAL NONINTEREST EXPENSE	4,283,276	2,880,263
LOSS BEFORE INCOME TAXES	(859,262)	(2,528,696)
Income taxes	2,949	800
NET LOSS	\$ (862,211)	\$ (2,529,496)
NET LOSS PER SHARE - BASIC	\$ (0.55)	\$ (2.08)

LEGACY BANK, N.A.

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the Years Ended December 31, 2005 and 2004

	Comprehensive Income	Common Stock Shares	Amount	Paid In Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income
Balance at December 31, 2003		1,217,373	\$ 6,086,865	\$ 5,789,050	\$ (2,596,153)	\$
Comprehensive income:						
Net loss	\$ (2,529,496)				(2,529,496)	
Other comprehensive income:						
Unrealized holding gain on securities available-for-sale arising during the year	7,778					7,778
Total Comprehensive Income	\$ (2,521,718)					
Balance at December 31, 2004		1,217,373	6,086,865	5,789,050	(5,125,649)	7,778
Common stock offering, net of offering cost of \$8,898		450,000	2,250,000	2,241,102		
Exercise of stock option		5,000	25,000	25,000		
Comprehensive income:						
Net loss	\$ (862,211)				(862,211)	
Other comprehensive income:						
Unrealized holding loss on securities available-for-sale arising during the year	(154,850)					