

UNITY BANCORP INC /NJ/
Form S-3/A
November 08, 2016

As filed with the Securities and Exchange Commission on November 8, 2016
Registration No. 333-214192

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

AMENDMENT NO. 2
ON FORM S-3
TO REGISTRATION STATEMENT ON
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

UNITY BANCORP, INC.
(Exact Name of Registrant as Specified in its Charter)

New Jersey	6022	22-3282551
(State of Incorporation)	(Primary Standard Classification Code)	(IRS Employer ID No.)

64 Old Highway 22
Clinton, NJ 08809
(908) 730-7630
(Address and Telephone Number of Registrant's Principal
Executive Offices and Principal Place of Business)

James A. Hughes, President and Chief Executive Officer
Unity Bancorp, Inc.
64 Old Highway 22
Clinton, NJ 08809
(908) 730-7630
(Name, Address and Telephone Number of Agent for Service)

Copies of communications to:

Robert A. Schwartz, Esq.
Windels Marx Lane & Mittendorf, LLP
120 Albany Street Plaza, FL 6
New Brunswick, NJ 08901
732-846-7600

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plan, 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, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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 shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO
COMPLETION, DATED
NOVEMBER 8, 2016

PROSPECTUS

\$50,000,000

Common Stock
Preferred Stock
Warrants
Debt Securities
Depositary Shares
Units

Unity Bancorp, Inc. may offer, issue and sell from time to time, together or separately, in one or more offerings, any combination of (i) our common stock, (ii) our preferred stock, which we may issue in one or more series, (iii) warrants, (iv) senior or subordinated debt securities, (v) depositary shares and (vi) units, up to a maximum aggregate offering price of \$50,000,000. The debt securities may consist of debentures, notes, or other types of debt. The debt securities, preferred stock and warrants may be convertible into, or exercisable or exchangeable for, common or preferred stock or other securities of ours. The preferred stock may be represented by depositary shares. The

units may consist of any combination of the securities listed above.

We may offer and sell these securities in amounts, at prices and on terms determined at the time of the offering. We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement, as well as the documents incorporated or deemed incorporated by reference in this prospectus, carefully before you make your investment decision. Our common stock is quoted on the NASDAQ Global Select Market System under the symbol "UNTY." On November 7, 2016, the last reported sale price of our common stock on the NASDAQ Global Select Market System was \$12.30 per share. You are urged to obtain current market quotations of the common stock. Each prospectus supplement will indicate if the securities offered thereby will be listed on any securities exchange.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We may offer to sell these securities on a continuous or delayed basis, through agents, dealers or underwriters, or directly to purchasers. The prospectus supplement for each offering of securities will describe in detail the plan of distribution for that offering. If our agents or any dealers or underwriters are involved in the sale of the securities, the applicable prospectus supplement will set forth the names of the agents, dealers or underwriters and any applicable commissions or discounts. Our net proceeds from the sale of securities will also be set forth in the applicable prospectus supplement. For general information about the distribution of securities offered, please see “Plan of Distribution” in this prospectus.

Investing in these securities involves substantial risks. See “Risk Factors” on page 8 herein and in our

most recent Annual Report on Form 10-K, which is incorporated by reference herein, updated and supplemented by our periodic reports and other information filed by us with the Securities and Exchange Commission and incorporated by reference herein. The prospectus supplement applicable to each type or series of securities we offer may contain a discussion of additional risks applicable to an investment in us and the particular type of securities we are offering under that prospectus supplement.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SECURITIES
ARE NOT SAVINGS
ACCOUNTS,
DEPOSITS OR
OBLIGATIONS OF
ANY BANK AND
ARE NOT INSURED
BY THE FEDERAL
DEPOSIT
INSURANCE
CORPORATION OR
ANY OTHER
GOVERNMENTAL
AGENCY.

The date of this
prospectus is
 , 2016.

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and in the documents incorporated by reference herein. We have not authorized anyone to provide you with any other or different information. If anyone provides you with information that is different from, or inconsistent with, the information in this prospectus, you should not rely on it. You should assume that the information in this prospectus and the documents incorporated by reference is accurate only as of their respective dates. This document may only be used where it is legal to sell these securities. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sales of our shares of common stock.

Neither we, nor any of our officers, directors, agents or representatives, make any representation to you about the legality of an investment in our common stock. You should not interpret the contents of this prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

This prospectus does not offer to sell, or ask for offers to buy, any shares of our common stock in any state or jurisdiction where it would not be lawful or where the person making the offer is not qualified to do so.

No action is being taken in any jurisdictions outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in those jurisdictions. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions that apply in those jurisdictions to this offering or the distribution of this prospectus.

As used in this prospectus, “Unity Bancorp, Inc.” “Company,” “we,” “us,” and “our” refer to Unity Bancorp, Inc. and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this document discuss future expectations, contain projections or results of operations or financial conditions or state other “forward-looking” information. Those statements are subject to known and unknown risk, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. We based the forward-looking statements on various factors and using numerous assumptions. Important factors that may cause actual results to differ from those contemplated by forward-looking statements include those disclosed or incorporated by reference under “Risk Factors” as well as the following factors:

- the success or failure of our efforts to implement our business strategy;
- the effect of changing economic conditions and, in particular, changes in interest rates;
- changes in government regulations, tax rates and similar matters;
- our ability to attract and retain quality employees; and
- risks which may be described in our future filings with the Securities and Exchange Commission (referred to as the SEC).

We do not undertake to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

INCORPORATION BY REFERENCE

The Securities and Exchange Commission, or SEC, allows us to “incorporate by reference” information we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus. We incorporate by reference each of the documents listed below, except for portions of such reports which were deemed to be furnished and not filed:

- our Current Report on Form 8-K, filed with the SEC on January 27, 2016
- our Current Report on Form 8-K, filed with the SEC on February 29, 2016
- Our Proxy Statement on Schedule 14A, filed with the SEC on March 4, 2016
- our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 4, 2016
- our Current Report on Form 8-K, filed with the SEC on March 15, 2016
- our Current Report on Form 8-K, filed with the SEC on March 24, 2016
- our Current Report on Form 8-K, filed with the SEC on April 25, 2016
- our Current Report on Form 8-K, filed with the SEC on April 28, 2016
- our Current Report on Form 8-K, filed with the SEC on April 29, 2016
- our Quarterly Report on Form 10-Q, filed with the SEC on May 10, 2016
- our Current Report on Form 8-K, filed with the SEC on May 11, 2016
- our Current Report on Form 8-K, filed with the SEC on May 27, 2016
- our Current Report on Form 8-K, filed with the SEC on July 25, 2016
- our Current Report on Form 8-K, filed with the SEC on July 25, 2016
- our Current Report on Form 8-K, filed with the SEC on August 2, 2016
- our Quarterly Report on Form 10-Q, filed with the SEC on August 8, 2016
- our Current Report on Form 8-K, filed with the SEC on August 26, 2016
- our Current Report on Form 8-K, filed with the SEC on October 25, 2016

In addition, all filings filed by the Company pursuant to the Securities Exchange Act of 1934, as amended, after the date of the initial registration statement and prior to the effectiveness of the registration statement shall be deemed to be incorporated by reference into this prospectus, and all documents subsequently filed after the date of this prospectus pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended shall be deemed incorporated by reference into this prospectus.

You can obtain these documents from us, without charge (other than exhibits, unless the exhibits are specifically incorporated by reference), by requesting them in writing or by telephone at the following address:

Unity Bancorp, Inc.
Attn: Alan Bedner, Chief Financial Officer
64 Old Highway 22
Clinton, NJ 08809
(908) 730-7630

Or by visiting our following website, and clicking on the “Investor Relations” link:

<http://www.unitybank.com/>

PROSPECTUS SUMMARY

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, utilizing a “shelf” registration process. Under this shelf registration process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. You should read the registration statement and the accompanying exhibits for further information. The registration statement, including the exhibits and the documents incorporated or deemed incorporated herein by reference, can be read and are available to the public on the SEC’s website at <http://www.sec.gov> as described under the heading “Where You Can Find More Information” on page 30.

Each time we sell securities pursuant to this prospectus, we will provide a prospectus supplement containing specific information about the terms of a particular offering by us. That prospectus supplement may include a discussion of any risk factors or other special considerations that apply to those securities. The prospectus supplement may add, update or change information in this prospectus. If the information in the prospectus is inconsistent with a prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and, if applicable, any prospectus supplement. See “Where You Can Find More Information” on page 30 for more information.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus or any prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or any prospectus supplement. This prospectus and any prospectus supplement do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and any prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus or any prospectus supplement is accurate on any date subsequent to the date set forth on the front of such document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and any prospectus supplement is delivered or securities are sold on a later date.

Unless this prospectus indicates otherwise or the context otherwise requires, the terms “we,” “our,” “us,” “Unity,” “Unity Bancorp” or the “Company” as used in this prospectus refer to Unity Bancorp, Inc. and its subsidiaries, including Unity Bank, which we sometimes refer to as the “Bank,” except that such terms refer to only Unity Bancorp, Inc. and not its subsidiaries in the sections entitled “Description of Common Stock,” “Description of Preferred Stock,” “Description of Warrants,” “Description of Debt Securities,” “Description of Depositary Shares” and “Description of Units.”

Unity Bancorp, Inc.

Unity Bancorp, Inc. is a bank holding company incorporated under the laws of the State of New Jersey to serve as a holding company for Unity Bank. The Company was organized at the direction of the Board of Directors of the Bank for the purpose of acquiring all of the capital stock of the Bank. The only significant activity of the Company is ownership and supervision of the Bank. The Company also owns 100% of the common equity of Unity (NJ) Statutory Trust II. The trust has issued \$10.0 million of preferred securities to investors.

The Bank opened for business on September 16, 1991. The Bank is a full-service commercial bank, providing a wide range of business and consumer financial services through its main office in Clinton, New Jersey and fifteen New Jersey branches located in Clinton, Edison, Emerson, Flemington, Highland Park, Linden, Middlesex, North

Plainfield, Phillipsburg, Scotch Plains, Somerset, South Plainfield, Union, Washington and Whitehouse. In addition, the Bank has one Pennsylvania branch located in Forks Township. The Bank's primary service area encompasses the Route 22/Route 78 corridors between the Forks Township, Pennsylvania office and its Linden, New Jersey branch. The Bank anticipates opening a new branch in Somerville, New Jersey in November 2016.

The principal executive offices of the Company are located at 64 Old Highway 22, Clinton, New Jersey 08809, and the telephone number is (800) 618-2265. The Company's website address is www.unitybank.com.

The Company's primary business is ownership and supervision of the Bank. The Company, through the Bank, conducts a traditional and community-oriented commercial banking business and offers services, including personal and business checking accounts, time deposits, money market accounts and regular savings accounts. The Company structures its specific services and charges in a manner designed to attract the business of the small and medium sized business and professional community, as well as that of individuals residing, working and shopping in its service area. The Company engages in a wide range of lending activities and offers commercial, Small Business Administration ("SBA"), consumer, mortgage, home equity and personal loans.

The Company's primary service area is defined as the neighborhoods served by the Bank's offices. The Bank's main office, located in Clinton, NJ, in combination with its Flemington and Whitehouse offices, serves the greater area of Hunterdon County. The Bank's North Plainfield and Somerset offices serve those communities located in the northern, eastern and central parts of Somerset County and the southernmost communities of Union County. The Bank's Scotch Plains, Linden, and Union offices serve the majority of the communities in Union County and the southwestern communities of Essex County. The offices in Middlesex, South Plainfield, Highland Park, and Edison extend the Company's service area into Middlesex County. The Bank's Phillipsburg and Washington offices serve Warren County. The Bank's Emerson office serves Bergen County, New Jersey. The Bank's Forks Township office serves Northampton County, Pennsylvania.

The Company is located in an extremely competitive area. The Company's service area is also serviced by national banks, major regional banks, large thrift institutions and a variety of credit unions. In addition, since passage of the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the "Modernization Act"), securities firms and insurance companies have been allowed to acquire or form financial institutions, thereby increasing competition in the financial services market. Most of the Company's competitors have substantially more capital, and therefore greater lending limits than the Company. The Company's competitors generally have established positions in the service area and have greater resources than the Company with which to pay for advertising, physical facilities, personnel and interest on deposited funds. The Company relies on the competitive pricing of its loans, deposits and other services, as well as its ability to provide local decision-making and personal service in order to compete with these larger institutions.

RISK FACTORS

An investment in our securities involves risks. Before making an investment decision, you should carefully consider the risks described under “Risk Factors” in the applicable prospectus supplement and in our most recent Annual Report on Form 10-K, and in our updates to those Risk Factors in our Quarterly Reports on Form 10-Q following the most recent Form 10-K, and in all other information appearing in this prospectus or incorporated by reference into this prospectus and any applicable prospectus supplement. The material risks and uncertainties that management believes affect us will be described in those documents. In addition to those risk factors, there may be additional risks and uncertainties of which management is not aware or focused on or that management deems immaterial. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment. This prospectus is qualified in its entirety by these risk factors.

MARKET PRICE OF COMMON STOCK

Our common stock trades on the NASDAQ Global Market, under the symbol “UNTY.” As of November 7, 2016, we had approximately 385 holders of record. The following table shows the high and low sales price during the periods indicated, as well as dividends declared:

	Price Range		Quarterly Dividends per Share of Common Stock
	High	Low	
2014			
Fourth Quarter	\$11.37	\$7.39	\$0.027
Third Quarter	8.83	7.52	0.027
Second Quarter	8.44	7.12	0.018
First Quarter	7.43	6.50	0.018
2015			
Fourth Quarter	\$11.71	\$8.66	\$0.036
Third Quarter	9.22	8.55	0.036
Second Quarter	9.00	8.10	0.027
First Quarter	9.00	8.00	0.027
2016			
Fourth Quarter (through November 7, 2016)	\$12.70	\$11.85	\$-
Third Quarter	12.82	10.72	0.045
Second Quarter	12.15	10.10	0.036
First Quarter	12.24	8.66	0.036

In addition to the cash dividends described in the table above, on August 26, 2016, the Board of Directors announced a 10% stock dividend, which was paid on on September 30, 2016 to shareholders of record as of September 15, 2016. The figures above have been restated to adjust for this stock dividend.

DIVIDEND POLICY

The Company declared a \$0.045 per share cash dividend on August 26, 2016, which was paid on on September 30, 2016, as adjusted for the stock dividend announced August 26, 2016. Our future dividend policy will depend on a number of factors, including our earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, our ability to service any equity or debt obligations senior to our common stock, and other factors deemed relevant by our board of directors. At this time, no decision has been made regarding the payment of future cash dividends.

USE OF PROCEEDS

Unless otherwise provided in the applicable prospectus supplement to this prospectus used to offer specific securities, we expect to use the net proceeds from any offering of securities by us for general corporate purposes, which may include acquisitions, capital expenditures, investments, supporting operations and additional lending and the repayment, redemption or refinancing of all or a portion of any indebtedness or other securities outstanding at a particular time. Pending the application of the net proceeds, we expect to invest the proceeds in short-term, interest-bearing instruments or other investment-grade securities.

DESCRIPTIONS OF SECURITIES WE MAY OFFER

This prospectus contains summary descriptions of the common stock, preferred stock, warrants, debt securities, depository shares and units that we may offer and sell from time to time. We may issue the debt securities as exchangeable and/or convertible debt securities exchangeable for or convertible into shares of common stock or preferred stock. The preferred stock may also be exchangeable for and/or convertible into shares of common stock or another series of preferred stock. When one or more of these securities are offered in the future, a prospectus supplement will explain the particular terms of the securities and the extent to which these general provisions may apply. These summary descriptions and any summary descriptions in the applicable prospectus supplement do not purport to be complete descriptions of the terms and conditions of each security and are qualified in their entirety by reference to our certificate of incorporation, our by-laws and by applicable New Jersey law and any other documents referenced in such summary descriptions and from which such summary descriptions are derived. If any particular terms of a security described in the applicable prospectus supplement differ from any of the terms described herein, then the terms described herein will be deemed superseded by the terms set forth in that prospectus supplement.

We may issue securities in book-entry form through one or more depositories, such as The Depository Trust Company, Euroclear or Clearstream, named in the applicable prospectus supplement. Each sale of a security in book-entry form will settle in immediately available funds through the applicable depository, unless otherwise stated. We will issue the securities only in registered form, without coupons, although we may issue the securities in bearer form if so specified in the applicable prospectus supplement. If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement will say so.

DESCRIPTION OF COMMON STOCK

General

Our certification of incorporation provides that we may issue up to 12,500,000 shares of capital stock, of which 12,000,000 shares are designated as common stock, no par value, and 500,000 shares are designated as preferred stock, no par value. Our board of directors is authorized to issue the preferred stock from time to time in one or more classes or series, with such designations, preferences, rights and limitations as the board shall determine. We may increase our authorized shares of capital stock subsequent to the date of this prospectus. As of September 30, 2016, there were 9,330,600 shares of our common stock outstanding and no shares of preferred stock issued and outstanding. All outstanding shares of our common stock are fully paid and non-assessable. Our common stock is listed on the NASDAQ Global Select Market under the symbol "UNTY."

Dividend Rights

Unity Bancorp is a legal entity separate and distinct from the Bank. Virtually all of the revenue of the Unity Bancorp available for payment of dividends on its capital stock will result from amounts paid to the Company by the Bank. All such dividends are subject to the laws of the state of New Jersey, the Banking Act, the Federal Deposit Insurance Act ("FDIA") and the regulation of the DOBI and of the FDIC.

Under the New Jersey Corporation Act, the Company is permitted to pay cash dividends provided that the payment does not leave us insolvent. As a bank holding company under the BHCA, we would be prohibited from paying cash dividends if we are not in compliance with any capital requirements applicable to us. However, as a practical matter, for so long as our major operations consist of ownership of the Bank, the Bank will remain our source of dividend payments, and our ability to pay dividends will be subject to any restrictions applicable to the Bank.

Under the New Jersey Banking Act of 1948, as amended, dividends may be paid by the Bank only if, after the payment of the dividend, the capital stock of the Bank will be unimpaired and either the Bank will have a surplus of

not less than 50% of its capital stock or the payment of the dividend will not reduce the Bank's surplus. The payment of dividends is also dependent upon the Bank's ability to maintain adequate capital ratios pursuant to applicable regulatory requirements.

The FRB has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the FRB's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. FRB regulations also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. Under the prompt corrective action regulations, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized, and under regulations implementing the Basel III accord,

a bank holding company's ability to pay cash dividends may be impaired if it fails to satisfy certain capital buffer requirements. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

Voting Rights

Each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of our shareholders, except as otherwise required by law. The quorum for shareholders' meetings is a majority of the outstanding shares. Generally, actions and authorizations to be taken or given by shareholders require the approval of a majority of the votes cast by holders of our common stock at a meeting at which a quorum is present. There is no cumulative voting.

Liquidation Rights

In the event of liquidation, dissolution or winding up of Unity Bancorp, holders of our common stock are entitled to share equally and ratably in assets available for distribution after payment of debts and liabilities, subject to the rights of the holders of our preferred stock described below.

Assessment and Redemption

All outstanding shares of our common stock are fully paid and non-assessable. Our common stock is not redeemable at the option of the issuer or the holders thereof.

Other Matters

Certain provisions in our certificate of incorporation, applicable New Jersey corporate law and applicable federal banking law may have the effect of discouraging a change of control of Unity Bancorp, even if such a transaction is favored by some of our shareholders and could result in shareholders receiving a substantial premium over the current market price of our shares. The primary purpose of these provisions is to encourage negotiations with our management by persons interested in acquiring control of our corporation. These provisions may also tend to perpetuate present management and make it difficult for shareholders owning less than a majority of the shares to be able to elect even a single director.

Computershare is presently the transfer agent and registrar for our common stock.

DESCRIPTION OF PREFERRED STOCK

"Blank Check" Preferred Stock

The 500,000 unissued shares of preferred stock are typically referred to as "blank check" preferred stock. This term refers to stock for which the rights and restrictions are determined by the board of directors of a corporation. In general, our certificate of incorporation, authorizes our board of directors to issue new shares of our common stock or preferred stock without further shareholder action, provided that there are sufficient authorized shares.

The issuance of additional common or preferred stock may be viewed as having adverse effects upon the holders of common stock. Holders of our common stock do not have preemptive rights with respect to any newly issued stock. Our board could adversely affect the voting power of holders of our common stock by issuing shares of preferred stock with certain voting, conversion and/or redemption rights. In the event of a proposed merger, tender offer or other attempt to gain control of Unity Bancorp that the board of directors does not believe to be in the best

interests of its shareholders, the board could issue additional preferred stock which could make any such takeover attempt more difficult to complete. Our board of directors does not intend to issue any preferred stock except on terms that the board deems to be in the best interests of our company and our shareholders.

Terms of the Preferred Stock That We May Offer and Sell to You

We summarize below some of the provisions that will apply to the preferred stock that we may offer to you unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the preferred stock will be contained in the prospectus supplement. You should read the prospectus supplement, which will contain additional information and which may update or change some of the information below.