

United Community Bancorp
Form DEF 14A
October 12, 2007

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

United Community Bancorp

(Name of Registrant as Specified In Its Charter)

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Payment of Filing Fee (Check the appropriate box):

No fee required.

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1) Title of each class of securities to which transaction applies:

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4) Date Filed:

N/A

[UNITED COMMUNITY BANCORP LOGO]

October 12, 2007

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of United Community Bancorp. We will hold the meeting at the Dearborn Adult Center, 311 W. Tate Street, Lawrenceburg, Indiana, on November 15, 2007, at 9:30 a.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on the operations of the Company. Directors and officers of the Company, as well as a representative of Clark, Schaefer, Hackett & Co., the Company's independent registered accounting firm, will be present to respond to appropriate questions of stockholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card OR vote by Internet or by telephone. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card OR voted by Internet or by telephone.

We look forward to seeing you at the meeting.

Sincerely,

/s/ William F. Ritzmann

William F. Ritzmann
President and Chief Executive Officer

United Community Bancorp

92 Walnut Street

Lawrenceburg, Indiana 47025

(812) 537-4822

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

- TIME AND DATE** 9:30 a.m., local time, on Thursday, November 15, 2007.
- PLACE** Dearborn Adult Center, 311 W. Tate Street, Lawrenceburg, Indiana.
- ITEMS OF BUSINESS**
- (1) The election of four directors of the Company;
 - (2) The ratification of the appointment of Clark, Schaefer, Hackett & Co. as independent registered public accountants for the Company for the fiscal year ending June 30, 2008; and
 - (3) Such other matters as may properly come before the annual meeting or any postponements or adjournments of the annual meeting. The Board of Directors is not aware of any other business to come before the annual meeting.
- RECORD DATE** In order to vote, you must have been a stockholder at the close of business on October 9, 2007.
- PROXY VOTING** It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card or voting instruction card sent to you. Voting instructions are printed on your proxy card. You also may vote by Internet or by telephone by following the instructions on the enclosed proxy card. You can revoke a proxy at any time before its exercise at the meeting by following the instructions in the proxy statement.
- /s/ Elmer G. McLaughlin
- Elmer G. McLaughlin

Executive Vice President, Chief Operating Officer and Corporate Secretary

NOTE: Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card in the enclosed envelope.

UNITED COMMUNITY BANCORP

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of United Community Bancorp (United Community or the Company) to be used at the annual meeting of stockholders of the Company. United Community is the holding company for United Community Bank (the Bank) and the majority-owned subsidiary of United Community MHC. The annual meeting will be held at the Dearborn Adult Center, 311 W. Tate Street, Lawrenceburg, Indiana, on November 15, 2007, at 9:30 a.m., local time. This proxy statement and the enclosed proxy card are being first mailed on or about October 12, 2007 to stockholders of record on October 9, 2007.

General Information About Voting

Who Can Vote at the Meeting

You are entitled to vote your shares of United Community common stock only if the records of the Company show that you held your shares as of the close of business on October 9, 2007. As of the close of business on October 9, 2007, a total of 8,336,908 shares of United Community common stock were outstanding and entitled to vote, including 4,655,200 shares of common stock held by United Community MHC. Each share of common stock has one vote. The Company's Charter provides that, until March 30, 2011, record holders of the Company's common stock, other than United Community MHC, who beneficially own, either directly or indirectly, in excess of 10% of the Company's outstanding shares are not entitled to any vote in respect of the shares held in excess of the 10% limit.

Vote By United Community MHC

United Community MHC, owns 55.8% of the shares outstanding and entitled to vote of common stock of United Community as of October 9, 2007. All shares of common stock owned by United Community MHC will be voted in accordance with the instructions of the Board of Directors of United Community MHC, the members of which are identical to the members of the Board of Directors of United Community. United Community MHC is expected to vote such shares FOR each nominee for election as a director and FOR the other proposal.

Attending the Meeting

If you are a beneficial owner of United Community common stock held by a broker, bank or other nominee (*i.e.*, in street name), you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of United Community common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

Quorum and Vote Required

The annual meeting will be held only if there is a quorum. A quorum exists if a majority of the outstanding shares of common stock entitled to vote is represented at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of

determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

The Company's Board of Directors consists of nine members. At this year's annual meeting, stockholders will elect three directors to serve a term of three years and one director to serve for a term of one year. In voting on the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees, or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. Plurality means that the nominees receiving the largest number of votes cast will be elected as directors up to the maximum number of directors to be elected at the annual meeting. At the annual meeting, the maximum number of directors to be elected is four. Votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In voting on the ratification of the appointment of Clark, Schaefer, Hackett & Co. as independent registered public accountants, you may vote in favor of the proposal, vote against the proposal or abstain from voting. This proposal will be decided by the affirmative vote of a majority of the shares represented at the annual meeting and entitled to vote. On this matter abstentions will have the same effect as a negative vote and broker non-votes will have no effect on the voting.

Because United Community MHC owns more than 50% of United Community's outstanding shares, the votes it casts will ensure the presence of a quorum and control the outcome of the vote on Proposal 1 (Election of Directors) and Proposal 2 (Ratification of Appointment of Independent Registered Public Accountants). See *Vote by United Community MHC* above.

Voting by Proxy

The Board of Directors of United Community is sending you this proxy statement for the purpose of requesting that you allow your shares of United Community common stock to be represented at the annual meeting by the persons named in the enclosed proxy card. All shares of United Community common stock represented at the annual meeting by properly executed and dated proxy cards will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors. The Board of Directors recommends a vote:

FOR all of the nominees for director, and

FOR ratification of Clark, Schaefer, Hackett & Co. as independent registered public accountants.

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their own best judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the annual meeting in order to solicit additional proxies. If the annual meeting is postponed or adjourned, your United Community common stock may be voted by the persons named in the proxy card on the new annual meeting date as well, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the annual meeting.

You may revoke your proxy at any time before the vote is taken at the meeting, regardless of whether you submitted your original proxy by mail, the Internet or telephone. To revoke your proxy you must either advise the Corporate Secretary of the Company in writing before your common stock has been voted at the annual meeting, deliver a later-dated proxy, or attend the meeting and vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

If your United Community common stock is held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form provided by your broker, bank or other nominee that accompanies this proxy statement.

If you wish to change your voting instructions after you have returned your voting instruction form to your broker, bank or other nominee, you must contact your broker, bank or other nominee.

Instead of voting by mailing a proxy card, registered stockholders can vote their shares of Company common stock via the Internet or by telephone. The Internet and telephone voting procedures are designed to authenticate stockholders' identities, allow stockholders to provide their voting instructions and confirm that their instructions have been recorded properly. Specific instructions for Internet and telephone voting are set forth on the enclosed proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m., Central time, on Tuesday, November 13, 2007.

Participants in the Bank's ESOP or 401(k) Plan

If you participate in the United Community Bancorp Employee Stock Ownership Plan (the ESOP) or if you hold shares through the United Community Bank 401(k) Profit Sharing Plan (the 401(k) Plan), you will receive a voting instruction card that reflects all shares you may direct the trustees to vote on your behalf under the plans. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the shares of common stock allocated to his or her account. In the event no shares have yet been allocated under the ESOP, each participant will be deemed to have been allocated one share for the purpose of providing voting instructions to the ESOP trustee. The ESOP trustee, subject to the exercise of its fiduciary duties, will vote all unallocated shares of Company common stock held by the ESOP and allocated shares for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions. Under the terms of the 401(k) Plan, a participant is entitled to direct the trustee as to the voting of the shares in the United Community Bancorp Stock Fund credited to his or her account. The trustee will vote all shares for which no directions are given or for which instructions were not timely received in the same proportion as shares for which the trustee received voting instructions. The deadline for returning your voting instructions to each plan's trustee is November 8, 2007.

Corporate Governance

General

United Community periodically reviews its corporate governance policies and procedures to ensure that United Community meets the highest standards of ethical conduct, reports results with accuracy and transparency and maintains full compliance with the laws, rules and regulations that govern United Community's operations. As part of this periodic corporate governance review, the Board of Directors reviews and adopts best corporate governance policies and practices for United Community.

Corporate Governance Policies and Procedures

United Community has adopted a corporate governance policy to govern certain activities, including:

- (1) the duties and responsibilities of each director;
- (2) the composition, responsibilities and operation of the Board of Directors;
- (3) the establishment and operation of Board committees;
- (4) succession planning;
- (5) convening executive sessions of independent directors;
- (6) the Board of Directors' interaction with management and third parties; and
- (7) the evaluation of the performance of the Board of Directors and of the chief executive officer.

Code of Ethics and Business Conduct

United Community has adopted a Code of Ethics and Business Conduct that is designed to ensure that the Company's directors, executive officers and employees meet the highest standards of ethical conduct. The Code of Ethics and Business Conduct requires that the Company's directors, executive officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Under the terms of the Code of Ethics and Business Conduct, directors, executive officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code.

As a mechanism to encourage compliance with the Code of Ethics and Business Conduct, the Company has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters. These procedures ensure that individuals may submit concerns regarding questionable accounting or auditing matters in a confidential and anonymous manner. The Code of Ethics and Business Conduct also prohibits the Company from retaliating against any director, executive officer or employee who reports actual or apparent violations of the Code.

Meetings of the Board of Directors

The Company and the Bank conduct business through meetings and activities of their respective Board of Directors and their respective committees. During the year ended June 30, 2007, the Board of Directors of the Company met 15 times and the Board of Directors of the Bank met 25 times. No director attended fewer than 75% of the total meetings of the Company's and the Bank's respective Board of Directors and the committees on which such director served.

Committees of the Board of Directors of United Community

The following table identifies our standing committees and their members as of October 9, 2007. All members of each committee are independent in accordance with the listing standards of the Nasdaq Stock Market, Inc.

Director	Nominating and		
	Audit Committee	Corporate Governance Committee	Compensation Committee
William F. Ritzmann			
Ralph B. Sprecher	X		X
Robert J. Ewbank			
Jerry W. Hacker		X	
Elmer G. McLaughlin			
Anthony C. Meyer			X*
G. Michael Seitz	X	X	X
Eugene B. Seitz, II	X	X	X
Richard C. Strzynski	X*		
<i>Number of Meetings in Fiscal 2007</i>	7	2	4

* Chairman

Audit Committee. The Board of Directors has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee is responsible for reviewing the following: the integrity of the financial reports and other financial information provided by the Company to any governmental body or the public, including any certification, report, opinion or review performed by the Company's independent registered public accounting firm; the Company's compliance with legal and regulatory requirements; the independent registered public accounting firm's qualifications and independence; the performance of the Company's internal audit functions, its independent registered public accounting firm and system of internal controls and disclosure procedures regarding finance, accounting, legal compliance and ethics that management and the Board has established; the Company's auditing, accounting and financial reporting processes generally; and the preparation of information required by the Securities and Exchange Commission rules to be included in the Company's annual proxy statement. This committee meets periodically with the independent auditors and management to review accounting, auditing, internal control structure and financial reporting matters. The Board of Directors has determined that Mr. Strzynski is an audit committee financial expert under the rules of the Securities and Exchange Commission. The Audit Committee acts under a written charter adopted by the Board of Directors. The charter is not available on the Company's website, but a copy of the charter was included as an exhibit to the Company's 2006 proxy statement. A detailed list of the Audit Committee's functions is included in

its charter. The report of the Audit Committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See *Proposal 2 Ratification of Independent Registered Public Accountants Report of the Audit Committee*.

Compensation Committee. The Compensation Committee is responsible for all matters regarding the Company's and the Bank's employee compensation and benefit programs. The Compensation Committee operates under a written charter. The charter is not available on the Company's website, but a copy of the charter was included as an exhibit to the Company's 2006 proxy statement. The report of the Compensation Committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See *Executive Compensation Compensation Committee Report*.

Nominating and Corporate Governance Committee. The committee takes a leadership role in shaping governance policies and practices, including recommending to the Board of Directors the corporate governance policies and guidelines applicable to United Community and monitoring compliance with these policies and guidelines. In addition, the Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become Board members and recommending to the Board the director nominees for election at the next annual meeting of stockholders. It leads the Board in its annual review of the Board's performance and recommends director candidates for each committee for appointment by the Board. The Nominating and Corporate Governance Committee acts under a written charter adopted by the Board of Directors. The charter is not available on the Company's website, but a copy of the charter was included as an exhibit to the Company's 2006 proxy statement. The procedures of the Nominating and Corporate Governance Committee required to be disclosed by the rules of the Securities and Exchange Commission are included in this proxy statement. See *Nominating and Corporate Governance Committee Procedures*.

Attendance at the Annual Meeting

The Board of Directors encourages each director to attend the annual meeting of stockholders. All directors attended the 2006 annual meeting of stockholders.

Directors Compensation

Cash Retainer and Meeting Fees for Non-Employee Directors. The following table sets forth the applicable retainers and fees that will be paid to our non-employee directors for their service on the Boards of Directors of United Community Bancorp, Inc. and United Community Bank during fiscal 2008. Additionally, Mr. Sprecher receives \$4,900 annually for service as Chairman, Mr. G. Michael Seitz receives \$3,500 annually for service as Secretary of the Board and Mr. Eugene Seitz receives \$1,250 annually for service as Assistant Secretary of the Board. Directors do not receive any fees for their service on the board of directors of United Community MHC. Employee directors do not receive any retainers or fees for their services on the Boards of Directors.

Annual retainer for United Community Bancorp, Inc.	\$ 5,000
Annual retainer for United Community Bank	\$ 14,800
Annual fee for service on committees of United Community Bank	\$ 5,200

Non-Employee Director Compensation. The following table sets forth the total cash and equity compensation paid to our non-employee directors for their board service during fiscal 2007.

Name	Change in					Total
	Pension					
	Value and					
	Nonqualified					
	Fees					
	Earned or					
	Paid in	Stock	Option	Deferred	All Other	
	Cash	Awards	Awards	Compensation	Compensation	
	(\$)	(\$)(1)	(\$)(2)	Earnings(\$)(3)	(\$)	(\$)
Robert J. Ewbank	\$ 25,000	\$ 13,123	\$ 6,745	\$ 5,810	\$ 44	\$ 50,722
William S. Gehring	25,000	13,123	6,745	2,461	22	47,351
Jerry W. Hacker	25,000	13,123	6,745	11,715	44	56,627
Anthony C. Meyer	25,000	13,123	6,745		22	44,890
Henry G. Nanz	29,900	13,123	6,745	2,461	22	52,251
Eugene B. Seitz, II	27,250	13,123	6,745	2,473	44	49,635
G. Michael Seitz	28,500	13,123	6,745	6,511	44	54,923
Richard C. Strzynski	25,000	13,123	6,745	5,681	990	51,539
Ralph B. Sprecher	29,900	13,123	6,745	13,458	44	63,270
Frank E. Weismiller	29,900	13,123	6,745	2,461	22	52,251

- (1) Reflects the dollar amount recognized for financial statement reporting purposes in accordance with SFAS 123(R) of the vesting of shares of restricted stock in 2007 based upon the Company's stock price of \$11.53 as of the date of grant. At June 30, 2007, the aggregate number of unvested restricted stock award shares held in trust was 4,976 for each of Messrs. Ewbank, Gehring, Hacker, Meyer, Nanz, Eugene B. Seitz, II, G. Michael Seitz, Strzynski and Weismiller. Stock awards vest in five equal annual installments beginning on January 2, 2008.
- (2) Reflects the dollar amount recognized for financial statement reporting purposes in accordance with SFAS 123(R) in 2007 for each executive, based upon a fair value of each option of \$2.37 using the Black-Scholes option pricing model. The aggregate outstanding stock options at June 30, 2007 was 12,442 for each Messrs. Ewbank, Gehring, Hacker, Meyer, Nanz, Eugene B. Seitz, II, G. Michael Seitz, Strzynski and Weismiller. Options vest in five equal annual installments beginning on January 2, 2008.
- (3) Reflects the dollar amount of the annual accruals for the Directors Retirement Plan.

Directors Retirement Plan. The Bank currently sponsors a Directors Retirement Plan. Directors G. Michael Seitz, Meyer, Sprecher, Hacker, Strzynski, Ewbank and E.B. Seitz currently participate in the plan. Under the plan, a non-employee director who has completed at least three years of service and has attained the designated benefit age (ranging from age 72 to age 80 years and 9 months) set forth in an individual agreement under the plan may receive a retirement benefit of \$20,000 per year for ten years, payable in monthly installments for a total of 120 months. A participating director may also receive an early retirement benefit upon termination of service following completion of at least three years of service and attainment of age 65. The early retirement benefit equals \$10,000 per year for ten years upon retirement after age 65 but before age 68, or \$15,000 per year for ten years upon retirement after age 68 but before the designated benefit age. Upon the death of a participating director before completion of the applicable benefit payments, the Bank will pay any remaining benefits to the director's designated beneficiary. Upon termination of service in connection with a change in control, a participating director becomes entitled to the same retirement benefit the director would have received if he remained in service until reaching the benefit age, payable over a ten-year period. The plan also

provides that the Board may approve a disability benefit equal to the actuarially-determined annuitized value of a director's benefit under the plan upon a termination of service due to disability. In addition to the above benefits, the plan provides the director's beneficiary with a separate lump sum benefit of \$10,000 for the payment of funeral expenses. In consideration for the benefits provided under the plan and outlined above, participating directors agree not to engage in certain competitive business activities while serving on the board or following termination of service for reasons other than a change in control. No benefits are payable under the plan upon a termination of service for cause.

Director Emeritus Designation. The Board of Directors of the Bank has also established a policy under which a director may be designated by the Board as a director emeritus upon termination of service (other than for cause), attainment of age 72, and subject to the director's agreement to provide advisory services and attend a minimum of three Board meetings per year. Provided the director emeritus is not receiving benefits under the Directors Retirement Plan discussed above, he or she is entitled to a \$20,000 annual fee. Directors emeriti may also participate in the medical and health benefit coverage provided to non-employee directors of the Bank. Upon the death of a director emeritus, the surviving spouse may continue to receive medical and health benefits by reimbursing the Bank for the coverage costs until the earliest of the termination of such insurance by the Bank, eligibility for benefits under another insurance plan, or remarriage. Directors Henry G. Nanz, Frank E. Weismiller, Jr. and William S. Gehring currently serve in a director emeritus capacity.

Stock Ownership

The following table provides information as of October 9, 2007 about the persons and entities known to United Community to be the beneficial owners of more than 5% of the Company's outstanding common stock. A person or entity may be considered to beneficially own any shares of common stock over which the person or entity has, directly or indirectly, sole or shared voting or investing power.

Name and Address	Number of Shares Owned	Percent of Common Stock Outstanding (1)
United Community MHC 92 Walnut Street Lawrenceburg, Indiana 47025	4,655,200 (2)	55.8%

- (1) Based on 8,336,908 shares of the Company's common stock outstanding and entitled to vote as of October 9, 2007.
- (2) Acquired in connection with the Company's minority stock offering, which was completed on March 30, 2006. The members of the Board of Directors of United Community and the Bank also constitute the Board of Directors of United Community MHC.

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The following table provides information as of October 9, 2007 about the shares of United Community common stock that may be considered to be beneficially owned by each director, nominee for director, named executive officers listed in the *Summary Compensation Table* and all directors and executive officers of the Company as a group. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, each of the named individuals has sole voting power and sole investment power with respect to the number of shares shown.

Name	Number of	Percent of
	Shares Owned	Common Stock Outstanding (1)
William F. Ritzmann	66,573 (2)(3)	*
Ralph B. Sprecher	31,976 (4)	*
Robert J. Ewbank	54,976 (5)	*
Jerry W. Hacker	34,976 (6)	*
Elmer G. McLaughlin	51,644 (2)(7)	*
Anthony C. Meyer	19,976	*
G. Michael Seitz	39,976	*
Eugene B. Seitz, II	34,976 (8)	*
Richard C. Strzynski	34,976 (9)	*
Vicki A. March	36,366	*
James W. Kittle	40,713 (2)(10)	*
W. Michael McLaughlin	39,301 (2)(11)	*
All directors and named executive officers as a group (12 persons)	486,429	5.8%

* Less than 1.0%.

- (1) Based on 8,336,908 shares of the Company's common stock outstanding and entitled to vote as of October 9, 2007.
- (2) Includes shares held in the reporting person's 401(k) Plan accounts as follows: Mr. Ritzmann, 9,929 shares; Mr. Elmer G. McLaughlin, 21,737 shares; Mr. Kittle, 5,862 shares; and Mr. W. Michael McLaughlin, 13,500 shares. These amounts reflect ownership units in the employer stock fund of the 401(k) Plan, which consists of both issuer stock and a reserve of cash. The actual number of shares held by the individual may vary when such units are actually converted into shares upon distribution of the units to the individual.
- (3) Includes 14,783 shares held in his individual retirement account and 30 shares over which he has voting control as Executor of the estate of Sally Polk.
- (4) Includes 20,000 shares held in Mr. Sprecher's individual retirement account.
- (5) Includes 5,300 shares held by Mr. Ewbank's spouse and 29,700 shares held by one corporation controlled by Mr. Ewbank.
- (6) Includes 9,000 shares held in Mr. Hacker's individual retirement account and 6,000 shares held in his spouse's individual retirement account.
- (7) Includes 10,000 shares held jointly with his spouse.
- (8) Includes 5,000 shares held in Mr. Seitz's individual retirement account and includes 5,000, 5,000 and 5,000 shares, respectively, held in three custodian accounts for his children.
- (9) Includes 15,000 shares held by Mr. Strzynski's spouse.
- (10) Includes 750 shares held in his individual retirement account and 1,850 shares held in his spouse's individual retirement account.
- (11) Includes 1,500 shares held in his individual retirement account, 4,650 shares held by his spouse and 5,550 shares held in his spouse's individual retirement account.

Proposal 1 Election of Directors

The Company's Board of Directors consists of nine members, all of whom are independent under the listing standards of the Nasdaq Stock Market, except for Mr. Ritzmann, President and Chief Executive Officer of United Community and United Community Bank, Mr. McLaughlin, Executive Vice President, Chief Operating Officer and Corporate Secretary of United Community and United Community Bank and Mr. Ewbank. The Board is divided into three classes with three-year staggered terms, with approximately one-third of the directors elected each year. The Board of Directors' nominees for election this year are G. Michael Seitz, Eugene B. Seitz, II, Elmer G. McLaughlin and Richard C. Strzynski each of whom is currently a director of United Community and the Bank. Except for Mr. Strzynski, who is nominated to serve for a one-year term or until his successor has been elected and qualified, all other nominees have been nominated to serve for a three-year term or until their respective successors have been elected and qualified. In order to eliminate the vacancy created by the retirement of Directors Henry G. Nanz, Frank E. Weismiller, Jr. and William S. Gehring on June 30, 2007, the Board of Directors reduced the number of directors comprising the Board from 12 to 9. Director Henry G. Nanz served in the class of directors serving until 2008 and Directors Frank E. Weismiller, Jr. and William S. Gehring served in the class of directors serving until 2009. To make the three classes of directors equal in number as required by the Bylaws, the Board has nominated Director Strzynski for election to serve for a one-year term to replace Director Henry G. Nanz in the class of directors serving until 2008 and the class of directors serving until 2009 has been decreased to three directors as a result of the retirement of Directors Frank E. Weismiller, Jr. and William S. Gehring.

Under the listing standards of the Nasdaq Stock Market, each of the directors is considered independent except for William F. Ritzmann, the President and Chief Executive Officer, and Elmer G. McLaughlin, the Executive Vice President and Chief Operating Officer. In determining the independence of its directors, the Board considered transactions, relationships or arrangements between United Community, United Community Bank and its directors that were required to be disclosed in this proxy statement under the heading *Other Information Relating to Directors and Executive Officers Transactions With Related Persons*. The Board also considered transactions, relationships or arrangements between United Community, United Community Bank and its directors that were not required to be disclosed in this proxy statement under the heading *Transactions With Related Persons*, including loans that United Community Bank directly or indirectly made to Directors Meyer and G. Michael Seitz and insurance premiums the Bank paid in fiscal 2007 to Seitz Agency, Inc., an insurance agency of which G. Michael Seitz and Eugene B. Seitz, II are officers and co-owners.

Unless you indicate on the proxy card that your shares should not be voted for certain nominees, the Board of Directors intends that the proxies solicited by it will be voted for the election of the nominees named above. If any nominee is unable to serve, the persons named in the proxy card would vote your shares to approve the election of any substitute nominee proposed by the Board of Directors. Alternatively, the Board of Directors may adopt a resolution to reduce the size of the Board. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve.

The Board of Directors recommends a vote FOR the election of all nominees.

Information regarding the Board of Directors' nominees and the directors continuing in office is provided below. Unless otherwise stated, each individual has held his current occupation for the last five years. The age indicated for each individual is as of June 30, 2007.

Board Nominees for Election of Directors

The following individuals have been nominated for a three-year term ending in 2010:

Eugene B. Seitz, II is an officer and co-owner of Seitz Agency, Inc., an insurance agency. Mr. Seitz also serves as Assistant Secretary of the Board of Directors. Mr. Seitz's brother, George M. Seitz, II, also serves on the Board of Directors and Mr. Seitz's cousin, James W. Kittle, is a Senior Vice President of Lending with the Bank. Age 50. Director since 1995 (including term as a director of Perpetual Federal Savings and Loan Association).

G. Michael Seitz is an officer and co-owner of Seitz Agency, Inc., an insurance agency. Mr. Seitz also serves as Secretary of the Board of Directors. Mr. Seitz's brother, Eugene B. Seitz, II also serves on the Board of Directors and Mr. Seitz's cousin, James W. Kittle, is a Senior Vice President of Lending with the Bank. Age 59. Director since 1971 (including term as a director of Progressive Federal Savings Bank).

Elmer G. McLaughlin has served as Executive Vice President and Chief Operating Officer of the Bank since the merger of Perpetual Federal and Progressive Federal to form United Community Bank on April 12, 1999. Before the merger, Mr. McLaughlin served for nine years as President, and 19 years as a director, of Perpetual Federal Savings and Loan Association, and was Executive Vice President and head of Operations and senior loan officer of Perpetual Federal from 1978 until 1990. Mr. McLaughlin is the brother of W. Michael McLaughlin, a Senior Vice President of Operations at the Bank. Age 55. Director since 1980 (including term as a director of Perpetual Federal Savings and Loan Association).

The following individual has been nominated for a one-year term ending in 2008:

Richard C. Strzynski has been a self-employed certified public accountant in Aurora, Indiana, since 1979. Age 59. Director since 1993 (including term as a director of Progressive Federal Savings Bank).

Directors Continuing in Office

The following directors have terms ending in 2008:

William F. Ritzmann has served as President and Chief Executive Officer of the Bank since the merger of Perpetual Federal and Progressive Federal to form United Community Bank on April 12, 1999. Before the merger, Mr. Ritzmann served for 23 years as director, President and Managing Officer of Progressive Federal Savings Bank. Age 59. Director since 1975 (including term as a director of Progressive Federal Savings Bank).

Robert J. Ewbank has been a partner in the Lawrenceburg, Indiana, law firm of Ewbank & Kramer LLP, since 1978. Age 58. Director since 1984 (including term as a director of Progressive Federal Savings Bank).

The following directors have terms ending in 2009:

Jerry W. Hacker served as the owner and President of Dee's Delights, Inc., a miniatures wholesaling company from 1983 until 2006. He is now retired. Age 64. Director since 1987 (including term as a director of Perpetual Federal Savings and Loan Association).

Anthony C. Meyer has been a senior judge for the State of Indiana since 1999. Age 74. Director since 1987 (including term as a director of Progressive Federal Savings Bank).

Ralph B. Sprecher is Chairman of the Board. He previously was the Vice President of Midwest Operations for Joseph E. Seagram, a beverage distribution company, and is now retired. Age 66. Director since 1993 (including term as a director of Perpetual Federal Savings and Loan Association).

Proposal 2 Ratification of Independent Registered Public Accountants

The Audit Committee of the Company’s Board of Directors has appointed Clark, Schaefer, Hackett & Co. to be its independent registered public accountants for the 2008 fiscal year, subject to ratification by stockholders. A representative of Clark, Schaefer, Hackett & Co. is expected to be present at the annual meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement should he or she desire to do so.

If the ratification of the appointment of the independent registered public accounting firm is not approved by a majority of the shares represented at the annual meeting and entitled to vote, the Audit Committee of the Company’s Board of Directors will consider other independent registered public accounting firms.

The Board of Directors recommends that stockholders vote FOR the ratification of the appointment of Clark, Schaefer, Hackett & Co. as the Company’s independent registered public accounting firm.

Audit Fees

The following table sets forth the fees billed to the Company for the fiscal years ended June 30, 2007 and 2006 by Clark, Schaefer, Hackett & Co.:

	2007	2006
Audit fees ⁽¹⁾	\$ 155,800	\$ 124,430
Audit related fees ⁽²⁾	36,545	128,300
Tax fees ⁽³⁾	12,365	10,000
All other fees	9,151	

⁽¹⁾ Consists of fees for professional services rendered for the audit of the consolidated financial statements and the review of the financial statements included in Quarterly Reports on Form 10-Q.

⁽²⁾ For 2006, represents fees related to the Company’s minority stock offering and related securities registration statement.

⁽³⁾ Consists of fees for tax return preparation, planning and tax advice.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In accordance with its charter, the Audit Committee approves, in advance, all audit and permissible non-audit services to be performed by the independent registered public accounting firm. This approval process ensures that the independent registered public accounting firm does not provide any non-audit services to the Company that are prohibited by law or regulation.

During the year ended June 30, 2007, all services were approved, in advance, by the Audit Committee in compliance with these procedures.

Report of the Audit Committee

The Company's management is responsible for the Company's internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements and issuing an opinion on the conformity of those financial statements with generally accepted accounting principles. The Audit Committee oversees the Company's internal controls and financial reporting process on behalf of the Board of Directors.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with the independent registered public accounting firm its independence from the Company and its management. In concluding that the independent registered public accounting firm is independent, the Audit Committee considered, among other factors, whether the non-audit services provided by the independent registered public accounting firm were compatible with its independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for its audit. The Audit Committee meets with representatives of the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.