

United Community Bancorp
Form 424B3
February 21, 2006
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Prospectus Supplement

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-130302

INTERESTS IN
UNITED COMMUNITY BANK
401(K) PROFIT SHARING PLAN

AND

OFFERING OF 249,696 SHARES OF
UNITED COMMUNITY BANCORP
COMMON STOCK (\$.01 PAR VALUE)

This prospectus supplement relates to the offer and sale to participants in the United Community Bank 401(k) Profit Sharing Plan of participation interests and shares of common stock of United Community Bancorp, Inc.

401(k) Plan participants may direct the trustee, as appointed by the 401(k) Plan, to use their current account balances to subscribe for and purchase shares of United Community Bancorp common stock to be held in the United Community Bancorp Stock Fund. Based upon the value of the 401(k) Plan assets as of December 31, 2005, 401(k) Plan participants may purchase up to 249,696 shares of United Community Bancorp common stock, assuming a purchase price of \$10.00 per share. This prospectus supplement relates to the election of 401(k) Plan participants to invest all or a portion of their 401(k) Plan accounts in United Community Bancorp, Inc. common stock.

The prospectus dated February 10, 2006 of United Community Bancorp, which accompanies this prospectus supplement, includes detailed information regarding the reorganization of United Community Bank into the mutual holding company form of ownership and the offering of United Community Bancorp common stock, and the financial condition, results of operations and business of United Community Bank. This prospectus supplement provides information regarding the 401(k) Plan. You should read this prospectus supplement, together with the prospectus, and keep both for future reference.

Please refer to Risk Factors beginning on page 18 of the prospectus.

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Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, nor any other state or federal agency or any state securities commission, has approved or disapproved these securities. Any representation to the contrary is a criminal offense.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

This prospectus supplement may be used only in connection with offers and sales by United Community Bancorp of interests or shares of common stock under the 401(k) Plan to employees of United Community Bank. No one may use this prospectus supplement to reoffer or resell interests or shares of common stock acquired through the 401(k) Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. United Community Bancorp, United Community Bank and the 401(k) Plan have not authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock shall under any circumstances imply that there has been no change in the affairs of United Community Bank or the 401(k) Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this Prospectus Supplement is February 10, 2006.

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THE OFFERING

Securities Offered

The securities offered in connection with this prospectus supplement are participation interests in the 401(k) Plan. Assuming a purchase price of \$10.00 per share, participants may acquire up to 249,696 shares of United Community Bancorp common stock for the new United Community Bancorp Stock Fund. The participation interests offered under this prospectus supplement are conditioned on the completion of the reorganization of United Community Bank and the stock offering of United Community Bancorp. Your investment in the United Community Bancorp Stock Fund in connection with the reorganization of United Community Bank is also governed by the purchase priorities contained in the amended and restated plan of reorganization and stock issuance. See *The Reorganization and Stock Offering - Subscription Rights and Limitations on Purchases of Shares* sections of the prospectus attached to this prospectus supplement for a discussion of the purchase priorities contained in the plan of reorganization.

This prospectus supplement contains information regarding the 401(k) Plan. The attached prospectus contains information regarding the reorganization of United Community Bank and the financial condition, results of operations and business of United Community Bank. The address of the principal executive office of United Community Bank is 92 Walnut Street, Lawrenceburg, Indiana 47025. The telephone number of United Community Bank is (812) 537-4822.

Election to Purchase United Community Bancorp Common Stock in the Reorganization

In connection with the reorganization of United Community Bank, the 401(k) Plan will permit you to direct the transfer of all or part of the funds which represent your current beneficial interest in the assets of the 401(k) Plan to the United Community Bancorp Stock Fund. The trustee of the United Community Bancorp Stock Fund will subscribe for United Community Bancorp common stock offered for sale in connection with the reorganization. However, please note that, in order to maintain a cash buffer within the United Community Bancorp Stock Fund, approximately five percent (5%) of your investment direction will be held in cash. Approximately ninety-five percent (95%) of the total amount that you transfer will be used to purchase common stock in the offering, rounded down to the nearest \$10.00 increment, with any remainder also held in cash within the United Community Bancorp Stock Fund. Prior to the completion of the reorganization and stock offering, the funds you elect to transfer to the United Community Bancorp Stock Fund will be transferred to the 401(k) Plan's Delaware Cash Reserve Fund. If there is not enough common stock in the reorganization to fill all subscriptions, the common stock will be apportioned and the trustee for the 401(k) Plan may not be able to purchase all of the common stock you requested. In such a case, all or a portion of the funds you elected to transfer will not be used to purchase common stock, and will instead remain in the Delaware Cash Reserve Fund. After the close of the offering, you may reinvest in the funds held in the Delaware Cash Reserve Fund among the 401(k) Plan's other investment funds, including the United Community Bancorp Stock Fund. Please note that open market purchases may be made at prices higher or lower than the initial public offering price of \$10.00 per share.

401(k) Plan participants may direct a transfer of funds to the United Community Bancorp Stock Fund. However, as mentioned above, your transfer directions are subject to subscription rights and purchase priorities. Your order for shares in the stock offering will be filled based on your purchase priority in the offering. United Community Bank has granted subscription rights to the following persons in the following order of priority: (1) depositors with \$50.00 or more on deposit at United Community Bank as of August 31, 2004; (2) the United Community Bank Employee Stock Ownership Plan; (3)

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depositors with \$50.00 or more on deposit at United Community Bank as of December 31, 2005; and (4) depositors of United Community Bank as of January 31, 2006. No individual may purchase more than \$150,000 of United Community Bancorp common stock in the subscription offering, and no individual, no individual together with any associates, and no group of persons acting in concert, may purchase more than \$650,000 of United Community Bancorp common stock in the offering. If you fall into one of the above subscription offering categories, you have subscription rights in the offering and you may use funds in your 401(k) Plan account to purchase shares of United Community Bancorp common stock in the offering.

In addition to using funds allocated to your 401(k) Plan accounts, you may also purchase United Community Bancorp common stock in the offering using other funds. You have received or will soon receive stock offering materials in the mail, including a Stock Order Form. If you choose to place an order for stock in the offering using funds other than those in your 401(k) Plan accounts, you must complete and submit a separate Stock Order Form to the location and by the deadline indicated on that form.

Value of Participation Interests

As of December 31, 2005, the market value of the assets of the 401(k) Plan equaled approximately \$2,496,963. United Community Bank has informed each participant of the value of his or her beneficial interest in the 401(k) Plan as of December 31, 2005. The value of 401(k) Plan assets represents past contributions to the 401(k) Plan on your behalf, plus or minus earnings or losses on the contributions, less previous withdrawals and loans.

Method of Directing Transfer

The last two pages of this prospectus supplement contain a form for you to direct a transfer to the United Community Bancorp Stock Fund (the Investment Form). If you wish to transfer all, or part, in multiples of not less than 1%, of your beneficial interest in the assets of the 401(k) Plan to the United Community Bancorp Stock Fund, you should complete the Investment Form. If you do not wish to invest in the United Community Bancorp Stock Fund through the 401(k) Plan, you do not need to take any action. The minimum investment in the United Community Bancorp Stock Fund during the initial public offering is \$250.

Time for Directing Transfer

The deadline for submitting the Investment Form with your directions to transfer amounts from your other investment funds to the United Community Bancorp Stock Fund in connection with the reorganization is Monday, March 6, 2006. **You must submit the Investment Form to Ms. Barbara McCormack at United Community Bank by 4:00 p.m. on March 6, 2006.**

Irrevocability of Transfer Direction

Once you submit your Investment Form to transfer amounts credited to your account in the 401(k) Plan to the United Community Bancorp Stock Fund, you cannot change your investment direction prior to the completion of the reorganization and stock offering. You may be able to change

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your investments in other investment funds under the 401(k) Plan, subject, however, to the terms of the 401(k) Plan and any blackout notices to the contrary that you receive from the Plan Administrator. Following the closing of the stock offering and your initial purchase of units in the United Community Bancorp Stock Fund, and subject to the terms and requirements of the 401(k) Plan, including any blackout notices, you may direct the investment of additional funds into the United Community Bancorp Stock Fund, which will continue to be an investment option under the 401(k) Plan.

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Purchase Price of United Community Bancorp Common Stock

The trustee will use the funds transferred to the United Community Bancorp Stock Fund to purchase shares of United Community Bancorp common stock in the reorganization. As discussed above, the United Community Bancorp Stock Fund will be comprised of stock units and a cash buffer. The trustee will pay the same price for shares of United Community Bancorp common stock in the offering, \$10.00 per share, as all other persons who purchase shares of United Community Bancorp common stock in the offering.

Nature of a Participant's Interest in United Community Bancorp Common Stock

The 401(k) Plan trustee will hold United Community Bancorp common stock in the name of the 401(k) Plan. Units of the United Community Bancorp Stock Fund acquired at your investment direction will be credited to your account under the 401(k) Plan.

Voting and Tender Rights of United Community Bancorp Common Stock

The 401(k) Plan trustee (based on instructions received) generally will exercise voting and tender rights attributable to all United Community Bancorp common stock held by the United Community Bancorp Stock Fund as directed by participants with interests in the United Community Bancorp Stock Fund. With respect to each matter as to which holders of United Community Bancorp common stock have a right to vote, you will be given voting instruction rights reflecting your proportionate interest in the United Community Bancorp Stock Fund. The number of shares of United Community Bancorp common stock held in the United Community Bancorp Stock Fund that are voted for and against each matter will be proportionate to the number of voting instruction rights exercised by participants. If there is a tender offer for United Community Bancorp common stock, the 401(k) Plan provides that each participant will be allotted a number of tender instruction rights reflecting the participant's proportionate interest in the United Community Bancorp Stock Fund. The percentage of shares of United Community Bancorp common stock held in the United Community Bancorp Stock Fund that will be tendered will be the same as the percentage of the total number of tender instruction rights that are exercised in favor of the tender offer. The remaining shares of United Community Bancorp common stock held in the United Community Bancorp Stock Fund will not be tendered. The 401(k) Plan makes provisions for participants to exercise their voting instruction rights and tender instruction rights on a confidential basis.

DESCRIPTION OF THE 401(k) PLAN

Introduction

Effective January 1, 2006, United Community Bank amended and restated the United Community Bank 401(k) Profit Sharing Plan, originally effective as of April 1, 1997, in its entirety. United Community Bank intends for the 401(k) Plan to comply, in form and in operation, with all applicable provisions of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. United Community Bank may change the 401(k) Plan from time to time in the future to ensure continued compliance with these laws. United Community Bank

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may also amend the 401(k) Plan from time to time in the future to add, modify, or eliminate certain features of the 401(k) Plan, as it sees fit. As a 401(k) Plan governed by ERISA, federal law provides you with various rights and protections as a 401(k) Plan participant. Although the 401(k) Plan is governed by many of the provisions of ERISA, the Pension Benefit Guaranty Corporation does not guarantee your retirement benefits under the 401(k) Plan.

Reference to Full Text of the 401(k) Plan. The following portions of this prospectus supplement provide an overview of the material provisions of the 401(k) Plan. United Community Bank qualifies this overview in its entirety, however, by reference to the full text of the 401(k) Plan. You may obtain copies of the full 401(k) Plan document by contacting Barbara McCormack at United Community Bank. You should carefully read the full text of the 401(k) Plan document to understand your rights and obligations under the 401(k) Plan.

Eligibility and Participation

Eligible employees of United Community Bank may participate in the 401(k) Plan as of the first day of the month coinciding with or next following their satisfaction of the eligibility requirements. Generally, employees who are at least 18 years of age may participate in the 401(k) Plan upon their completion of one month of service.

As of December 31, 2005, 64 of the 76 employees of United Community Bank elected to participate in the 401(k) Plan.

Contributions Under the 401(k) Plan

401(k) Plan Participant Contributions. Subject to certain Internal Revenue Code limitations, the 401(k) Plan permits each participant to contribute up to 100% of their annual compensation to the 401(k) Plan (See Limitations on Contributions below.). Participants may change their rate of contribution with respect to pre-tax deferrals upon providing thirty (30) days notice to United Community Bank.

United Community Bank Contributions. The 401(k) Plan provides that United Community Bank may make matching contributions. United Community Bank currently matches 50% of each participant's salary deferrals, up to a maximum of 10% of annual compensation. United Community Bank may also make discretionary contributions on behalf of 401(k) Plan participants. Employer contributions (matching and discretionary) are allocated to each participant who has completed 500 hours of service during the Plan Year (i.e., the calendar year) or who terminated employment during the Plan Year due to disability, retirement or death.

Limitations on Contributions

Limitations on Employee Salary Deferrals. Although the 401(k) Plan permits you to defer up to 100% of your compensation, by law your total deferrals under the 401(k) Plan, together with similar plans, may not exceed \$15,000 for 2006. Employees who are age 50 and over may make additional catch-up contributions to the 401(k) Plan, in amounts up to \$5,000 for 2006. (The Internal Revenue Service will periodically increase these annual limitations.) Contributions in excess of these limitations, or excess deferrals, will be included in an affected participant's gross income for federal income tax purposes in the year the contributions are made, provided they are distributed to the participant no later than the

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first April 15th following the close of the taxable year in which the excess deferrals were made. Excess deferrals distributed after that date will be treated, for federal income tax purposes, as earned and received by the participant in the taxable year of the distribution.

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Limitations on Annual Additions and Benefits. Under the requirements of the Internal Revenue Code, the 401(k) Plan provides that the total amount of contributions and forfeitures (i.e., annual additions) credited to a participant during any year under all defined contribution plans of United Community Bank (including the 401(k) Plan and the proposed United Community Bank Employee Stock Ownership Plan) may not exceed the lesser of 100% of the participant's compensation or \$44,000 for 2006.

Limitations on 401(k) Plan Contributions for Highly Compensated Employees. Special provisions of the Internal Revenue Code limit the amount of salary deferrals and matching contributions that may be made to the 401(k) Plan in any year on behalf of highly compensated employees in relation to the amount of deferrals and matching contributions made by or on behalf of all other employees eligible to participate in the 401(k) Plan. If contributions exceed these limitations, the 401(k) Plan must adjust the contribution levels for highly compensated employees.

In general, a highly compensated employee includes any employee who (1) was a five percent owner of the sponsoring employer at any time during the year or preceding year, or (2) had compensation for the preceding year in excess of \$100,000 and, if the sponsoring employer so elects, was in the top 20% of employees by compensation for such year. These dollar amounts may be adjusted periodically by the Internal Revenue Service.

Top-Heavy Plan Requirements. If the 401(k) Plan is a Top-Heavy Plan for any calendar year, United Community Bank may be required to make certain minimum contributions to the 401(k) Plan on behalf of non-key employees. In general, the 401(k) Plan will be treated as a Top-Heavy Plan for any calendar year if, as of the last day of the preceding calendar year, the aggregate balance of the accounts of participants who are Key Employees exceeds 60% of the aggregate balance of the accounts of all participants. A Key Employee generally includes any employee who, at any time during the calendar year or any of the four preceding years, is:

- (1) an officer of United Community Bank whose annual compensation exceeds \$140,000;
- (2) a 5% owner, meaning an employee who owns more than 5% of the outstanding stock of United Community Bancorp, or who owns stock that possesses more than 5% of the total combined voting power of all stock of United Community Bancorp; or
- (3) a 1% owner, meaning an employee who owns more than 1% of the outstanding stock of United Community Bancorp or who owns stock that possesses more than 1% of the combined voting power of the total stock of United Community Bancorp and whose annual compensation exceeds \$150,000.

401(k) Plan Investments

Investment of Contributions. Prior to January 1, 2006, contributions under the 401(k) Plan were invested in the funds described below. The annual percentage return on these funds (net of fees) for the prior three years was as follows:

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Fund Name	2005	2004	2003
<i>AllianceBernstein VPS Growth and Income</i>	4.9%	11.43%	32.41%
<i>American Funds Insurance Series Growth</i>	16.1%	12.46%	36.70%
<i>American Funds Insurance Growth-Income</i>	5.8%	10.34%	32.33%
<i>BlackRock Mid-Cap Value Equity</i>	10.0%	23.29%	34.55%
<i>Conservative Balanced Account</i>	4.8%	8.48%	12.44%
<i>Delaware VIP REIT Series</i>	7.1%	31.29%	33.92%
<i>Delaware VIP Small Cap Value Series</i>	9.4%	21.42%	41.85%
<i>Fidelity VIP Contrafund</i>	16.8%	15.32%	28.30%
<i>Fidelity VIP Equity-Income</i>	5.6%	11.20%	29.94%
<i>Government/Corporate Bond Fund</i>	3.2%	6.85%	9.18%
<i>Short Term Account</i>	3.3%	1.41%	1.21%
<i>American Century VP Inflation Protection</i>	1.8%	5.96%	N/A
<i>Delaware VIP Capital Reserves</i>	1.8%	N/A	N/A
<i>Delaware VIP Diversified Income</i>	(0.4)%	8.28%	N/A
<i>High Yield Bond Fund</i>	4.8%	13.59%	29.41%
<i>Templeton Global Income Securities</i>	(2.9)%	N/A	N/A
<i>Aggressive Balanced Account</i>	7.7%	11.84%	25.39%
<i>Balanced Account</i>	7.0%	9.76%	21.63%
<i>BlackRock Large Cap Value Equity</i>	5.9%	13.34%	35.45%
<i>Conservative Balanced Account</i>	4.8%	8.48%	12.44%
<i>Core Equity Account</i>	5.8%	12.10%	30.15%
<i>Delaware Value</i>	5.7%	11.08%	27.63%
<i>Value Equity Account</i>	6.1%	12.17%	27.20%
<i>AllianceBernstein VPS Large Cap Growth</i>	15.1%	8.59%	23.60%
<i>AllianceBernstein VPS Small/Mid Cap Value</i>	6.9%	19.25%	40.84%
<i>American Funds International</i>	21.4%	19.26%	34.75%
<i>American Funds New Perspective</i>	11.2%	10.69%	23.95%
<i>BlackRock Legacy</i>	6.5%	9.70%	28.89%
<i>Fidelity VIP Growth Portfolio</i>	5.5%	3.11%	32.44%
<i>Fidelity VIP Overseas</i>	18.7%	13.28%	42.91%
<i>International Equity Account</i>	13.3%	22.05%	43.30%
<i>Janus Aspen Series Large Cap Growth</i>	4.0%	4.19%	31.40%
<i>Large Capitalization Equity Account</i>	15.2%	3.12%	24.38%
<i>MFS VIT Capital Opportunities</i>	1.7%	12.43%	27.31%
<i>MFS VIT Utilities Series</i>	16.8%	30.11%	35.79%
<i>Neuberger Berman AMT Regency</i>	12.0%	22.33%	35.79%
<i>Scudder VIT Equity 500 Index</i>	4.7%	10.56%	28.07%
<i>Social Awareness Account</i>	12.0%	31.77%	12.67%
<i>Templeton Growth Securities</i>	8.8%	15.98%	32.04%

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Fund Name (cont d.)	2005	2004	2003
<i>AllianceBernstein VPS Global Technology</i>	3.9%	5.44%	43.95%
<i>American Funds Global Small Capitalization</i>	25.3%	20.82%	53.37%
<i>BlackRock Aurora</i>	2.9%	14.94%	49.70%
<i>BlackRock Global Resources</i>	56.8%	47.58%	60.06%
<i>Black Rock Small/Mid-Cap Growth</i>	10.3%	2.34%	53.09%
<i>Delaware VIP Emerging Markets</i>	27.4%	33.37%	70.33%
<i>Fidelity VIP Mid Cap</i>	18.2%	N/A	N/A
<i>Franklin Small-Mid Cap Growth</i>	4.8%	11.44%	37.13%
<i>Janus Aspen Series Mid-Cap Growth</i>	12.0%	20.42%	34.66%
<i>Medium Capitalization Equity Account</i>	10.4%	15.57%	33.28%
<i>MFS VIT Emerging Growth Series</i>	9.2%	12.92%	30.14%
<i>Neuberger Berman Mid-Cap Growth</i>	13.7%	16.29%	28.03%
<i>Scudder VIT Small Cap Index</i>	4.3%	17.73%	46.35%
<i>Small Capitalization Equity Account</i>	6.1%	13.89%	35.90%

AllianceBernstein VPS Growth and Income. This fund invests primarily in domestic equity securities. Among the principal risks of investing in the fund are market risk, interest rate risk, and credit risk. The fund's investments in foreign securities have foreign risk and currency risks.

American Funds Insurance Series Growth. This fund invests primarily in domestic equity securities with approximately 12.5% of funds allocated to international equity securities. The growth-oriented, equity type securities generally purchased by the fund may involve large price swings and potential for loss.

American Funds Insurance Growth-Income. This fund generally invests primarily in growth-oriented, equity-type securities. The prices of equity securities held by the fund may decline in response to certain events or adverse conditions affecting the general economy, overall market declines, world political, social and economic instability, and currency fluctuations.

BlackRock Mid-Cap Value Equity. This fund seeks to invest in mid-capitalization stocks worth more than indicated by current market price. The fund manager initially screens for value stocks from the universe of companies with market capitalization between \$1 billion and \$10 billion.

Conservative Balanced Account. This account is riskier than a pure bond account, but less risky than a conservative stock account. As a market-valued account, both the principal value and the performance return may go up or down based on the market prices of the stocks in the account. The account does not offer a guarantee of principal or interest.

Delaware VIP REIT Series. This fund invests primarily in real estate investment trust (REIT) companies. REIT companies tend to be smaller than average and investments in smaller companies are frequently riskier. However, REITs often have income and value characteristics that help to control volatility. The manager controls risk by investigating both the management of the REIT firms and the underlying real estate.

Delaware VIP Small Cap Value Series. This series invests in smaller companies, which are riskier than larger, more stable companies. The manager controls risk, however, by seeking to select companies that represent good value relative to their earnings and by limiting sector bets relative to the benchmark index. The illiquidity of the small cap market may adversely affect the value of these investments so that shares, when

redeemed, may be worth more or less than their original cost.

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Fidelity VIP Contrafund. The Fidelity VIP Contrafund portfolio invests in small- and medium-sized companies, which may rely on limited product lines and markets, financial resources or other factors that may make them more susceptible to setbacks or downturns. Although holdings in small companies involve greater risk than those in larger companies, stocks of small companies also may have increased potential for higher returns.

Fidelity VIP Equity-Income. The VIP Equity-Income fund is a conservative stock investment option. It is not as risky as aggressive stock investment options because it holds stocks of large, well-established companies that are bought at low prices but have strong earnings power. The fund is market-valued, which means both the principal value and the performance will go up or down based on the market prices of its holdings. The VIP Equity-Income fund does not offer a guarantee of principal or interest.

Government/Corporate Bond Fund. This fund invests primarily in investment grade fixed-income securities, although a small allocation in below investment grade may be held. Long-term total return is sought with a combination of current income and capital appreciation.

Short Term Account. The Short Term Account is a conservative account because holdings are high quality, the maturities are short and the risk level is low. For the same reasons, the account will usually produce lower returns than either bonds or stocks. The account does not offer a guarantee of principal or interest.

American Century VP Inflation Protection. This fund seeks a long-term return using a strategy that seeks to protect against U.S. inflation.

Delaware VIP Capital Reserves. This fund seeks a high, stable level of current income while attempting to minimize fluctuations in principal and provide maximum liquidity. The series invests primarily in short- and intermediate-term securities, including securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, instruments secured by U.S. government securities and debt securities issued by U.S. corporations.

Delaware VIP Diversified Income. This fund seeks maximum long-term total return, consistent with reasonable risk, and invests primarily in domestic fixed income investments.

High Yield Bond Fund. The High Yield Bond Fund seeks to buy lower quality bonds, which hold a higher chance that the issuer will be unable to repay the promised interest or principal. It is expected that the higher interest income on the bonds will exceed any default losses. The risk of this Fund increases during periods of economic recession.

Templeton Global Income Securities. The Templeton Global Income Securities fund seeks high current income, consistent with preservation of capital, and with capital appreciation as a secondary consideration. Under normal market conditions, the fund invests mainly in the debt securities of governments and their political subdivisions and agencies, supranational organizations, and companies located anywhere in the world, including emerging markets.

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Aggressive Balanced Account. The Aggressive Balanced Account is riskier than a pure bond account, but less risky than a conservative stock account. The portfolio manager controls risk by periodically adjusting the fund's asset mix based on economic conditions.

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Balanced Account. The Balanced Account is also riskier than a pure bond account, but less risky than a conservative stock account. The portfolio manager controls risk by periodically adjusting the asset mix based on economic conditions.

BlackRock Large Cap Value Equity. This fund normally invests at least 80% of its net assets in equity securities issued by U.S. large capitalization value companies (defined as those with market capitalizations equal to those within the universe of Russell 1000 Value Index Stocks).

Conservative Balanced Account. The Conservative Balanced Account is riskier than a pure bond account, but less risky than a conservative stock account. The portfolio manager controls risk by periodically adjusting the asset mix based on economic conditions.

Core Equity Account. The Core Equity Account is a conservative stock investment option. It is not as risky as an aggressive stock investment option because it holds stocks of large, well-established companies.

Delaware Value. The underlying fund invests primarily in investments of large capitalization companies that may have long-term capital appreciation potential.

Value Equity Account. The Value Equity Account is a conservative equity account. Holdings in this account are not as volatile as holdings in aggressive equity accounts because the account purchases stocks of large, well known companies that are bought at low prices but have strong earnings power.

AllianceBernstein VPS Large Cap Growth. This fund seeks long-term growth of capital by investing predominately in the equity securities of a limited number of large, carefully selected, high quality U.S. companies that are judged likely to achieve superior earnings growth.

AllianceBernstein VPS Small/Mid Cap Value. This fund invests primarily in a diversified portfolio of equity securities of small-to mid-capitalization U.S. companies. The Fund's investment policies emphasize investment in companies that are determined by Alliance to be undervalued, using Bernstein's fundamental value approach to identify companies whose long-term earnings power is not reflected in the current market price of their securities.

American Funds International. Approximately 85.7% of the fund (as of June 30, 2005) was invested in international equity securities. The values of equity securities held by the fund may decline in response to certain events, including those directly involving the companies whose securities are owned in the fund, adverse conditions affecting the general economy, overall market declines, world political, social and economic instability and currency fluctuations.

American Funds New Perspective. This fund invests in international equity (64%), domestic equity (30.4%) and cash/other (6.6%) investments (percentages are as of June 30, 2005). This is a market-valued account, which means that both the principal value and the performance will go up or down based on the market prices of its holdings. The fund does not offer a guarantee of principal or interest.

BlackRock Legacy. This fund seeks investment in fundamentally sound companies with strong management, superior earnings growth prospects and attractive relative valuations.

Fidelity VIP Growth Portfolio. The VIP Growth fund's aggressive, large-cap style may make it suitable for growth-oriented variable product contract holders seeking high total returns over the long-term. Growth investments will be more volatile than value type investments within the large company stock group.

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Fidelity VIP Overseas. This fund invests 97.9% of its assets in international equity securities (as of June 30, 2005). Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market or economic developments, and can perform differently from the U.S. market.

International Equity Account. The International Equity Account is an aggressive equity account. Holdings in non-U.S. stocks involve the same types of risk as holdings in domestic aggressive equity stocks. Additional risk factors are also associated with investing on a world-wide basis, including differences in regulation of financial data and reporting, and currency exchange differences, as well as economic and political systems which may differ from the United States.

Janus Aspen Series Large Cap Growth. This fund seeks long-term growth of capital in a manner consistent with the preservation of capital, by investing primarily in common stocks of issuers of any size. This portfolio generally invests in larger, more established issuers.

Large Capitalization Equity Account. The Large Capitalization Equity Account is an aggressive equity account. Like a conservative equity account, it holds stocks of well established companies. However, it is considered aggressive because its holdings also include growing companies that may or may not grow as expected.

MFS VIT Capital Opportunities Series. This fund invests primarily in domestic equity securities (93% as of June 30, 2005), including over-the-counter (OTC) listed companies. The fund's market risk is that the price of a security held by the series will decline due to changing economic, political or market conditions or disappointing earnings results. OTC listed companies also have limited product lines, markets or financial resources, and trade less frequently and in small volume than exchange-listed stocks. Therefore, the values of these stocks may be more volatile, and the series may experience difficulty in purchasing or selling these securities at a fair price.

MFS VIT Utilities Series. This fund invests primarily in equity and fixed income investments involving utilities. Overall, the portfolio would be considered a moderately conservative equity choice.

Neuberger Berman AMT Regency. This fund invests in mid-cap companies and, at times, in below investment grade and unrated securities. Mid-cap stocks involve greater risk than large cap stocks, because the stocks of mid-cap companies may experience more sudden fluctuations than large cap stocks.

Scudder VIT Equity 500 Index. The Scudder VIT Equity 500 Index is a conservative equity account similar in makeup and performance to the general stock market. It is less volatile than an aggressive equity account because this account primarily holds stocks in large, well-established companies.

Social Awareness Account. The Social Awareness Account is a stock investment account similar in both makeup and performance to the general stock market.

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Templeton Growth Securities. This fund invests in international equity (60%), domestic equity (28.7%) and cash/other investments (11.3%) (all percentages are as of June 30, 2005). Stock values may fluctuate in response to the activities of an individual company or general market and economic conditions.

AllianceBernstein VPS Global Technology. This fund invests in a global portfolio of securities of U.S. and non-U.S. companies selected for their growth potential. Alliance adjusts the fund's exposure to particular national economics based on its perception of the most favorable markets and issuers.

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American Funds Global Small Capitalization. This fund invests in growth-oriented, equity-type securities. The prices of equity securities held by the fund may decline in response to certain events or adverse conditions affecting the general economy, overall market declines, world political, social and economic instability, and currency fluctuations.

BlackRock Aurora. This fund invests primarily in small- and mid-capitalization stocks the manager believes are trading below their true worth. The fund looks for companies that appear likely to come back in favor with investors, for reasons that may range from good prospective earnings and strong management teams to the introduction of new products and services.

BlackRock Global Resources. This fund invests primarily in U.S. and international companies engaged in the exploration, production, refinement and distribution of energy and natural resources.

BlackRock Small/Mid-Cap Growth. This fund invests primarily in small- and mid-capitalization companies that are less mature and appear to have the potential for rapid growth. The fund looks for companies that have good current or prospective earnings and strong management teams.

Delaware VIP Emerging Markets. This fund seeks to achieve long-term capital appreciation, and invests at least 65% of total assets (as of June 30, 2005) in equity securities in at least three different countries that are considered to be emerging or developing.

Fidelity VIP Mid Cap. This fund seeks long-term growth of capital by investing primarily in common stocks. The portfolio invests at least 80% of assets in securities of companies with medium market capitalizations.

Franklin Small-Mid Cap Growth Securities. This fund seeks long term capital growth by investing at least 80% of its net assets in the equity securities of small cap and mid cap companies.

Janus Aspen Series Mid-Cap Growth. The portfolio is designed for long-term investors who can accept the risks of investing in a portfolio with significant common stock holdings, which tend to be more volatile than other investment choices.

Medium Capitalization Equity Account. The Medium Capitalization Equity Account is an aggressive equity account. Holdings in medium-sized companies involve greater risk than those in larger, established companies. Therefore, money directed to this account is subject to more fluctuation in market value than holdings in conservative stock funds.

MFS VIT Emerging Growth Series. This series invests primarily in small- to medium-sized emerging growth companies. These companies may have just begun their life cycles, but have the potential to become major enterprises. These types of investments involve greater risk than is customarily associated with investments in more established companies. Within the medium- to small-cap stock category, this series would be considered to have above-average risk.

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Neuberger Berman Mid-Cap Growth. This fund invests in mid-cap stocks, which involve greater risk than large cap stocks, because stocks of small companies may experience more sudden fluctuations than those of larger companies. Contributions to this account experience more fluctuation in market value than those placed in conservative stock investment options.

Scudder VIT Small Cap Index. This fund invests primarily in small cap domestic equity securities. Holdings in small companies involve greater risk than those in large and midsize companies; however, stocks of small companies may also have increased potential for higher returns.

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Small Capitalization Equity Account. The Small Capitalization Equity Account is an aggressive equity account. The fund manager controls risk by performing extensive fundamental analysis on purchase candidates. Diversification is also a key factor in controlling risk, as the account typically holds over 70 securities.

Effective January 1, 2006, the 401(k) Plan changed certain investment choices available under the 401(k) Plan. United Community Bank, as Plan Administrator, has selected, and the 401(k) Plan currently offers, the investment choices described below. The annual percentage return on these funds (net of fees) for the prior three years was: