APPLERA CORP
Form DEFA14A
June 12, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

June 11, 2008

Date of Report (Date of earliest event reported)

APPLERA CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-04389**	**06-1534213**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

301 Merritt 7

Norwalk, Connecticut	**06851**
(Address of principal executive offices)	(Zip Code)

(203) 840-2000

(Registrant s telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

x Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Item 1.01. Entry into a Material Definitive Agreement.

On June 11, 2008, Applera Corporation (the Company) entered into an Agreement and Plan of Merger (the Merger Agreement) with Invitrogen Corporation (Invitrogen) and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen (Merger Sub). Pursuant to the Merger Agreement, the Company will merge with and into Merger Sub, with Merger Sub continuing as the surviving company and a direct wholly-owned subsidiary of Invitrogen (the Merger).

Under the terms of the Merger Agreement, holders of Applera Corporation-Applied Biosystems Group Common Stock, par value $0.01 per share (AB Stock), will receive $38.00 for each share of AB Stock they own in the form of Invitrogen s common stock and cash. The expected split between cash and stock is approximately 45% and 55%, respectively. Holders of AB Stock will receive a value of $38.00 per share if the 20-day volume-weighted average price of Invitrogen s common stock falls within the range of $43.69 and $46.00 three business days prior to the close of the transaction. The total value per share will differ if Invitrogen s 20-day volume-weighted average price is above or below that range, measured shortly prior to the close of the transaction.

Upon completion of the transaction, Invitrogen will change its name to Applied Biosystems, Inc. and will expand its board of directors from nine to twelve members and appoint three current directors of the Company to the board of Invitrogen. The parties currently expect the Merger to be completed in the fall of 2008.

Completion of the Merger is subject to certain conditions, including (i) adoption of the Merger Agreement by the Company s stockholders, (ii) approval of the issuance of shares of Invitrogen s common stock in the Merger and approval of an amendment to Invitrogen s certificate of incorporation to increase the number of authorized shares of Invitrogen s common stock (the Stock Issuance), (iii) completion of the previously announced separation of the Company s Celera Group, by means of a redemption of each outstanding share of Applera Corporation Celera Group common stock in exchange for common stock of Celera Corporation, a newly-formed company that will hold all of the businesses, assets and liabilities previously attributed to the Celera Group, (iv) the effectiveness of a registration statement on Form S-4 to be filed by Invitrogen with respect to the Merger and the Stock Issuance, and (v) the expiration or termination of the applicable waiting periods under the Hart-Scott Rodino Antitrust Improvements Act of 1976 and the receipt of approval for the European Community Merger Regulation, as well as certain other foreign antitrust or competition laws.

The Company and Invitrogen have each made customary representations, warranties, and covenants in the Merger Agreement, including, among others, that (a) each of the Company and Invitrogen will cause a meeting of its stockholders to be held to consider the adoption and approval of the Merger Agreement and approval of the Stock Issuance, respectively, and (b) the boards of directors of each of the Company and Invitrogen will recommend that their stockholders adopt and approve the Merger Agreement and approve the Stock Issuance, as applicable, subject to certain exceptions, in the case of the Company.

The Merger Agreement may be terminated under certain circumstances, including, subject to the terms of the Merger Agreement, if the Company s board of directors determines to accept an unsolicited superior proposal (as that term is defined in the Merger Agreement). The Merger Agreement provides that, if the Merger Agreement is terminated under certain circumstances, the Company or Invitrogen will be required to pay the other a termination fee of $150 million.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached hereto as Exhibit 2.1 and incorporated by reference herein. A copy of the press release announcing the transaction is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The Merger Agreement attached hereto as Exhibit 2.1 provides investors with information regarding its terms and contains representations and warranties of each of the Company and Invitrogen. The assertions embodied in those representations and warranties are qualified by information in a confidential disclosure schedule delivered in connection with the signing of the Merger Agreement. The disclosure schedule contains information that modifies, qualifies, and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders, or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. Investors should read the Merger Agreement together with the other information concerning the Company and Invitrogen that each company publicly files in reports and statements with the United States Securities and Exchange Commission (the SEC).

Item 3.03. Material Modification to Rights of Security Holders.

Pursuant to the Merger Agreement, the Company entered into a Second Amendment to Rights Agreement, dated as of June 11, 2008 (the Amendment), by and between the Company and EquiServe Trust Company, N.A. (as successor to BankBoston, N.A.) to amend certain provisions of the Stockholder Protection Rights Agreement, dated as of April 28, 1999, between the Company and BankBoston, N.A., as amended by the Amendment to Rights Agreement, dated as of April 17, 2002, among the Company, BankBoston, N.A., and EquiServe Trust Company, N.A., relating to rights to purchase the Company s common stock. Under the Amendment, the definition of Exempt Person was amended to include Invitrogen, the definitions of Acquiring Person, Distribution Date, and Stock Acquisition Date were amended to exclude the execution of the Merger Agreement and completion of the Merger, and certain other changes were made.

The foregoing description of the Amendment is qualified in its entirety by reference to the Amendment, a copy of which is attached hereto as Exhibit 4.1 and incorporated by reference herein.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) Pursuant to the transactions contemplated by the Merger Agreement, the Company entered into a Transition Services Agreement, dated as of June 11, 2008 (the Transition Services Agreement), with Tony L. White, the Company s Chairman, President, and Chief Executive Officer. Under the Transition Services Agreement, for a period of five years from the effective time of the Merger (the Service Period), Mr. White has agreed to perform certain consulting services on behalf of the Company. In connection therewith, the Company will provide Mr. White with the services of an administrative assistant and the use of Company office equipment during the Service Period and will reimburse Mr. White for reasonable business expenses. The Company will also reimburse Mr. White for certain financial advisory fees incurred by Mr. White until the first anniversary of the effective time of the Merger.

ADDITIONAL INFORMATION ABOUT THIS TRANSACTION

In connection with the proposed merger, Invitrogen will file with the SEC a Registration Statement on Form S-4 that will include a joint proxy statement of the Company and Invitrogen. The Company and Invitrogen will mail the joint proxy statement to their respective stockholders. Investors and security holders are urged to read the joint proxy statement when it becomes available because it will contain important information. You may obtain a free copy of the joint proxy statement (when available) and other related documents filed with the SEC by the Company and Invitrogen at the SEC s website at www.sec.gov. The joint proxy statement (when it is available) and the other documents may also be obtained for free at the Company s website at http://www.applera.com or at Invitrogen s website at http://www.invitrogen.com.

The Company and Invitrogen and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from stockholders in respect of the transactions contemplated by the Merger Agreement. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of stockholders in connection with the Merger will be set forth in the joint proxy statement when it is filed with the SEC. You can find information about Company s executive officers and directors in the Company s definitive proxy statement filed with the SEC on September 6, 2007. You can find information about Invitrogen s executive officers and directors in its definitive proxy statement filed with the SEC on March 5, 2008. You may obtain free copies of these documents from the Company or Invitrogen, as applicable, by using the contact information above.

FORWARD-LOOKING STATEMENTS

Some statements contained in, or incorporated by reference in, this Current Report on Form 8-K are forward-looking and are subject to a variety of risks and uncertainties. These forward-looking statements may be identified by the use of forward-looking words or phrases such as believe, expect, intend, and anticipate, among others. Such forward-looking statements include statements regarding our decision to enter into an agreement for a sale of the Company, the ability of the Company and Invitrogen to complete the transaction contemplated

by the definitive agreement, including the parties ability to satisfy the conditions set forth in the definitive agreement, and the possibility of any termination of the definitive agreement. The forward-looking statements contained in this report are based on our current expectations, and those made at other times will be based on our expectations when the statements are made. We cannot guarantee that any forward-looking statements will be realized.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause actual results and experience to differ materially from anticipated results or other expectations expressed in forward-looking statements. We also note that achievement of anticipated results or expectations in forward-looking statements is subject to the possibility that assumptions underlying forward-looking statements will prove to be inaccurate. Investors should bear this in mind as they consider forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including required approvals by the stockholders of the Company and Invitrogen, as well as of regulatory agencies, the possibility that the anticipated benefits from the merger cannot be fully realized, the possibility that costs or difficulties related to the integration of the Company s operations and those of Invitrogen will be greater than expected, the impact of competition and other risk factors included in the Company s and Invitrogen s reports filed with the SEC. The risks and uncertainties that may affect the operations, performance, development, and results of our business include, but are not limited to, those described under the heading Risks Factors in our Annual Report on Form 10-K for the fiscal year ended June 30, 2007, as updated by our subsequent Quarterly Reports on Form 10-Q. We note that our business could be affected by other factors that we have not disclosed because we think they are immaterial. Also, there may be additional risks and uncertainties that could affect our businesses but that are not currently known to us. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise.

Item 9.01. Financial Statement and Exhibits.

(d) Exhibits.

The following exhibits are filed with this Report:

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of June 11, 2008, among Invitrogen Corporation, Atom Acquisition, LLC, and Applera Corporation
4.1	Second Amendment to Rights Agreement, dated as of June 11, 2008, by and between the Company and EquiServe Trust Company, N.A.
99.1	Press Release, dated June 12, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APPLERA CORPORATION

By: /s/ Thomas P. Livingston
Thomas P. Livingston
Vice President and Secretary

Date: June 12, 2008

EXHIBIT INDEX

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7

------ Total nonperforming loans $3,501 $3,451 ====== ====== 14 UNITED BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the nine and three months ended September 30, 2007 and 2006 NOTE C - BENEFIT PLANS Pension expense includes the following: THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30, ----------------- ----------------- 2007 2006 2007 2006 ------ ------- ------ ------ (In thousands) Service cost $ 65 $ 56 $ 195 $ 168 Interest cost 46 40 138 120 Expected return on assets (54) (43) (162) (129) Amortization of prior service cost, transition liability and plan amendment 15 7 45 21 ---- ---- ----- ----- Pension expense $ 72 $ 60 $ 216 $ 180 ==== ==== ===== ===== NOTE D - OFF-BALANCE SHEET ACTIVITIES Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contracts are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. A summary of the notional or contractual amounts of financial instruments with off-balance sheet risk at the indicated dates is as follows: SEPTEMBER 30, DECEMBER 31, 2007 2006 ------------- ------------ (Unaudited) (In thousands) Commitments to extend credit $31,666 $33,429 Credit card and ready reserve lines 12,675 12,666 Standby letters of credit 565 707 15 UNITED BANCORP, INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The following discusses the financial condition of the Company as of September 30, 2007, as compared to December 31, 2006, and the results of operations for the nine and three months ended September 30, 2007, compared to the same periods in 2006. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein. FORWARD-LOOKING STATEMENTS When used in this document, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Banks' market areas, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Banks' market areas and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any statements expressed with respect to future periods. The Company does not undertake, and specifically disclaims any obligation, to publicly revise any forward-looking statements to reflect events or circumstances after the date such statements were made or to reflect the occurrence of anticipated or unanticipated events. CRITICAL ACCOUNTING POLICIES Management makes

certain judgments that affect the amounts reported in the financial statements and footnotes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements, and as this information changes, the financial statements could reflect different estimates, assumptions, and judgment. The procedures for assessing the adequacy of the allowance for loan losses reflect our evaluation of credit risk after careful consideration of all information available to management. In developing this assessment, management must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown such as economic factors, development affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses. The allowance is regularly reviewed by management and the board of directors to determine whether the amount is considered adequate to absorb probable losses. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based on the size, quality and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower's ability to repay and current economic and industry conditions. Also considered as part of that judgment is a review of the Bank's trends in delinquencies and loan losses, and economic factors. 16 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) CRITICAL ACCOUNTING POLICIES (continued) The allowance for loan losses is maintained at a level believed adequate by management to absorb probable loan losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance is an estimate based on management's current judgment about the credit quality of the loan portfolio. While the Company strives to reflect all known risk factors in its evaluation, judgment errors may occur. ANALYSIS OF FINANCIAL CONDITION Earning Assets - Loans At September 30, 2007, gross loans were $227.3 million, compared to $231.5 million at December 31, 2006, a decrease of $4.2 million, or 1.8%. The decrease in total outstanding loans was the result of a decrease in the commercial portfolio. Management attributes the decrease in loans to the sluggish loan demand in the markets served. Installment loans represented 18.0% of total loans at both September 30, 2007 and December 31, 2006. This indirect lending type of financing carries somewhat more risk than real estate lending; however, it also provides for higher yields. The targeted lending areas encompass four metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's 17 branch locations. Commercial and commercial real estate loans comprised 56.9% of total loans at September 30, 2007 compared to 57.6% at December 31, 2006. Commercial and commercial real estate loans have decreased $4.1 million, or 3.1% since December 31, 2006. The Company has originated and purchased participations in loans from other banks for out-of-area commercial and commercial real estate loans to benefit from consistent economic growth outside the Company's primary market area. Real estate loans were 25.0% of total loans at September 30, 2007 and 24.3% at December 31, 2006. Real estate loans decreased by 1.2%, or $694 thousand, since December 31, 2006. Real estate lending for the nine months of 2007 has been extremely slow with respect to the Company's adjustable-rate mortgage products. As of September 30, 2007, the Banks have approximately $36.6 million in fixed-rate loans that they service for a fee that is typically 25 basis points. The Company did not hold any loans for sale at September 30, 2007 and December 31, 2006. The allowance for loan losses represents the amount which management and the Board of Directors estimates is adequate to provide for probable losses inherent in the loan portfolio. The allowance balance and the provision charged to expense are reviewed by management and the Board of Directors monthly using a risk evaluation model that considers borrowers' past due experience, economic conditions and various other circumstances that are subject to change over time. Management believes the current balance of the allowance for loan losses is adequate to absorb probable incurred credit losses associated with the loan portfolio. Net charge-offs for the nine months ended September 30, 2007 were approximately $784,000 or 33.5%, of the beginning balance in the allowance for loan losses. 17 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) ANALYSIS OF FINANCIAL CONDITION (CONTINUED) Earning Assets - Securities and Federal Funds Sold The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of states and political subdivisions and certain other investments. The Company does not hold any collateralized mortgage-backed securities other than those issued by U.S. government agencies, or derivative securities. The quality rating of obligations of state and political subdivisions within Ohio is no less than Aaa, Aa or A, with all out-of-state bonds rated at AAA. Board policy permits the purchase of certain non-rated bonds of local

schools, townships and municipalities, based on their estimated levels of credit risk. Securities available for sale at September 30, 2007 increased approximately $25.6 million, or 19.1%, from December 31, 2006 totals. This growth partially reflects deployment of the Company's increased deposits. Securities held to maturity at September 30, 2007, decreased approximately $1.1 million, or 6.4% compared to December 31, 2006 totals. Sources of Funds - Deposits The Company's primary source of funds is core deposits from retail and business customers. These core deposits include all categories of interest-bearing and noninterest-bearing deposits, excluding certificates of deposit greater than $100,000. For the nine-month period ended September 30, 2007, total core deposits increased approximately $22.4 million, or 7.9%. The Company's interest-bearing demand deposits increased $28.4 million, or 28.3%, noninterest-bearing demand deposits decreased $1.3 million, or 5.6% while certificates of deposit under $100,000 decreased by $2.3 million, or 1.8%. As part of a strategic focus to grow deposits, the Banks have introduced premium rate money market index accounts. The Company has a strong deposit base from public agencies, including local school districts, city and township municipalities, public works facilities and others that may tend to be more seasonal in nature resulting from the receipt and disbursement of state and federal grants. These entities have maintained fairly static balances with the Company due to various funding and disbursement timeframes. Certificates of deposit greater than $100,000 are not considered part of core deposits and as such are used to balance rate sensitivity as a tool of funds management. At September 30, 2007, certificates of deposit greater than $100,000 decreased $2.7 million, or 6.0%, from December 31, 2006 totals. Sources of Funds - Securities Sold under Agreements to Repurchase and Other Borrowings Other interest-bearing liabilities include securities sold under agreements to repurchase, sweep accounts, federal funds purchased, Treasury, Tax and Loan notes payable and Federal Home Loan Bank ("FHLB") advances. In the first nine months of 2007, the Company continued to utilize the FHLB programs to manage interest rate risk and liquidity positions. The majority of the Company's repurchase agreements are with local school districts and city and county governments. As a result of the Company's growth in deposits in 2007, total borrowings, including federal funds purchased, decreased approximately $3.0 million, or 6.8% from December 31, 2006 totals. 18 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 Net Income Basic and diluted earnings per share for the nine months ended September 30, 2007 totaled $0.41, compared with $0.30, for the nine months ended September 30, 2006, an increase of 36.7%. In the aggregate, the Company's net income increased by $482,000, or 34.6%, for the nine months ended September 30, 2007, compared to the same period in 2006. Net Interest Income Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income decreased 6.6%, or $627,000, for the nine months ended September 30, 2007, compared to the same period in 2006, due to continued downward pressure on the net interest margin caused by a continuation of the flat yield curve environment. Total interest income for the nine months ended September 30, 2007, was $19.7 million compared to $18.9 million for the same period in 2006, an increase of $891,000, or 4.7%. The increase can be attributed to the overall growth of the Company's earning assets. Total interest expense for the nine months ended September 30, 2007 when compared to the same nine-month period ended September 30, 2006, increased by 16.2%, or $1.5 million. The Company has experienced an increase in interest expense due to growth in interest-bearing liabilities, as well as the effect of a higher interest rate environment in 2007 as compared to 2006. Also contributing to higher interest expense is the higher costs of the Company's certificates of deposit. As the current certificate of deposit portfolio matures, they are replaced with higher costing certificates. Provision for Loan Losses The provision for loan losses was $657,000 for the nine months ended September 30, 2007 compared to $1.1 million for the same period in 2006. The decrease in the provision for loan losses for the nine month period ended September 30, 2007 is primarily a result of a higher level of provision booked in September 2006 related to loans that were charged-off without specific loss allocations. Noninterest Income Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sale of secondary market loans, ATM income, early redemption penalties for certificates of deposit, safe deposit rental income, internet bank service fees, earnings on bank-owned life insurance and other miscellaneous items. Noninterest income for the nine months ended September 30, 2007 was $2.2 million compared to $1.6 million for the nine-month period ended September 30, 2006, an increase of $645,000, or 40.5%. During the nine-months ended September 30, 2007, the increase in noninterest income was primarily driven by

increase of $312,000 related to service charges on deposit accounts. 19 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (CONTINUED) Noninterest Expense Noninterest expense for the nine months ended September 30, 2007 decreased $161,000, or 1.9%, from the nine months ended September 30, 2006. Occupancy expense decreased $107,000, mainly due to the additional charge of $90,000 taken in 2006 to improve the profitability and customer service related to the Company's ATM and credit card platforms. Other noninterest expenses decreased $264,000, which included decreases in data communication expenses, merchant interchange and expenses related to other real estate owned. RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 Net Income Basic and diluted earnings per share for the three months ended September 30, 2007 totaled $0.09, compared with $0.09 for the three months ended September 30, 2006. In dollars, the Company's net income decreased by $11,000 for the three months ended September 30, 2007, compared to the same quarter in 2006. Refer to "Net Income" discussion for Nine Months Ended September 30, 2007 for further information. Net Interest Income Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income decreased 9.5%, or $301,000, for the three months ended September 30, 2007, compared to the same period in 2006, due to continued downward pressure on the net interest margin due to a continuation of the flat yield curve environment. Total interest income for the three months ended September 30, 2007, was $6.7 million compared to $6.6 million for the same period in 2006, an increase of $121,000, or 1.8%. Total interest expense for the three months ended September 30, 2007, when compared to the same three-month period ended September 30, 2006, increased by 12.5%, or $422,000. The Company has experienced an increase in interest expense due to growth in interest-bearing liabilities and an increase in the cost of funds year-to-year. Provision for Loan Losses The provision for loan losses was $283,000 for the three months ended September 30, 2007 compared to $652,000 for the same period in 2006. The decrease in loan loss provision for the three month period ended September 30, 2007 is primarily a result of a higher level of provision for loan losses booked in September of 2006 related to loans that were charged-off without specific loss allocations. 20 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (CONTINUED) Net Interest Income (continued) Noninterest Income Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sale of secondary market loans, ATM income, early redemption penalties for certificates of deposit, safe deposit rental income, internet bank service fees, earnings on bank-owned life insurance and other miscellaneous items. Noninterest income for the three months ended September 30, 2007 was $785,000 compared to $699,000 for the same three-month period ended September 30, 2006, an increase of approximately $86,000, or 12.3%. During the three-months ended September 30, 2007, the increase in noninterest income was primarily driven by increase of $131,000 related to service charges on deposit accounts. Noninterest Expense Noninterest expense for the three months ended September 30, 2007, increased $232,000, or 8.4%, from the three months ended September 30, 2006. Salaries and employee benefits increased $262,000 due to merger related expenses for severance payments and duplication of personnel related to the July 1, 2007 consolidation of bank charters. 21 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) CAPITAL RESOURCES Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Shareholders' equity at September 30, 2007, totaled $32.1 million compared to $32.6 million at December 31, 2006, a $464,000 decrease. Total shareholders' equity in relation to total assets was 7.3% at September 30, 2007 and 7.7% at December 31, 2006. In 2001, our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date. The Company has a Dividend Reinvestment Plan ("The Plan") for shareholders under which the Company's common stock

will be purchased by the Plan for participants with automatically reinvested dividends. The Plan does not represent a change in the Company's dividend policy or a guarantee of future dividends. The Company is subject to the regulatory requirements of The Federal Reserve System as a bank holding company. The Bank is subject to regulations of the Federal Deposit Insurance Corporation (FDIC) and the State of Ohio, Division of Financial Institutions. The most important of these various regulations address capital adequacy. The minimums related to such capital requirements are: TOTAL TIER 1 TIER 1 CAPITAL TO CAPITAL TO CAPITAL TO RISK-WEIGHTED RISK-WEIGHTED AVERAGE ASSETS ASSETS ASSETS ------------ ------------ ---------- Well capitalized 10.00% 6.00% 5.00% Adequately capitalized 8.00% 4.00% 4.00% Undercapitalized 6.00% 3.00% 3.00% The following table illustrates the Company's well-capitalized classification at September 30, 2007 SEPTEMBER 30, 2007 ---------------------- (Unaudited) (Dollars in thousands) Tier 1 capital $ 35,506 Total risk-based capital 37,733 Risk-weighted assets 262,806 Average total assets 457,733 Total risk-based capital ratio 14.36% Tier 1 risk-based capital ratio 13.51% Tier 1 capital to average assets 7.76% 22 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) LIQUIDITY Management's objective in managing liquidity is maintaining the ability to continue meeting the cash flow needs of its customers, such as borrowings or deposit withdrawals, as well as its own financial commitments. The principal sources of liquidity are net earnings, loan payments, maturing securities and sales of securities available for sale, federal funds sold and cash and deposits with banks. Along with its liquid assets, the Company has additional sources of liquidity available to ensure that adequate funds are available as needed. These include, but are not limited to, the purchase of federal funds, the ability to borrow funds under line of credit agreements with correspondent banks, a borrowing agreement with the Federal Home Loan Bank of Cincinnati and the adjustment of interest rates to obtain depositors. Management feels that it has the capital adequacy and profitability to meet the current and projected liquidity needs of its customers. INFLATION Substantially all of the Company's assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with generally accepted accounting principles of the United States of America ("GAAP"). GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, with the exception of securities available for sale, impaired loans and other real estate loans that are measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss. Management's opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do affect each other, but do not always move in correlation with each other. The Company's ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company's performance. ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK There has been no significant change from disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. ITEM 4. CONTROLS AND PROCEDURES The Company, under the supervision, and with the participation, of its management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the requirements of Exchange Act Rule 13a-15e. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2007 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. There was no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. 23 UNITED BANCORP, INC. PART II - OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS None, other than ordinary routine litigation incidental to the Company's business. ITEM 1A. RISK FACTORS There have been no material changes from risk factors as previously disclosed in Part 1 Item 1A of the Company's for 10K for the year ended December 31, 2006, filed on March 30, 2007. ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS ISSUER PURCHASES OF EQUITY SECURITIES (c) (d) Total Number of Maximum Number or Shares (or Units) Approximate Dollar (a) Purchased as Part Value) of Shares (or Total Number of (b) Of Publicly Units) that May Yet Be Shares (or Units) Average Price Paid Announced Plans Purchased Under the Plans Period Purchased Per Share (or Unit) Or Programs or Programs ------ ---------------- ------------------ -----------------

------------------------ Month #1 7/1/2007 to 7/30/2007 6,813 $10.49 6,813 $1,358,816 Month #2 8/1/2007 to 8/31/2007 3,135 $10.47 3,135 $1,325,993 Month #3 9/1/2007 to 9/30/2007 2,411 $10.45 2,411 $1,300,677 United Bancorp maintains a stock repurchase program publicly announced by a press release issued on November 21, 2006, under which its Board of Directors authorized management to cause the Company to purchase up to $2 million of its common shares over a two-year period. Such authorization will expire on November 21, 2008. The Company adopted the United Bancorp, Inc. Affiliate Banks Directors and Officers Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation plan. Amounts deferred pursuant to the Plan remain unrestricted assets of the Company, and the right to participate in the Plan is limited to members of the Board of Directors and certain senior executive officers. Under the Plan, eligible participants may defer fees payable to them by the Company, which fees are used to acquire common shares which are credited to a participant's respective account. Except in the event of certain emergencies, no distributions are to be made from any account as long as the participant continues to be an employee or member of the Board of Directors. Upon termination of service, the aggregate number of shares credited to the participant's account are distributed to him or her along with any cash proceeds credited to the account which have not yet been invested in the Company's stock. There were no purchases during the quarter ended September 30, 2007. No underwriting fees, discounts, or commissions are paid in connection with the Plan. The shares allocated to participant accounts have not been registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof. ITEM 3. DEFAULTS UPON SENIOR SECURITIES Not applicable. 24 UNITED BANCORP, INC. PART II - OTHER INFORMATION (CONTINUED) ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS None ITEM 5. OTHER INFORMATION None. ITEM 6. EXHIBITS Exhibit No. ----------- 3.1 Amended Articles of Incorporation of United Bancorp, Inc.(1) 3.2 Amended Code of Regulations of United Bancorp, Inc.(2) 4.0 Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2) 31.1 Rule 13a-14(a) Certification - CEO 31.2 Rule 13a-14(a) Certification - CFO 32.1 Section 1350 Certification - CEO 32.2 Section 1350 Certification - CFO (1) Incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. (2) Incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. 25 UNITED BANCORP, INC. SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. /s/United Bancorp, Inc. Date: November 14, 2007 By: /s/ James W. Everson ----------------------------------- James W. Everson Chairman, President & Chief Executive Officer Date: November 14, 2007 By: /s/ Randall M. Greenwood ----------------------------------- Randall M. Greenwood Senior Vice President, Chief Financial Officer and Treasurer 26 EXHIBIT INDEX Exhibit No. Description ----------- ----------- 3.1 Amended Articles of Incorporation of United Bancorp, Inc. incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. 3.2 Amended Code of Regulations of United Bancorp, Inc. incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. 4.0 Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2) 31.1 Rule 13a-14(a) Certification - Principal Executive Officer 31.2 Rule 13a-14(a) Certification - Principal Financial Officer 32.1 Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley act of 2002. 32.2 Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.