

UNITED BANCORPORATION OF ALABAMA INC

Form DEF 14A

April 12, 2004

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For use of Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

United Bancorporation of Alabama, Inc.
(Name of Registrant as Specified In Its Charter)

United Bancorporation of Alabama, Inc. [Board of Directors]
(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
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 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the Filing Fee is calculated and state how it was determined):
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 - 3) Filing Party:
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UNITED BANCORPORATION OF ALABAMA, INC.

**200 East Nashville Avenue
Atmore, Alabama**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 5, 2004

NOTICE IS HEREBY GIVEN, that pursuant to call of its Board of Directors, the Annual Meeting of Stockholders (the Meeting) of United Bancorporation of Alabama, Inc. (the Corporation), Atmore, Alabama, will be held at the corporate offices of United Bank, 200 East Nashville Avenue, Atmore, Alabama, on Wednesday, May 5, 2004, at 3:00 p.m., local time, for the purpose of considering and voting upon the following matters:

1. Election of two persons as directors, each of whom is nominated to serve until the 2007 Annual Meeting of Stockholders and until his successor is elected and qualified.
2. Transaction of such business as may come properly before the Meeting or any adjournments thereof. You are cordially invited to attend the Meeting, and we hope you will attend.

WHETHER OR NOT YOU PLAN TO ATTEND, PLEASE SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING.

Stockholders of record on March 31, 2004 are entitled to receive notice of and to vote at the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ H. Leon Esneul

H. Leon Esneul
Chairman of the Board

**Atmore, Alabama
April 9, 2004**

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UNITED BANCORPORATION OF ALABAMA, INC.

PROXY STATEMENT

**for
ANNUAL MEETING OF STOCKHOLDERS
to be held on
May 5, 2004**

INTRODUCTION

This Proxy Statement is furnished to the stockholders of United Bancorporation of Alabama, Inc. (the Corporation) in connection with the solicitation of proxies by the Corporation's Board of Directors for use at the Annual Meeting of Stockholders of the Corporation to be held on May 5, 2004, at 3:00 p.m., local time, and at any adjournments thereof (the Meeting).

The matters to be considered at the Meeting include: (1) the election of two directors, each of whom is nominated to serve until the 2007 Annual Meeting of Stockholders, each to serve until his successor is elected and qualified; and (2) the transaction of such other business as may come properly before the Meeting.

The Corporation's executive offices are located at 200 East Nashville Avenue, Atmore, Alabama 36502. This Proxy Statement is dated April 9, 2004 and, together with a copy of the Corporation's 2003 Annual Report, is being mailed to stockholders of the Corporation on or about April 12, 2004.

VOTING SECURITIES

As of March 31, 2004, the Corporation's only outstanding voting security was its Class A Stock, of which 1,107,383 shares (excluding treasury shares) were issued, outstanding, and entitled to vote. Those shares were held by approximately 653 stockholders of record. Stockholders of record on March 31, 2004 are entitled to receive notice of and to vote at the Meeting.

Notwithstanding that date, the Corporation's stock transfer books will not be closed, and stock may be transferred after the record date, although only stockholders of record as of the record date may vote at the Meeting.

The directors, nominees for election as directors, and executive officers of the Corporation as a group number nine persons and, as of March 31, 2004, beneficially owned 147,260 shares of Class A Stock, 13.3% of the total shares of such stock outstanding. See **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.**

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The representation in person or by proxy of at least a majority of the outstanding Class A Stock entitled to vote at the Meeting is necessary to constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the Meeting. A non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a proposal because the nominee does not have discretionary voting power with respect to the proposal and has not received instructions from the beneficial owner.

The election of directors requires an affirmative vote of a plurality of the shares present in person or represented by proxy at the Meeting. The nominees receiving the highest number of affirmative votes of such shares will be elected as directors. Accordingly, abstentions and broker non-votes will have no effect on the outcome of the vote for directors. Although the Corporation is not presently aware of any other matter to be acted upon at the Meeting, any other matters that may be considered and acted upon by the stockholders at the Meeting would require approval by the affirmative vote of at least a majority of the shares entitled to vote and represented at the Meeting either in person or by proxy. Abstentions would be treated as votes cast with respect to any such matter and therefore will have the same effect as a vote against such matters. Broker non-votes will not be counted as votes cast with respect to such matter and therefore would have no effect on the outcome of the votes.

PROXIES

If the enclosed Proxy is executed and returned, it may be revoked at any time before it has been exercised; if it is not revoked, the shares represented thereby will be voted by the persons designated in such Proxy in accordance with the instructions therein. **In the absence of instructions, the Proxy will be voted FOR election of each of the director nominees described in this Proxy Statement, and with discretionary authority on all other matters that may come properly before the Meeting.**

ELECTION OF DIRECTORS

The following table sets forth the name of each nominee and each director of the Corporation continuing in office after the Meeting, a description of his or her position and offices, if any, with the Corporation and its subsidiaries, a brief description of his or her principal occupation during at least the last five years, and certain other information, including his or her age. Each such director and each nominee is a director of the Corporation's wholly-owned subsidiary, United Bank (United Bank the Bank).

| Name and Age | Director Since | Date Term As Director Expires | Principal Occupation During Past Five Years |
|---------------------|-----------------------|--------------------------------------|-------------------------------------------------------------------------------------------|
| Dale M. Ash (44) | 2002 | May 2005 | Controller of Pepsi-Cola Bottling Company of Atmore and of South Alabama Vending Company. |

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| | | | |
|---------------------------|------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| L. Walter Crim (58) | 1997 | May 2006 | Owner, Central Farm Supply. |
| H. Leon Esneul (68) | 1993 | May 2006 | Chairman of the Board of the Corporation; pecan grower, managing partner of the Doris Company Limited Partnership. |
| Michael R. Andreoli (42) | * | ** | Stockholder and Vice President, Robertson, Andreoli & Covington, P.C., certified public accountants; General Partner, Alcon Properties. |
| Robert R. Jones, III (52) | 1992 | May 2005 | President of the Corporation since May, 1993; President and Chief Executive Officer of United Bank since July, 1992. |
| William J. Justice (64) | 1991 | May 2006 | Vice Chairman of the Board of the Corporation; Vice Chairman of the Board of United Bank; Pharmacist, President and Chief Executive Officer, Greenlawn Pharmacy. |
| David D. Swift (53) | 1995 | May 2004** | Secretary of the Board of the Corporation; Chairman of the Board of United Bank; Vice President, Swift Lumber, Inc.; President, Swift Supply, Inc.; Partner, Palustris Products, Ltd. |

* first-time nominee

** nominee for election for a term expiring at the 2007 Annual Meeting of Stockholders

The Bank is a wholly owned subsidiary of the Corporation. None of the other entities listed under the column Principal Occupation During Past Five Years above is affiliated with the Corporation.

Each director of the Corporation continuing in office after the Meeting attended at least 75% of the meetings of the Corporation's Board of Directors and its committees held during 2003 while he or she served as a director. The Corporation's Board of Directors held nine meetings in 2003.

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The Corporation does not have a standing nominating committee, and all director nominations are considered by the Board of Directors as a whole, with each director participating in consideration of director nominees. The Board of Directors has not adopted a nominating committee charter. Certain members of the Board are not independent directors as defined by NASD rules as described under **AUDIT COMMITTEE REPORT** below; as an employee of the Corporation's subsidiary, United Bank, Mr. Jones is also not an independent director. The other members of the Board of Directors are independent directors as so defined.

The goal of the Board of Directors has been, and continues to be, to identify nominees for service on the Board of Directors who will bring a variety of perspectives and skills from their respective professional and business experiences, particularly in the communities served by the Bank. Experience as a director of the Bank is generally considered a strong positive factor in evaluating nominees. Depending upon the needs of the Board of Directors and the Corporation from time to time, certain of the factors described below may be weighed more or less heavily in evaluating potential nominees. There are no specific, minimum qualifications, qualities or skills that must be met by potential nominees.

The Board of Directors identifies nominees by first considering on an informal basis the current members of the Board of Directors. Current members of the Board of Directors are considered for re-nomination, with strong consideration generally given to the value of continuity of service by existing members of the Board of Directors. If a vacancy on the Board of Directors occurs due to a director's decision not to stand for re-election or for any other reason, the Board of Directors will then determine if there is a need to fill the vacancy or reduce the number of directors serving on the Board of Directors, in accordance with the Corporation's Bylaws and Certificate of Incorporation. If the Board of Directors determines a need to fill a vacancy, current members of the Board of Directors are polled for suggestions as to individuals meeting desired criteria, and research may also be performed to identify qualified individuals. To date, the Board of Directors has not formally engaged third parties to assist in identifying or evaluating potential nominees, although the Board of Directors may do so in the future.

Historically, the Corporation has not had a formal policy concerning stockholder recommendations for nominees, and the Board of Directors does not feel that such a formal policy is warranted at this time based on what it believes to be satisfactory experience to date in identifying director nominees without such a policy. However, a reasonable stockholder recommendation will be considered, in light of the particular needs of the Corporation and using the procedures set forth above if the Board is seeking to fill a vacancy. Except in extraordinary circumstances, the Board of Directors does not anticipate increasing the number of directors to allow nomination by the Board of Directors of a stockholder-recommended nominee. Any such recommendation should be communicated to the Board of Directors as described below. Although it does not presently anticipate doing so, the Board of Directors may reconsider adoption of a formal policy for stockholder recommendations for director nominees at such time as it believes that the Corporation's circumstances warrant such consideration.

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The Corporation has not instituted to date a formal process by which stockholders may communicate directly with directors. However, informal processes exist by which communications sent to the Board of Directors or in care of an officer or other representative of the Corporation are forwarded to the Chief Executive Officer, who is also a director. The Board of Directors believes this process has adequately served the needs of the Board of Directors and the Corporation's stockholders. Until some other procedure is disclosed to the Corporation's stockholders, stockholders may direct communications intended for the Board of Directors to the Stockholder Relations Department, at the address set forth under **ANNUAL REPORT ON FORM 10-K** below. The envelope containing such communication must contain a clear notation indicating that the enclosed letter is a Stockholder-Board Communication or Stockholder-Director Communication or similar statement that clearly indicates the communication is intended for the Board of Directors. All such communications must clearly indicate that the author is a stockholder of the Corporation and state whether the intended recipients are all members of the Board of Directors or certain specified directors. Copies of such communications and will be circulated to the Chief Executive Officer and the appropriate director or directors.

The Corporation's Board of Directors has established an Audit Committee. See **AUDIT COMMITTEE REPORT** below. In addition, the Board of Directors of United Bank has established audit and compensation committees. The Corporation's Board of Directors has also appointed four directors who are not employees of the Corporation or the Bank to serve on the Stock Option Committee of the Board, which committee acts as Administrator of the United Bancorporation of Alabama, Inc. 1998 Stock Option Plan (the Stock Option Plan) and as Administrator of the 1999 Employee Stock Purchase Plan of United Bancorporation of Alabama, Inc.

It is intended that, unless Withhold Authority is noted, proxies in the accompanying form will be voted at the Meeting for the election to the Board of Directors of David D. Swift and Michael R. Andreoli to serve until the 2007 Annual Meeting of Stockholders and until their respective successors are elected and qualified. Mr. Swift is a member of the Board of Directors, and Mr. Andreoli is a first-time nominee who has been a director of the Bank since 2001. If any nominee is not a candidate when the election occurs (which is not anticipated to be the case), it is intended that the proxies may be voted, unless authorization is withheld, for any substitute nominee or nominees recommended by the Board of Directors. The Board of Directors has no reason to believe that any nominee will be unable to serve as a director if elected.

No fees are paid to directors of the Corporation for their services as such. Since all of the Corporation's directors also serve as directors of United Bank, they are primarily compensated for their services to United Bank. See **EXECUTIVE COMPENSATION** below for information regarding compensation paid to executive officers of the Corporation.

During 2003 all current directors of the Corporation also served as directors of United Bank. Each director of United Bank received a standard annual fee for such service of \$3,500 (\$4,700 for United Bank Board Chairman David D. Swift); \$100 for each Board Meeting of United Bank attended; and \$50 for each additional committee meeting attended, with a maximum of \$50 per day for additional meetings. In 2003, United Bank's Board of Directors held a total of 13 meetings.

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In connection with the Corporation's adoption of the Stock Option Plan in 1998, each director of the Corporation was granted nonstatutory stock options to purchase 2,000 shares of Class A Stock at an exercise price of \$16 per share (the number of shares and exercise price having been adjusted in accordance with the Stock Option Plan to account for the 2-for-1 split of Class A Stock in May 1999), with two-fifths of such options being immediately exercisable and additional one-fifth increments becoming exercisable in December of 1999 through 2001, respectively. In connection with her election to the Board of the Corporation, in December 2002 Mrs. Ash was granted nonstatutory stock options to purchase 1,000 shares of Class A Stock at an exercise price of \$31.50 per share, with one-fifth of such options being immediately exercisable and additional one-fifth increments becoming exercisable in December of 2003 through 2006, respectively.

**THE BOARD OF DIRECTORS OF THE CORPORATION RECOMMENDS
A VOTE FOR ELECTION OF THE NOMINEES LISTED ABOVE.**

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The table below sets forth, as of March 31, 2004, the number of shares of the Corporation's Class A Stock held by each person who owns of record or, to the knowledge of the Corporation, may be deemed to own beneficially, more than 5% of the outstanding shares of such Stock.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---------------------------------------------------------------------|----------------------------------------------------|------------------------|
| Kent D. Sherrill 7861 Arthur Brown Road Walnut Hill, FL 32568 | 55,724 ⁽¹⁾ | 5.0% |

(1) Includes 810 shares owned by his wife; 6,504 shares owned jointly by his wife and their children; 35,178 shares owned by other family members over which Mr. Sherrill has voting and dispositive power; and 2,800 shares managed by a trust for himself and other family members over which Mr. Sherrill has voting and dispositive power. The foregoing is based on information provided to the Corporation by Mr. Sherrill.

The table below sets forth, as of March 31, 2004, the number of shares of Class A Stock beneficially owned by each director and nominee and by all executive officers and directors as a group.

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| Name | Amount and Nature of Beneficial Ownership | Percentage of Outstanding Class A Stock |
|-------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------------|
| Michael R. Andreoli | 1,776 ⁽¹⁾ | * |
| Dale M. Ash | 7,013 ⁽²⁾ | * |
| L. Walter Crim | 5,943 ⁽³⁾ | * |
| H. Leon Esneul | 51,228 ⁽⁴⁾ | 4.6% |
| Robert R. Jones, III | 43,365 ⁽⁵⁾ | 3.9% |
| William J. Justice | 3,839 ⁽⁶⁾ | 1.3% |
| David D. Swift | 19,948 ⁽⁷⁾ | 1.8% |
| All executive officers and directors as a group (9 persons) | 147,260 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ | 13.3% |

* less than 1%

- (1) Includes 602 shares owned jointly with his wife; 74 shares owned jointly with his children; 700 shares owned in his Individual Retirement Account; and 400 shares which may be acquired within 60 days upon exercise of options.
- (2) Includes 1,176 shares owned jointly with her children and 400 shares, which may be acquired within 60 days upon exercise of options.
- (3) Includes 1,591 shares owned jointly with his children.
- (4) Includes 49,228 shares owned by The Doris Company Limited Partnership.
- (5) Includes 4,374 shares owned jointly with his wife; 141 shares owned jointly with his son; 1,673 shares owned by United Bank in his Individual Retirement Account; 1,132 shares owned by United Bank in an Individual Retirement Account for his wife; 141 shares owned jointly by his wife and his daughter; and 15,504 shares which may be acquired within 60 days upon exercise of options.
- (6) Includes 7,268 shares owned jointly with his wife; 2,216 shares owned by his wife, as to which shares Mr. Justice disclaims beneficial ownership; 225 shares owned by Mr. Justice for his granddaughter, as to which shares Mr. Justice disclaims beneficial ownership.
- (7) Includes 3,650 shares owned by his wife, 232 shares held by his wife as trustee, as to all of which shares Mr. Swift disclaims beneficial ownership, and 800 shares which may be acquired within 60 days upon exercise of options.

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The following table lists the executive officers of the Corporation and the respective positions held by them in the Corporation. Each is a director of the Corporation, except for Mitchell D. Staples and Jamie M. Lipham, and information regarding their other business experience during the past five years and certain other information is set forth under the caption **ELECTION OF DIRECTORS** above. Mr. Staples, age 42, has been the Controller and Cashier, and now is Senior Vice President and Chief Financial Officer, of United Bank from October 1992 to present. Mr. Lipham, age 37, has been Senior Vice President, Retail Banking and now is Executive Vice President, of United Bank from March 2002 to present. Mr. Lipham served as Branch Administrator with a large holding company bank from May 1995 to February 2000 and as Senior Commercial Lender for a Georgia based community bank from February 2000 to February 2002.

| Name | Position |
|----------------------|----------------------------|
| Robert R. Jones, III | President |
| H. Leon Esneul | Chairman of the Board |
| William J. Justice | Vice Chairman of the Board |
| Jamie M. Lipham | Vice President |
| David D. Swift | Secretary |
| Mitchell D. Staples | Treasurer |

The executive officers of the Corporation are elected annually at the organizational meeting of the Board of Directors, which follows the annual meeting of stockholders, to serve until the organizational meeting in the subsequent year. Except as described under *Agreements with Mr. Jones* below, there are no known arrangements or understandings between any executive officers and any other person pursuant to which any of the above-named persons was selected as an officer.

EXECUTIVE COMPENSATION

Officers of the Corporation, and directors who also serve as directors or officers of United Bank, are remunerated by United Bank. The following Summary Compensation Table sets forth certain information concerning compensation to the executive officers of the Corporation who received total annual salary and bonus for 2003 exceeding \$100,000.

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| Name and Principal Position | Year | Annual Compensation | | Long Term Compensation Awards | All Other Compensation (\$) |
|--------------------------------------|---------------------|---------------------|------------|-----------------------------------|-----------------------------|
| | | Salary (\$) | Bonus (\$) | Securities Underlying Options (#) | |
| Robert R. Jones, III | 2003 | 175,000 | 24,173 | -0- | 93,596 ⁽¹⁾ |
| President of the Corporation | 2002 | 170,000 | 24,657 | 4,080 | 85,570 ⁽¹⁾ |
| President of the Bank | 2001 | 149,000 | 44,715 | 4,080 | 77,804 ⁽¹⁾ |
| Jamie M. Lipham | 2003 | 112,455 | 6,947 | -0- | 4,508 ⁽³⁾ |
| Vice President of the Corporation | 2002 ⁽²⁾ | 80,769 | 3,000 | 5,000 | -0- |
| Executive Vice President of the Bank | | | | | |

(1) Includes \$25,212 paid on a life insurance contract owned by Mr. Jones and related tax benefits pursuant to the 1993 Agreement described below in each of 2002 and 2001, and \$27,082 paid in 2003 for such purposes pursuant to the 2001 Agreement described below: \$608, \$608 and \$561 premium reimbursed by United Bank on a long-term disability insurance policy for Mr. Jones in each of 2003, 2002 and 2001, respectively; \$1,246, \$1,118 and \$738 contributed by United Bank for the account of Mr. Jones pursuant to United Bank's 401(k) Employee Incentive Savings Plan (the 401(k) Plan) in 2003, 2002 and 2001, respectively; \$6,600, \$9,400 and \$5,850 in fees for attendance at meetings of United Bank's Board of Directors in 2003, 2002 and 2001, respectively; \$40,093 accrued in 2003 to provide for certain post-employment benefits pursuant to the 2001 Agreement described below; and \$5,154, \$7,269 and \$6,733 in profit-sharing payments made in 2003, 2002 and 2001 for services in 2002, 2001 and 2000.

(2) Mr. Lipham joined United Bank in March 2002.

(3) Includes \$1,484 contributed by United Bank for the account of Mr. Lipham pursuant to the 401(k) Plan in 2003; and \$3,024 in profit-sharing payments made in 2003 for services in 2002.

Agreements with Mr. Jones. The Bank and Mr. Jones entered into an Executive Compensation Agreement as of May 28, 1993 (the 1993 Agreement) which provides for certain deferred compensation benefits, amounts of which paid for 2002 and 2001 are described under All Other Compensation in the Summary Compensation Table above. The 1993 Agreement was replaced in 2001 by the Supplemental Compensation and Amendment Agreement discussed below (the 2001 Agreement).

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Following discussions in the latter part of 1997, the Bank entered into an Employee Agreement with Mr. Jones dated as of January 1, 1998 (the Agreement). Pursuant to the Agreement, Mr. Jones has agreed to provide full-time professional services to the Bank in the capacity of President and CEO of the Bank, to the exclusion of other businesses or activities. The Agreement was for an initial term from January 1, 1998 through December 31, 2001, and unless terminated will automatically renew on January 1 of each year for a three-year term. The Agreement provides for a specified annual salary, together with performance-based cash incentive compensation (Bonus) determined by the Board of the Bank at the time of its annual review of Mr. Jones performance. The Bonus under the Agreement is calculated as a percentage of Mr. Jones salary, ranging from zero to 45%, based on attainment of certain net income levels by the Bank. Salary and Bonus paid to Mr. Jones for 2003 are reflected in the Summary Compensation Table above. The Agreement specifies that Bonus awards are intended to eventually be governed by an Executive Incentive Compensation Plan applicable to certain officers of the Bank generally, as well as to the President and CEO of the Bank. The Agreement also provides for Mr. Jones to receive long-term incentives at the discretion of the Board; benefits provided to employees of the Bank generally; reimbursement of reasonable and customary business expenses incurred by him in connection with the performance of his duties; payment or reimbursement of certain fees for professional and other organizations in the Bank's market area; an automobile allowance; and vacation time. As amended by the 2001 Agreement, the Agreement also provides for supplemental compensation to be paid by the Bank to Mr. Jones upon retirement and in certain other circumstances as set forth in the 2001 Agreement.

The Agreement also provides generally that, in the event of Mr. Jones death, the Bank will pay to his estate one quarter of his then-current annual salary plus a prorata portion of the Bonus otherwise payable to him; that, in the event of his disability, the Bank will pay his salary and a prorata portion of Bonus until the earlier of twelve months after the date of disability or such time as disability benefits commence under a Bank-provided disability insurance policy; and that the Bank will pay Mr. Jones an amount equal to monthly salary, benefits and prorata Bonus for twelve months after termination of his employment if such termination is not for cause or a result of material change in Mr. Jones duties and responsibilities.

Under the Agreement, Mr. Jones has agreed that, during the term of his employment and for two years thereafter, he will not engage in any business similar of that of the Bank or any of its affiliates or solicit any employee of the Bank or any of its affiliates to leave their employment with the Bank (the Noncompetition Agreements). The Agreement also provides generally that, if a change of control of the Bank occurs and within 36 months thereafter his employment by the Bank is terminated, the Bank will pay him a severance payment equal to two times the greater of the total cash compensation paid to him for the fiscal year most recently completed before the termination or his annual salary at the time of termination, and that, in such event, the Noncompetition Agreements would no longer apply.

In a Supplemental Agreement with Mr. Jones dated as of March 9, 1999 (the Supplemental Agreement), the Corporation and the Bank agreed that, subject to his continued employment by the Bank at such times, in each year beginning in 1999 and ending in 2002, the Corporation would grant an incentive stock option (ISO) covering 4,080 shares of stock (the number of shares having been adjusted to account for the 2-for-1 split of Class A Stock in May, 1999) to Mr. Jones, exercisable at the then-current fair market value of Class A Stock, with each such ISO being exercisable in five

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equal installments, the first of which vested on the date of the grant. The last grant of options pursuant to the Supplemental Agreement was made in 2002.

The 2001 Agreement, which became effective as of January 1, 2001, provides for annual payments on a life insurance contract (Insurance Payments) in lieu of comparable payments previously required under the 1993 Agreement. In addition to the benefits under the Agreement and in lieu of post-employment payments previously specified in the 1993 Agreement, the 2001 Agreement provides for a normal retirement benefit of \$102,000 per year to be paid to Mr. Jones for 20 years if he remains employed by the Bank until normal retirement age; lump sum payment to his beneficiary in the event of his earlier death; and proration of the annual payment amount if his employment by the Bank is terminated before normal retirement age for reasons other than his death, total and permanent disability, cause, or his voluntary termination without required notice, with the prorated annual payment amount increasing by 5% annual increments from 50% of the normal retirement benefit in 2001 to 100% in 2011 and thereafter. The 2001 Agreement also provides that if Mr. Jones employment by the Bank is terminated within 180 days after a change of control of the Corporation, as defined in the Agreement, he will receive a lump sum payment equal to (a) the discounted present value of the normal retirement benefit, plus (b) the discounted present value of the Insurance Payments for the lesser of ten years or the number of years until he would reach the age of 65.

BOARD REPORT ON EXECUTIVE COMPENSATION

The Board of Directors of the Corporation has not appointed a separate committee for determination of executive compensation generally. The Stock Option Administration Committee of the Corporation s Board of Directors has been appointed as administrator of the Stock Option Plan and the Employee Stock Purchase Plan.

Each non-director executive officer of the Corporation is also an officer of the Bank, and receives compensation for services to the Bank. Executive compensation decisions made by the Bank are reviewed by the entire Board, with the exception of determinations made with respect to Mr. Jones, in which he does not participate.

The Board of Directors of the Bank makes compensation determinations with respect to the employees of the Bank, including those who are executive officers of the Corporation, based on the recommendations of the Compensation Committee of the Bank s Board of Directors (the Compensation Committee). For executives other than the Chief Executive Officer, the Compensation Committee acts on compensation recommendations made by the Chief Executive Officer, with the objective of providing compensation competitive with that provided by comparable financial institutions.

At present, compensation for executive officers other than the Chief Executive Officer consists of annual base salary and annual cash bonuses determined by the Compensation Committee, primarily on the recommendation of the Chief Executive Officer. Base salary is determined at hiring and is reviewed annually for increases based upon performance evaluations made by the Chief Executive Officer. Annual cash bonuses are generally awarded as a percentage of base salary. The bonus is based on the individual s compensation, salary grade and individual performance and the performance of the Bank.

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The compensation of the Chief Executive Officer, Mr. Jones, is determined by the Compensation Committee in accordance with the provision of Mr. Jones' employment agreement. See *Agreements with Mr. Jones* above. Mr. Jones' compensation consists of a specified annual salary, performance-based annual cash incentive compensation, long-term incentives in the form of stock options, and other benefits. The Committee based its determination of Mr. Jones' compensation package as reflected in the Agreement on the advice and recommendation of a compensation consultant specializing in the banking industry, with the intent of providing a compensation package designed to retain Mr. Jones' services and motivate him to perform to the best of his abilities. The increase in Mr. Jones' 2003 base salary reflects the Board's determination of the salary level necessary to meet this objective. The Bonus paid to Mr. Jones in 2003, approximately 14% of his 2003 salary, was based on attainment of predetermined net income levels by the Bank. Under the Agreement, depending on the level of net income of the Bank, the bonus could have ranged from zero to 45%. As described above, long-term incentives in the form of incentive stock options were granted to Mr. Jones in accordance with the Agreement as supplemented in 1999.

This report is submitted by Dale M. Ash, L. Walter Crim, H. Leon Esneul, William C. Grissett, Robert R. Jones, III, William J. Justice, and David D. Swift, being all of the members of the Board of Directors during the 2003 fiscal year.

**AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR
AND 2003 FISCAL YEAR-END OPTION VALUES**

The following table and notes provide information on options exercised during the last fiscal year and the value at December 31, 2003 of unexercised options held by the executive officers listed in the Summary Compensation Table.

| Name and Position | Shares Acquired on Exercise (#) | Value Realized | Number of Securities Underlying Unexercised Options at 12/31/03 (#) | Value of Unexercised In-the-Money Options at 12/31/03 (\$) ⁽²⁾ |
|----------------------|---------------------------------------|---------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| | | | Exercisable/Unexercisable | Exercisable/Unexercisable |
| Robert R. Jones, III | 20,400 | \$ 316,200 ⁽¹⁾ | 15,504/4,896 | \$60,874/\$163 |
| Jamie M. Lipham | -0- | -0- | 2,000/3,000 | \$-0-/\$-0- |

(1) Calculation based on \$31.50 per share, the last sale price of Common Stock reported to the Corporation prior to the exercise date. An independent professional appraisal of this block of stock, taking into account the thin trading market for Common Stock, especially with respect to large blocks of Common Stock, assigned a value of \$25.50 per share to the shares acquired on exercise, for which Mr. Jones paid an aggregate exercise price of \$326,400. Based on the \$25.50 valuation, the value realized would be \$193,800.

(2) The ultimate realization of value on the exercise of such options is dependent upon the market price of Common Stock at the time of exercise. Calculations are based on the \$31.50 last sale price of Common Stock reported to the Corporation during the fiscal year.

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The following table sets forth certain information at December 31, 2003 with respect to the Corporation's equity compensation plans that provide for the issuance of options, warrants or rights to purchase the Corporation's securities.

| Plan Category | Number of Securities to be issued upon Exercise of Outstanding Options, Warrants and Rights* | Weighted Average Exercise Price of Outstanding Options Warrants and Rights | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plan (excluding securities reflected in the first column)* |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity Compensation Plans Approved by Security Holders | 51,400 | \$ 28.73 | 82,200 |
| Equity Compensation Plans Not Approved by Security Holders | -0- | -0- | -0- |

* adjusted to account for 2-for-1 split of Class A Stock in May 1999

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Some Corporation and United Bank directors, officers, and principal stockholders, and their associates and immediate families were customers of, or had transactions with, subsidiaries of the Corporation in the ordinary course of business during 2003. In addition, some Corporation and United Bank directors are directors, officers, trustees, or principal security holders of corporations or other organizations that were customers of, or had transactions with, the Corporation or its subsidiaries in the ordinary course of business during 2003. All outstanding loans and other transactions with the Corporation's, and its subsidiary's, directors, officers, and principal stockholders, and their associates and immediate families, were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and when made did not involve more than the normal risk of collectibility or present other unfavorable features. In addition to banking and financial transactions, the Corporation and its subsidiaries may have had additional transactions with, or may have used products or services of, various organizations of which directors of the Corporation or its subsidiaries are directors, officers, or principal stockholders. Such transactions were on terms comparable to those which would have been recorded with unaffiliated parties, and the amounts involved in such noncredit transactions have in no case been material in relation to the business of the Corporation and its subsidiaries or to such other organizations.

AUDIT COMMITTEE REPORT

In January 2003, the Corporation established an Audit Committee of the Board of Directors of the Corporation composed of six directors. The members of the Audit Committee are Dale M. Ash, L. Walter Crim, H. Leon Esneul, William C. Grissett, William J. Justice and David D. Swift. Although the Corporation is not subject to the listing standards of any stock exchange or the National Association of Securities Dealers (NASD), SEC regulations require

disclosure of whether

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Audit Committee members are independent as defined in the rules of some of those organizations. Mrs. Ash and Messrs. Crim and Grissett are independent directors as defined in NASD Rule 4200(a)(15) adopted by the NASD in December 2003, and Messrs. Esneul, Justice and Swift do not meet that definition solely by virtue of their serving as officers of the Corporation, notwithstanding that none is employed by the Corporation or its subsidiaries.

The Audit Committee is responsible for the appointment, compensation and oversight of the Corporation's independent auditors. The Audit Committee is required to pre-approve audit and certain non-audit services performed by the independent auditors. The Committee also assists the Board in providing oversight over the integrity of the Corporation's financial statements, the Corporation's compliance with applicable legal and regulatory requirements and the performance of the Corporation's internal audit function. The Committee also meets periodically with the Corporation's independent auditors and the Bank's internal auditors outside of the presence of the Corporation's management, and possesses the authority to retain professionals to assist it with meeting its responsibilities without consulting with management. The Committee is also responsible for receiving and retaining complaints and concerns relating to accounting and auditing matters. The Audit Committee met four times in 2003.

The Audit Committee is governed by a written charter adopted by the Board of Directors in January 2003, which was attached to the Corporation's Proxy Statement dated April 11, 2002 with respect to the 2003 Annual Meeting of Stockholders.

Management is responsible for the preparation of financial statements and the integrity of the reporting process, including the system of internal and disclosure controls. The independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States. The primary responsibility of the Audit Committee is to oversee the Corporation's financial reporting process on behalf of the Board. In so doing the Audit Committee is entitled under its charter to rely on reports and other information from sources it in good faith believes to be reliable, including the Audit Committee of the Board of Directors of the Bank.

The Audit Committee has reviewed and discussed the audited financial statements of the Corporation with management; has discussed with the independent auditor of the Corporation, KPMG LLP (KPMG), the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU §380); and has received the written disclosures and the letter from KPMG required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with KPMG their independence. Based on the review and discussion described above, the Audit Committee recommended to the Board of Directors of the Corporation that the audited financial statements should be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the SEC.

| | | |
|---------------------|--------------------|-------------------|
| Dale M. Ash | L. Walter Crim | H. Leon Esneul |
| William C. Grissett | William J. Justice | David D. Swift |

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER INFORMATION

The SEC requires certain information to be provided under the foregoing caption. As reported above, the Board of Directors has no compensation committee. Each member of the Board of Directors is a member of the board of directors of the Bank, and two directors of the Corporation during fiscal year 2003, Messrs. Grissett and Justice, are members of the Compensation Committee of the board of directors of the Bank. The Board of Directors of the Corporation includes Messrs. Jones, Esneul, Justice and Swift, each of whom may be deemed to be an executive officer of the Corporation. None of Messrs. Esneul, Justice and Swift receives compensation from the Corporation for services as an officer of the Corporation, and Mr. Jones does not participate in the Board's deliberations with respect to his compensation.

REPORTS UNDER SECTION 16 OF THE SECURITIES AND EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 (Exchange Act) requires the Corporation's executive officers and directors, and any persons who own more than 10% of the Class A Stock, to file reports of ownership and changes in ownership with the Security and Exchange Commission (SEC). The Corporation believes that all requirements under Section 16(a) of the Exchange Act applicable to directors and executive officers of the Corporation were complied with by such persons during the last fiscal year. In making this disclosure, the Corporation has relied on written representations by or on behalf of its directors and executive officers and copies of reports filed.

EXPENSES OF SOLICITATION

The cost of soliciting proxies in the accompanying form will be borne by the Corporation. In addition to the use of the mails, proxies may be solicited by directors, officers, or other employees of the Corporation or its subsidiaries personally, by telephone, or by telefacsimile. The Corporation does not expect to pay any compensation for the solicitation of proxies, but will reimburse brokers, custodians, or other persons holding stock in their names or in the names of nominees, for their reasonable expenses in sending proxy materials to principals and obtaining their instructions.

STOCKHOLDER PROPOSALS

Stockholders are entitled to submit proposals on matters appropriate for stockholder action consistent with regulations of the SEC. In order to be included in the Corporation's proxy statement and form of proxy relating to its 2005 Annual Meeting pursuant to Rule 14a-8 promulgated by the SEC (Rule 14a-8), proposals from stockholders to be presented at the 2005 Annual Meeting must be received by the Secretary of the Corporation no later than December 17, 2004. The date after which notice of a shareholder proposal submitted outside of the processes of Rule 14a-8 will be considered untimely is March 2, 2005. If notice of such a shareholder proposal is received by the Corporation after March 2, 2005, then the Corporation's proxy for the 2005 Annual Meeting may confer discretionary authority to vote on such matter without discussion of such matter in the proxy statement for the 2005 Annual Meeting.

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AUDITORS

KPMG LLP or its predecessor, Peat Marwick Main & Co. (collectively, KPMG), independent certified public accountants, was selected as the Corporation's auditor on September 26, 1984, and has served as such through the fiscal year ended December 31, 2003. They are being considered by the Audit Committee to continue to serve in such capacity for the current fiscal year, but no selection has yet been made, due largely to the need to consider the impact of requirements under the Sarbanes-Oxley Act of 2002 on the selection of auditors. A representative of KPMG is expected to be present at the Meeting and will have the opportunity to make a statement if he so desires. The KPMG representative also is expected to be available to respond to appropriate questions.

Audit Fees. KPMG billed the Corporation aggregate fees totaling \$87,604 and \$86,950, for fiscal year 2003 and 2002, respectively, for professional services rendered for the audit of the Corporation's annual financial statements and the reviews of the financial statements included in the Corporation's Forms 10-Q for 2003 and for services that are normally provided by KPMG in connection with statutory and regulatory filings.

Audit-Related Fees. KPMG billed the Corporation aggregate fees totaling \$15,103 and \$8,750 for fiscal 2003 and fiscal 2002, respectively, for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements, including audit of employee benefit plan financial statements and review of a registration statement in 2003.

Tax Fees. KPMG billed the Company aggregate fees totaling \$21,650 and \$13,445 for fiscal 2003 and fiscal 2002, respectively, for professional services rendered for tax compliance, tax advice and tax planning, including preparation of federal and state income tax returns and quarterly estimates.

All Other Fees. KPMG did not bill the Company any for fiscal 2003 and fiscal 2002, respectively, for services other than those described in the three immediately preceding paragraphs.

Audit Committee Preapproval Policies. The Audit Committee of the Board of Directors has adopted preapproval policies and procedures with respect to engagements of KPMG in accordance with the Audit Committee charter.

Independence. The Audit Committee of the Board of Directors has considered whether the provision by KPMG of the services covered by the fees other than the audit fees is compatible with maintaining KPMG's independence and believes that it is compatible.

OTHER BUSINESS

Management currently knows of no other business to be brought before the Meeting. If other business is brought properly before the Meeting, the accompanying Proxy will be voted in the discretion of the persons designated in such Proxy, unless the Authority Withheld box has been checked.

Table of Contents**ANNUAL REPORT ON FORM 10-K**

The Corporation will furnish to any shareholder upon written request, without charge, a copy of the Corporation's Annual Report on Form 10-K, including the financial statements and schedules thereto, required to be filed with the SEC. Requests for the above information should be directed to: Stockholder Relations Department, United Bancorporation of Alabama, Inc., P. O. Box 8, Atmore, Alabama 36504.

COMPARATIVE PERFORMANCE GRAPH

The Securities and Exchange Commission (SEC) requires the Corporation to include in this Proxy Statement a graph which compares the yearly percentage change in cumulative total shareholder return on the Class A Stock with (i) the performance of a broad equity market indicator, and (ii) the performance of a published industry index or peer group. Set forth below is a graph comparing the yearly percentage change in the cumulative total stockholder return on the Class A Stock against the cumulative total return of the S&P 500 Index and the Nasdaq Bank Index for the five-year period from December 31, 1998 to December 31, 2003. The Nasdaq Bank Index is a broad-based capitalization-weighted index of domestic and foreign common stocks of banks that are traded on the Nasdaq National Market System (Nasdaq/NMS) as well as the SmallCap Market. The Class A Stock is not traded on a recognized market, and the price for the Class A Stock on the dates represented in the graph are based on the most recent sales prices reported to the Corporation on or prior to each such date.

| | Period Ending | | | | | |
|-------------------------------------------|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 12/31/98 | 12/31/99 | 12/31/00 | 12/31/01 | 12/31/02 | 12/31/03 |
| United Bancorporation Of Alabama, Inc. | 100.00 | 285.50 | 342.09 | 317.21 | 344.17 | 344.71 |
| S&P 500 | 100.09 | 119.53 | 107.41 | 93.40 | 71.57 | 90.51 |
| Nasdaq Bank Index | 100.00 | 92.02 | 105.52 | 116.15 | 121.40 | 157.74 |

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**REVOCABLE PROXY
UNITED BANCORPORATION OF ALABAMA, INC.**

x **PLEASE MARK VOTES
AS IN THIS EXAMPLE
ANNUAL MEETING OF STOCKHOLDERS**

The undersigned stockholder of United Bancorporation of Alabama, Inc. (the Corporation), Atmore, Alabama, hereby constitutes and appoints Dale M. Ash, L. Walter Crim, H. Leon Esneul, Robert R. Jones, III, William J. Justice, and David D. Swift and any of them, with full power of substitution, proxies to vote the number of shares of Corporation common stock that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at the corporate offices of United Bank, 200 East Nashville Avenue, Atmore, Alabama, on May 5, 2004, at 3:00 p.m., local time, or at any adjournments thereof (the Meeting), upon the proposal described in the Proxy Statement and Notice of Annual Meeting of Stockholders, both dated April 9, 2004, receipt of which is hereby acknowledged, in the manner specified below.

Please be sure to sign and date
this Proxy in the box below.

Date

Stockholder sign above

Co-holder (if any) sign above

| | For All | With- hold | For All Except |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------------|---------------------------|
| Proposal. Election as director to serve until the 2007 Annual Meeting of Stockholders and until his successor is elected and qualified: Michael R. Andreoli and David D. Swift | o | o | o |

INSTRUCTION: To withhold authority to vote for any individual nominee, mark For All Except and write that nominee's name in the space provided below.

| | For | Against |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------|
| In their sole discretion, the proxies are authorized to vote upon such other business as may come properly before the Meeting or any adjournment thereof. | o | o |

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this Proxy will be voted FOR election of the above-named nominees as directors and with discretionary authority on all other matters that may come properly before the Meeting.

Please sign exactly as your name appears on your stock certificate and date. Where shares are held jointly, each stockholder should sign. When signing as executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

THIS PROXY IS SOLICITED ON BEHALF OF THE CORPORATION S BOARD OF DIRECTORS AND MAY BE REVOKED BY THE STOCKHOLDER(S) PRIOR TO ITS EXERCISE.

**Detach above card, sign, date and mail in postage paid envelope provided.
UNITED BANCORPORATION OF ALABAMA, INC.**

**PLEASE ACT PROMPTLY
SIGN, DATE & MAIL YOUR PROXY CARD TODAY**

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.
