

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name  United Community Financial Corp.		2 Issuer's employer identification number (EIN)  34-1856319	
3 Name of contact for additional information  Troy Adair	4 Telephone No. of contact  330-742-0500	5 Email address of contact  TAdair@homesavings.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  275 West Federal Street		7 City, town, or post office, state, and Zip code of contact  Youngstown, OH 44503	
8 Date of action  January 31, 2017		9 Classification and description  Common Stock	
10 CUSIP number  909839102	11 Serial number(s)  n/a	12 Ticker symbol  UCFC	13 Account number(s)  n/a

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On January 31, 2017 United Community Financial Corp. (UCFC) completed its merger with Ohio Legacy Corp. (OLCB) pursuant to an agreement and plan of merger between UCFC and OLCB dated September 8, 2016. OLCB merged with and into UCFC and UCFC's wholly owned subsidiary, The Home Savings and Loan Company of Youngstown, Ohio merged with and into OLCB wholly owned subsidiary, Premier Bank & Trust.

Under the terms of the merger agreement OLCB shareholders had the option to elect to receive either 2.736 shares of UCFC's common stock or \$18.00 in cash for each share of OLCB stock held subject to the proration to ensure that in aggregate 50% of OLCB shares of common stock were converted to UCFC common stock, and the remaining 50% were converted to cash. To the extent that the exchange would have resulted in the issuance of a fractional share of UCFC common stock to a shareholder a cash payment was made in lieu at the rate of \$6.67 per whole share.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attachment.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attachment - refer to the description of the basis calculation in Part II, Box 15 above.

The closing price on January 31, 2017 of a single share of UCFC common stock on the NASDAQ Stock Exchange was \$8.51.

**Part II Organizational Action (continued)**

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The merger of OLCB into UCFC on January 31, 2017 qualifies as a reorganization with the meaning of Section 368(a) of the Internal Revenue Code of 1986 (as amended). The income tax consequences of the affected OLCB shareholders may be determined under Internal Revenue Code 354, 356, 358 and 1001.

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18 Can any resulting loss be recognized? ▶ No loss can be recognized upon the exchange by any OLCB shareholder who elects to receive one or more whole shares of UCFC common stock in the exchange. Those OLCB shareholders who elect to receive only cash in the exchange can recognize a taxable loss for the excess, if any, of their tax basis in the OLCB shares surrendered over the cash received.

If a taxable loss is calculated on the deemed sale of a fractional share of UCFC common stock deemed to have been received in the exchange, this loss can be recognized by any OLCB shareholder, regardless of whether they received one or more whole shares of UCFC common stock in the exchange.

OLCB shareholders who received their common shares through the exercise of an employee stock option, a qualified retirement plan, or another form of compensation will be subject to special rules and should consult their tax advisors for proper determination of the tax effect of the merger.

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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The merger of UCFC and OLCB took place on January 31, 2017, therefore the reporting year is the year that includes the January 31, 2017 date. For calendar year taxpayers this would be a 2017 tax year event.

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶ Timothy W. Esson Date ▶ 2/9/2017  
Print your name ▶ Timothy Esson Title ▶ Executive VP - Chief Financial Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Peter A. Igel		9-Feb-2017		P00011955
	Firm's name ▶ Tucker Ellis LLP			Firm's EIN ▶	20-0073899
	Firm's address ▶ 950 Main Avenue, Cleveland, OH 44113			Phone no.	216-592-5000

United Community Financial Corp.

34-1856319

Attachment to Form 8937

**REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES**

**Form 8937 Part II, Box 15:**

The merger of OLCB with and into UCFC qualifies as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. As a result, each OLCB shareholder may recognize a taxable gain, or in some cases a taxable loss as follows:

- 1) For those OLCB shareholders who elect to receive only cash for the OLCB shares in the exchange, taxable gain or loss will be recognized for the difference between the cash received and the tax basis of the OLCB shares surrendered.
- 2) For those OLCB shareholders who elect to receive only UCFC shares in the exchange, no taxable gain or loss will be recognized.
- 3) For those OLCB shareholders who elect to receive a combination of cash and UCFC shares in the exchange, taxable gain (but not a taxable loss) will be recognized in an amount equal to the lesser of:
  - i. The amount of cash received in the exchange; or
  - ii. The amount, if any, by which the sum of the cash received plus the fair market value of the shares of UCFC common stock received in the exchange (measured at the time of the exchange) exceeds the tax basis of the OLCB shares surrendered

For purposes of calculating this taxable gain, the amount of cash received in the exchange does not include cash received in lieu of fractional shares of UCFC common stock (see discussion of cash received in lieu of fractional shares below).

Gain or loss must be calculated separately for each identifiable block of OLCB common stock surrendered in the exchange having a common tax basis. A loss realized on one block OLCB common shares may not be used to offset a gain realized on another block of OLCB common shares. Each OLCB shareholder is encouraged to consult their own personal tax advisor regarding the determination of this realized gain or loss on the exchange.

Each OLCB shareholder that receives UCFC shares in the exchange is required to determine the tax basis of the shares of OLCB common shares surrendered in the exchange having a common tax basis:

- 1) Begin with the aggregate tax basis of the OLCB common shares surrendered in the exchange
- 2) Add the amount of taxable gain, if any, determined from the above circulation (excluding any gain or loss resulting from the deemed receipt and sale of fractional shares described below)
- 3) Subtract the total amount of cash received (excluding any cash received in lieu of fractional shares described below)
- 4) Subtract the tax basis in any fractional shares of UCFC common stock that were deemed to have been received in the exchange and immediately sold (see the treatment of fractional shares described below)

The resulting figure represents the aggregate tax basis of the shares of UCFC common stock received in the exchange for that identifiable block of OLCB common shares transferred. The tax basis of each individual share of UCFC common stock within this identifiable block is determined by dividing this aggregate tax basis by the number of UCFC common shares that comprise this identifiable block.

OLCB shareholders who receive cash in lieu of a fractional share of UCFC common stock are, for purposes of determining the taxability of that cash, deemed to have received the fractional share in the exchange and then as having sold the fractional share for cash. These OLCB shareholders will generally recognize a taxable gain or loss equal to the difference between the tax basis of the OLCB common shares deemed to have been exchanged for the fractional share and the amount of cash received.

**Form 8937 Part II, Box 16:**

Refer to the description of the basis calculation in Part II, Box 15 above. The January 31, 2017 closing price of a single share of UCFC common stock on the NASDAQ Stock Exchange was \$8.51.