

UBT Bancshares, Inc.  
823 Broadway  
Marysville, KS 66508

March 2, 2009

Office of the Special Inspector General  
Troubled Asset Relief Program  
1500 Pennsylvania Ave., NW, Suite 1064  
Washington, D.C. 20220

Attn: Neil M. Barofsky, Special Inspector General

Dear Mr. Barofsky:

In response to your request for information regarding UBT Bancshares, Inc. use of TARP Capital Purchase Program funds, following is a response to each of the topics referenced in your letter dated February 6, 2009.

**(1) Narrative Response Specifically Outlining:**

**A. Anticipated use of TARP funds:**

At the time the decision was made to apply for TARP funds our bank had a very strong loan demand. Our loan pipeline report indicated \$9,792,000 new loans to be funded in the next 90 days (from Nov. 15, 2009). In addition we were considering the purchase of a block of \$3 million tax-exempt bonds to be issued by a local hospital, with the use of the funds to be used by the hospital to improve and expand their current facility. This hospital, located in Seneca, KS is considered a 'critical access facility'. In the event there were delays in funding some of the loans, once we had the TARP funds available to us, the board approved making a principal payment on the bank stock loan revolving line of credit. Intermediate use of the funds would be to hold excess capital. UBT is one of the largest agricultural lenders in Kansas, and in the event we have a significant downturn in the agricultural economy we would have the capital to continue to fund loans to our customers who rely on us. (b) (4)

(b) (4)

**B. Are the TARP funds segregated from other institutional funds:**

The funds, received by UBT Bancshares, Inc. on January 30, 2009, are segregated in a non-interest bearing deposit account (b) (4) at United Bank & Trust. These

funds, considered capital at the holding company level, are available to the bank in the form of deposit to fund asset growth, by increasing loans or securities.

United Bank & Trust had a Tier 1 Tangible Capital level of 8.24% as of 12/31/09. The TARP funds are readily available to be transferred from the holding company to the bank as surplus capital, if necessary.

**C. Actual use of TARP funds to date:**

Fortified with the assumption we would receive the TARP capital, and due to the cost of the funds, we immediately began funding loans to increase our earning assets. Since November 26, 2008 loans have **increased** by \$9,265,568.00. In addition, United Bank & Trust purchased a \$3,000,000.00 block of a tax-exempt municipal bond issued by Nemaha Valley Community Hospital in Seneca, KS. Most of the loan volume increase is to small businesses and agricultural uses, but we have also seen an increase in consumer loans.

**D. Expected use of 'unspent' TARP funds:**

We have invested 137.05% of the \$8,950,000 Capital Purchase Program preferred stock, \$9,024,293 in loans and \$3,000,000 in the local municipal bond since filing our application for the funds in late November, 2008. We plan to continue leveraging this capital into deposit and loan growth within our geographical area. We currently have an additional \$6.8 million loans approved and expected to be funded in the next 90 days. Apparently we will need to reserve/account for the 400% increase in FDIC insurance cost this year (approximately 10% of the TARP proceeds). Total FDIC insurance expense for our bank was \$247,000 in 2008, (b) (4)

**(2) Plans for Addressing Executive Compensation Requirements:**

UBT Bancshares, Inc. has no employees. Subsidiary United Bank & Trust has one SEO as defined in Department of Treasury guidelines, Leonard R. Wolfe, President/Chairman of the Board. Mr. Wolfe's total compensation (b) (4) and there are no features in officer compensation arrangements that could lead to the SEO or other officers to take unnecessary and excessive risks that could threaten the value of the financial institution. The board appointed compensation committee will meet at least annually with the bank's senior risk officer to discuss and review the relationship between the risk management policies and practices and the SEO incentive compensation arrangements.

**(3) In connection with your request:**

In order to accept the preferred stock purchase from the U S Treasury, approval of the creation of a separate class of stock was required by our common stock shareholders. Please find attached a copy of the letter sent to shareholders announcing the special

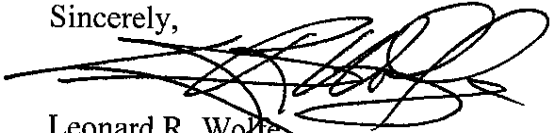
meeting held on January 22, 2009 for this purpose. Also attached are copies of articles from our local newspapers about our acceptance of the TARP capital, and there has also been similar radio coverage.

All documents referencing our use or anticipated use of TARP funds such as internal email, budgets, or memoranda regarding our use or anticipated use of the TARP funds have been segregated and preserved.

This response has been provided electronically to [SIGTARP.response@do.treas.gov](mailto:SIGTARP.response@do.treas.gov), with an original signed certification and all supporting documents mailed to you as requested.

I certify the accuracy of the information contained in this letter along with the statements and representations, in addition to the supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Wolfe', with several overlapping loops and a long horizontal stroke extending to the left.

Leonard R. Wolfe,  
President/Chairman of the Board

OFFICE OF THE SPECIAL INSPECTOR GENERAL  
TROUBLED ASSET RELIEF PROGRAM

1500 Pennsylvania Ave., N.W., Suite 1064  
Washington, D.C. 20220

February 6, 2009

Mr. Leonard R. Wolfe  
UBT Bancshares, Inc.  
823 Broadway  
Marysville, KS 66508

Dear Mr. Leonard R. Wolfe,

The Emergency Economic Stabilization Act of 2008 ("EESA") that established the Troubled Asset Relief Program (TARP) also created the Office of the Special Inspector General for Troubled Asset Relief Program (SIGTARP). SIGTARP is responsible for coordinating and conducting audits and investigations of any program established by the Secretary of the Treasury under the act. As part of an audit into TARP recipients' use of funds and their compliance with EESA's executive compensation requirements,

I am requesting that you provide my office, within 30 days of this request, the following information:

- (1) A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.
- (2) Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.

February 6, 2009

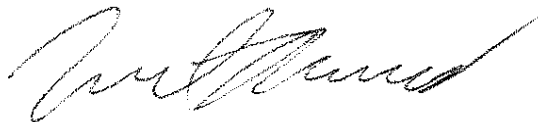
Page 2

In connection with this request:

- (1) We anticipate that responses might well be quantitative as well as qualitative in nature regarding the impact of having the funds, and we encourage you to make reference to such sources as statements to the media, shareholders, or others concerning your intended or actual use of TARP funds, as well as any internal email, budgets, or memoranda describing your anticipated use of funds. We ask that you segregate and preserve all documents referencing your use or anticipated use of TARP funds such as any internal email, budgets, or memoranda regarding your anticipated or actual use of TARP funds.
- (2) Your response should include copies of pertinent supporting documentation (financial or otherwise) to support your response.
- (3) Further, I request that, your response be signed by a duly authorized senior executive officer of your company, including a statement certifying the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.
- (4) Responses should be provided electronically within 30 days to SIGTARP at SIGTARP.response@do.treas.gov, with an original signed certification and any other supporting documentation mailed to: **Special Inspector General – TARP; 1500 Pennsylvania Avenue, NW; Suite 1064; Washington, D.C. 20220.**

We think this initiative is vital to providing transparency the TARP program and the ability of SIGTARP and others to assess the effectiveness of TARP programs over time. If you have any questions regarding this initiative, please feel free to contact Mr. Barry W. Holman, my Deputy Inspector General for Audit at **(202) 927-9936**.

Very truly yours,



Neil M. Barofsky  
Special Inspector General

OMB Control No. 1505-0212  
(Expires August 2009)

An agency is not authorized to conduct, and persons are not required to respond to, an information collection request unless it displays a valid control number. Response is mandatory for all selected participants in the TARP program.

UBT Bancshares, Inc.  
TARP Analysis

Financial Reporting/Impact	Call Report Data Projected 12/31/08	With TARP Proforma 2009
Core Equity Capital, Tier 1	\$32,331	<b>(b) (4)</b>
Risk-Based Capital	\$36,031	
Risk-Weighted Assets	\$280,000	
Total Assets	\$415,500	
Tangible Assets	\$404,500	
Add: Loan Income - \$9.8 mil @ 5.75		
Seneca Hospital Bonds \$3 mil @ 6% TE		
Less Additional FHLB \$3.85 mil @2.25%		
Annual Net Income - Bank Level	\$3,850	
UBT Bancshares, Inc.		
TARP Costs:		
Treasury Preferred Dividend		
Preferred Warrant Dividend		
Warrant Amortization		
Interest on Trust Pref. & BS Loan	(\$800)	
Misc. Expenses	(\$100)	
Tax Benefit	\$385	
Annual Net Income - Holding Company	\$3,335	
<b>Changes from Current Levels:</b>		
Net Income to Shareholders (\$0.13 per sh.)		
Total Assets - 9.8mm loans; 3mm bonds		
FHLB Borrowed Funds		
<b>Capital Ratios: Bank</b>		
Core Equity Capital, Tier 1	8.06	
Risk-Based Capital - Tier 1	11.55	
Risk-Based Capital - Total	12.70	
<b>Financial Ratios: Bank</b>		
ROA	0.93	
ROE - Tangible	11.91	

*Presented to Board of Directors 11/20/08*



## UBT Bancshares, Inc.

823 Broadway  
Marysville, KS 66508

December 31, 2008

Dear Beth:

Well, it has certainly been an interesting year in the banking world. Many things have happened in the financial industry that are unprecedented, and would not even have seemed possible a year ago. With interest rates at a historical low point and the nation's economy in a tailspin, drastic measures have been taken by our government to stabilize the financial sector. One of these measures is the Troubled Asset Relief Program (TARP), administered by the U. S. Treasury Department. One part of TARP is the Capital Purchase Program, under which the government purchases preferred stock in qualifying bank holding companies. A holding company must be well capitalized to qualify for the funds, which can be used for many purposes. Even with the Brooke loan charge off in 2008, our bank and holding company are already well-capitalized. After extensive review and analysis, your board voted to apply for these funds. History has indicated that a downturn in our national economy has been followed by economic issues in the agricultural economy. United Bank & Trust is one of the largest agricultural lenders in Kansas, which factored into our decision to accept this capital injection, in the amount of \$8.95 million. UBT Bancshares, Inc. has received preliminary approval from the U.S. Treasury Department.

Our challenge is to effectively put this capital to work for our shareholders. In our revised business plan we project the net cost to shareholders to be approximately \$0.20 per share each year, so if we redeem the stock in five years as projected, the net cost will be in the range of \$1.00 per share. The short term usage of the capital will be to continue to fund loans and other earning assets. Intermediate use will be to insure that we can continue to provide loans to our agricultural customers, in the event our local economy suffers a slump. Long term use of the capital would be to perhaps take advantage of an opportunity to add to our earnings base by purchasing additional bank locations in our area, if the opportunity should arise.

Since we are creating a new class of stock, shareholder approval is required in order for us to accept these funds. A special meeting of UBT Bancshares, Inc. shareholders, official notice of which is enclosed, will be held at 4:00 p.m. on Thursday, January 22, 2009, at the Marysville United Bank & Trust location at 823 Broadway. You may attend and vote your shares in person or you may return the provided proxy to designate a person to vote your shares for you. If you have any questions please feel free to contact me by phone at 785-562-2333 or by email at [lwolfe@ubankonline.com](mailto:lwolfe@ubankonline.com).

Sincerely,

Leonard R. Wolfe, Chairman  
FAX 785-562-2879

Phone 785-562-2333

**NEWS****UBT receives Treasury funds for lending out**[Print Page](#)**By Sarah Kessinger**

Published:

Wednesday, February 11, 2009 4:37 PM CST

United Bank & Trust has received an \$8.95 million investment from the federal Capital Purchase Program, according to a press release from the U.S. Treasury Department.

The department is using some of its federal funds to purchase preferred stock in "healthy, viable" banks, the press release says, to increase the flow of money available to small businesses and consumers.

The purchase program is one part of the Treasury's \$700 billion Troubled Asset Relief Program, which includes money for struggling national businesses as well as investments in banks with strong regulatory ratings, such as UBT, to promote stability in the nation's financing system.

"With additional capital, banks are better able to meet the lending needs of their customers, and businesses have greater access to the credit that they need to keep operating and growing," the press release stated.

Leonard Wolfe, president of UBT and its holding company, UBT Bancshares, said the bank would lend the money, using it to grow the bank from within, and possibly dedicating some of it to purchase other struggling banks. Currently, he said, UBT has no purchase plans.

UBT, one of the largest agricultural banks in the state, has headquarters in Marysville and branches in Manhattan, Sabetha, Seneca, Linn, Washington, Beattie, Clay Center and Concordia.

This region's farm economy has not felt the downturn as strongly as the national economy, Wolfe said. But often there is a "delayed reaction" of the ag sector to national recessions. With that in mind, Wolfe said, bank officials opted to take the purchase program's offer.

"If you don't participate in a government program, it puts you at a competitive disadvantage," he said. "Our long-term plan is to continue to grow and not only in the communities we're in. It takes capital to do that."

Wolfe said there is a misconception among some in the public that the federal program is a gift. He said UBT accepted the funds at an annual cost of \$577,275 and the bank plans to repay the program money after five years.

In the meantime, he said, "we plan to turn that into growth in loans and deposits."

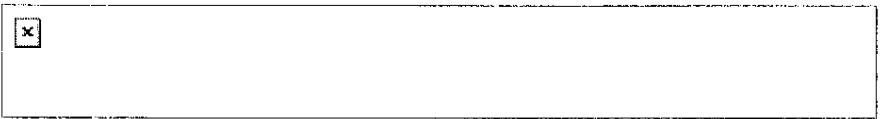
Wolfe said the federal investment was not related to the bank's loss in 2008 from the failed repayment of a loan made to the Brooke Corporation, an insurance agency franchise business formerly of Overland Park. UBT and several other lending institutions around the country have filed lawsuits against Brooke claiming fraud. UBT is seeking \$5 million.

UBT is the sixth bank in Kansas to receive a Capital Purchase Program investment.

Copyright © 2009 - Marysville Advocate

[\[<\] Return to Home](#)[\[x\] Close Window](#)





# The Dispatch On-line

HOME ON THE WORLD WIDE WEB



- News
- Classifieds
- Community
- Directory
- Shopping
- My Zwire

Home -> News -> News -> Top Stories

Wednesday 25 February, 2009

NEWS SEARCH

## Top Stories

Advanced search

### Banker: TARP funds a hedge against downturn

By: Ned Valentine, Dispatch staff

February 10, 2009

Email to a friend  Voice your opinion

United Bank and Trust chief Leonard Wolfe says the nearly \$9 million the bank has received from the federal Troubled Asset Relief Program (TARP) mostly will be used to fund loans in the short term, with some to be held in the event of a downturn in the local economy.

Reports last week were that Wolfe, president and chairman of the bank and the bank's holding company UBT Bancshares, would use the money to purchase one or more banks.

Wolfe told the Dispatch today that no decision to buy banks has been made and is only one option for UBT's use of the funds "over the long term." The money also could be used to "grow internally," he said adding that UBT would choose one or the other.

Wolfe said a dismal national economy historically is followed by some disruption in the agricultural economy. The funds would keep the bank in a position to continue agricultural loans through any downturn, he said.

The money going to UBT is from the TARP's "Capital Purchase Program," which Wolfe said goes only to well capitalized banks. The program includes six banks in Kansas, 359 around the U.S.

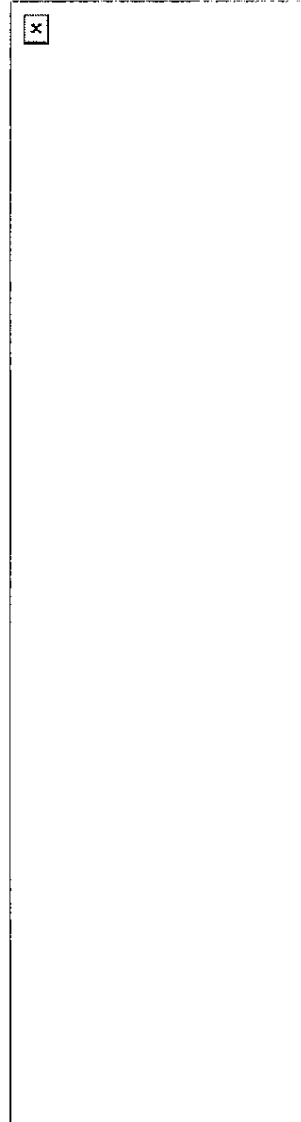
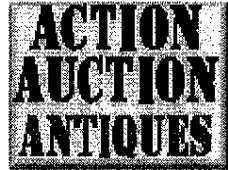
He said the funding is expensive, 9.8 to 14 percent when fees are included, so the bank would "put it to work for us as quickly and efficiently as possible."

United Bank and Trust has branches in Washington, Linn, and Clay Center, Concordia, Beattie, Manhattan, Seneca and Sabetha.

The TARP funding scheme amounts to a federal loan with the government taking stock in the financial institution.

In exchange for the money, the government gets non-voting senior preferred stock that pays a guaranteed interest rate of five percent a year for five years. After that, the interest rate increases to nine percent.

Advertisement



- News
  - Top Stories
  - Sports
  - Police/Courts
  - Obituaries
  - Announcements
  - Guestbook entry
  - Editorial
  - Letters To The Editor
  - Community News
  - Local TV Listings
  - Weather
- Classifieds
- Community
- Guestbook
- Links
- Business Directory
- Auction
- Community Calendar
- Fun and Games
- Consumer Guide
- Personal Finance
- Lifestyles
- Our Newspaper
- Administrative

Wolfe said the bank plans to hold the money no more than five years.

Banks are not required to use the money for loans, but that is the intent of the \$250 billion Capital Purchase Program, according a press release from the Treasury Dept. It is specifically targeted to "increasing the flow of financing available to small businesses and consumers."

Federal officials opted to invest directly in banks rather than buy up "toxic" loans shortly after \$350 billion of the package was approved late last year.

Word that banks around the country are using the funds to buy up other banks has enraged voters. And in many cases, the value of the preferred shares plummeted after the government purchased them.

"People are hot who are calling us," Harold Stone with Sen. Pat Roberts office, and former executive director of the Kansas Bankers Association said. "They're hot about the whole thing (stimulus package)," not just the banking programs, now making its way through Congress.

Under the new round of funding announced today, the rules are changed and the preferred stock purchase options is being abandoned. The plan unveiled today would create incentives for the private sector to invest in troubled banks.

Wolfe said if the TARP funding is used wisely it would "preserve the local economies in the short to intermediate term" but speed up recovery in the long term "once the corner is turned."

Kansas banks receiving funds under TARP reported include:

Fidelity Financial Corp., Wichita, \$36.282 million  
Blue Valley Bank of Overland Park, \$21.75 million  
Morrill Bankshares, Merriam, \$13 million  
United Bank and Trust, Marysville, \$8.95 million  
Equity Bank, Wichita, \$8.75 million  
American State Bancshares, Great Bend, \$6 million

Besides these six, as of Feb. 4, eight banks in Missouri, one in Oklahoma, and none in Nebraska had reported receiving TARP funding.

©Clay Center Dispatch 2009

[✉ Email to a friend](#) [🗨 Voice your opinion](#) [↑ Top](#)

*Send us your community news, events, letters to the editor and other suggestions. Now, you can submit birth, wedding and engagement announcements online too!*

Copyright © 1995 - 2009 Townnews.com All Rights Reserved.