

UNITED BANCSHARES INC/OH  
Form DEF 14A  
March 22, 2004

**UNITED BANCSHARES, INC.**

**100 South High Street**

**Columbus Grove, Ohio 45830**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**April 21, 2004**

TO THE SHAREHOLDERS OF UNITED BANCSHARES, INC.:

You are cordially invited to attend the Annual Meeting of the Shareholders of United Bancshares, Inc. to be held on April 21, 2004 at 7:30 p.m. at The Union Bank Company, 100 South High Street, Columbus Grove, Ohio, for the purpose of considering and acting on the following:

1.

Electing directors to serve until the 2005 Annual Meeting; and

2.

Transacting such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on March 5, 2004 will be entitled to vote at the meeting.

March 26, 2004

By Order of the Board of Directors

/s/ BONITA R. SELHORST

Bonita R. Selhorst, Secretary

**IMPORTANT**

**A proxy statement and proxy are submitted herewith. As a shareholder, you are urged to complete and mail the proxy promptly whether or not you plan to attend this annual meeting in person. The proxy is revocable at any time prior to the exercise thereof by written notice to the Company, and shareholders who attend the annual meeting may withdraw their proxies and vote their shares personally if they so desire.**

**PROXY STATEMENT**

**UNITED BANCSHARES, INC.**

**100 South High Street**

**Columbus Grove, Ohio 45830**

**ANNUAL MEETING OF SHAREHOLDERS**

**April 21, 2004**

**INTRODUCTION**

The enclosed proxy is solicited by the Board of Directors of United Bancshares, Inc. (also referred to in this Proxy Statement as "United Bancshares" or the "Company"), in connection with the Annual Meeting of Shareholders to be held at 7:30 p.m. on April 21, 2004 at the The Union Bank Company, 100 South High Street, Columbus Grove, Ohio (the Annual Meeting ), or at any adjournments thereof.

The Annual Meeting has been called for the following purposes: (i) to elect the entire Board of Directors, each to serve for a one-year term and (ii) to transact any other business that may properly come before the Annual Meeting or any adjournments thereof.

This Proxy Statement and the accompanying Notice of Annual Meeting are being mailed to Shareholders on or about March 26, 2004.

## **REVOCAION OF PROXIES AND DISCRETIONARY**

### **AUTHORITY**

Shares of United Bancshares common stock can be voted at the Annual Meeting only if the shareholder is represented by proxy or is present in person. Shareholders who execute proxies retain the right to revoke them at any time. Unless revoked, the shares represented by such proxies will be voted at the Annual Meeting and all adjournments thereof. Proxies may be revoked by (i) written notice to the Secretary of United Bancshares (addressed to: United Bancshares, Inc., 100 South High Street, Columbus Grove, Ohio 45830, Attention: Secretary) prior to the time the proxy is voted; or (ii) by the filing of a later dated proxy prior to a vote being taken on a particular proposal at the Annual Meeting; or (iii) in open meeting at any time before the proxy is voted.

Proxies solicited by the Board of Directors will be voted in accordance with the directions given therein. Where no instructions are indicated, properly executed proxies will be voted **FOR** the nominees for director set forth in this Proxy Statement. The proxy confers discretionary authority on the proxy holder to vote with respect to (i) the election of any person as a director where the nominee is unavailable or unable to serve, (ii) matters incident to the conduct of the Annual Meeting; (iii) an adjournment of the meeting; and (iv) any other business that may properly come before the Annual Meeting or any adjournments thereof.

## **PERSON MAKING THE SOLICITATION**

The enclosed proxy is being solicited by United Bancshares and the cost of soliciting proxies will be borne by United Bancshares. In addition to use of the mails, proxies may be solicited personally or by telephone, electronic mail or facsimile by directors, officers and employees of United Bancshares who will receive no compensation in addition to their regular compensation.

### VOTING SECURITIES

Each of the shares of United Bancshares common stock outstanding on March 5, 2004, the record date of the Annual Meeting, is entitled to one vote on all matters coming before the meeting. As of January 31, 2004, United Bancshares had 3,655,527 shares of Common Stock issued and outstanding. Only shareholders of record on the books of the Company on March 5, 2004, will be entitled to vote at the meeting either in person or by proxy. Pursuant to the Regulations of the Company, the shareholders present in person or by proxy at the Annual Meeting shall constitute a quorum.

If you are the beneficial owner of shares held in street name by a broker, bank or other nominee, your nominee is required to vote those shares in accordance with your instructions. If the nominee does not receive instructions from the beneficial owner, the nominee will be entitled to vote the shares on certain routine items. The nominee is not entitled to vote the shares (absent instructions from the beneficial owner) with respect to non-routine matters. When the nominee does not receive instructions from a beneficial owner concerning a non-routine matter, over which the nominee has no voting discretion, a "broker non-vote" occurs. Shares treated as broker non-votes are included for purposes of determining whether a quorum exists, however, such shares will not be counted as being in favor of or against any proposal placed before the shareholders at the Annual Meeting.

The following table sets forth, as of January 31, 2004, the ownership of common stock by management of United Bancshares, including (i) the common stock beneficially owned by each director, nominee for director and executive officer of United Bancshares and (ii) the common stock beneficially owned by all officers, directors and nominees for director as a group. The number of shares listed for each person includes shares held in the name of spouses, minor children, certain relatives, trusts or estates whose share ownership under the beneficial ownership rules of the Securities and Exchange Commission is to be aggregated with that of the director or officer whose share ownership is shown.

Name	Position	Number of Shares of	Percent of
		Common	Common Stock
		Stock Beneficially	Outstanding <sup>(1)</sup>
		Owned	

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Robert L. Benroth	Director	7,000 <sup>(2)</sup>	.19%
		<sup>(3)</sup>	
Robert L. Dillhoff	Director	30,640	0.84%
Joe S. Edwards, Jr.	Director	185,101	5.07%
		<sup>(4)</sup>	
P. Douglas Harter	Director	40,045	1.10%
		<sup>(5)</sup>	
E. Eugene Lehman	Director, President	73,223	2.00%
		<sup>(6)</sup>	
James N. Reynolds	Director, Chairman	62,405	1.71%
		<sup>(7)</sup>	
H. Edward Rigel	Director	30,325	0.83%
		<sup>(8)</sup>	
David P. Roach	Director	17,463	0.48%
		<sup>(9)</sup>	
Robert M. Schulte, Sr.	Director	12,353	0.34%
		<sup>(10)</sup>	
Bonita R. Selhorst	Senior Vice President, Secretary	17,931	0.49%
		<sup>(11)</sup>	
Brian D. Young	Chief Financial Officer, Treasurer	285	--%

All directors, nominees and officers as a group

(11 persons) 476,771 13.01%

(1)

Reflects percentage ownership based on all issued and outstanding shares and the outstanding options of the respective individuals.

(2)

Includes 6,000 shares held jointly with Mr. Benroth's brother.

(3)

Includes (a) 5,686 shares owned by Mr. Dillhoff jointly with his spouse; (b) includes 4,068 shares owned by Mr. Dillhoff through his IRA; and (c) options to purchase 13,720 shares of common stock.

(4)

Includes (a) 30 shares owned by Mr. Harter as custodian for his children; (b) 6,372 shares owned by Mr. Harter through his IRA; (c) 4,482 shares owned by Mr. Harter's spouse either directly or through her IRA; (d) 1,300 shares owned by Family Corp., an Ohio corporation in which Mr. Harter owns an interest; and (e) options to purchase 13,720 shares of common stock.

(5)

Includes (a) 138 shares owned by Mr. Lehman's spouse; (b) 17,259 shares owned by Mr. Lehman through IRAs; and (c) 25,982 shares allocated to Mr. Lehman under the Company's Employee Stock Ownership Plan.

(6)

Includes (a) 56,420 shares owned in trust by Mr. Reynolds; (b) 4,340 shares owned in trust by Mr. Reynolds's spouse; and (c) 1,645 shares allocated to Mr. Reynolds under the Company's Employee Stock Ownership Plan.

(7)

Includes 15,135 shares held in a trust of which Mr. Rigel is a co-trustee.

(8)

Includes options to purchase 12,006 shares of common stock.

(9)

Includes (a) 678 shares owned by Mr. Schulte's spouse and (b) options to purchase 10,997 shares of common stock.

(10)

Includes (a) 9,217 shares allocated to Ms. Selhorst under the Company's Employee Stock Ownership Plan and (b) 4,946 shares subject to option by Ms. Selhorst.

(11)

In addition to the shares set forth in the table above, 755 shares have been allocated to Mr. Young under the Company's Employee Stock Ownership Plan; however, Mr. Young has no investment discretion with respect to these 755 shares.

**ELECTION OF DIRECTORS**

The Board of Directors consists of nine directors. The Board of Directors has nominated the persons indicated in the following table to serve until the 2005 Annual Meeting of Shareholders and until their respective successors are elected and qualified. All of the nominees are incumbent directors whose present term will expire at the Annual Meeting.

**Nominees for Directors**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation<sup>(1)</sup></b>	<b>Positions Held with United Bancshares</b>	<b>Director of United Bancshares Since<sup>(2)</sup></b>
Robert L. Benroth	41	Putnam County Treasurer	Director	2003
Robert L. Dillhoff	57	District Highway Management Administrator, Department of Transportation	Director	2001
Joe S. Edwards, Jr.	61	Businessman/Investor/  President, Buckeye Stave Company	Director	2000
P. Douglas Harter	57	Associate, Harter and Son Funeral Home	Director	2001

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E. Eugene Lehman	62	President of United Bancshares, Chairman of The Union Bank Company and Chairman of BancServices United, Inc.	Director and President	1989
James N. Reynolds	66	Retired banker; Chairman of United Bancshares	Director and Chairman	2000
H. Edward Rigel	61	Farmer, Rigel Farms, Inc.	Director	2000
David P. Roach	53	President, Vogel Roach Corp. (radio broadcasting company)	Director	2001
Robert M. Schulte, Sr.	71	President, Spherion of Lima, Inc. (temporary staffing firm); President, RKPL Inc. (payroll services); Owner, RM Schulte & Associates (staffing firm)	Director	2002

(1)

Except as indicated, each nominee has held the occupation identified for at least five years preceding the date of this Proxy Statement.

(2)

In addition to serving as directors of United Bancshares, the following persons serve or served as directors of the following subsidiaries or former subsidiaries of United Bancshares:

<b>Director</b>	<b>Subsidiary</b>	<b>Director Since</b>
Robert L. Benroth	The Union Bank Company	2001
Robert L. Dillhoff	The Union Bank Company	2003
	Citizens Bank of Delphos	1991
Joe S. Edwards, Jr.	The Union Bank Company	2003
	The Bank of Leipsic Company	1977



P. Douglas Harter	The Union Bank Company	2003
	Citizens Bank of Delphos	1969
E. Eugene Lehman	The Union Bank Company	1989
	BancServices United, Inc.	2001
James N. Reynolds	The Union Bank Company	2000
	The Bank of Leipsic Company	1966
H. Edward Rigel	The Union Bank Company	2003
	The Bank of Leipsic Company	1979
David P. Roach	The Union Bank Company	2003
	Citizens Bank of Delphos	1997
Robert M. Schulte, Sr.	The Union Bank Company	1994

The nine nominees for director of United Bancshares receiving the most votes will be elected as directors. The Board of Directors recommends that shareholders vote **FOR** the election of the nominees. Shares as to which authority to vote is withheld, abstentions and broker non-votes that are present in person or by proxy will not be counted and will have no effect on the outcome of the election.

It is intended that common stock represented by the accompanying form of proxy will be voted **FOR** the election of the nominees, unless contrary instructions are indicated as provided on the proxy card. (If you do not wish your shares to be voted for particular nominees, please so indicate on the proxy card). If one or more of the nominees should at the time of the Annual Meeting be unavailable or unable to serve as a director, the shares represented by the proxies will be voted to elect the remaining nominees and any substitute nominee or nominees designated by the Board of Directors. The Board of Directors knows of no reason why any of the nominees will be unavailable or unable to serve.

## DIRECTORS AND EXECUTIVE OFFICERS

The following table identifies each of the current directors and officers of United Bancshares.

Positions Held	Director of United
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<b>Name</b>	<b>Age</b>	<b>Principal Occupation<sup>(1)</sup></b>	<b>with United Bancshares</b>	<b>Bancshares Since <sup>(2)</sup></b>
Robert L. Benroth	41	Putnam County Treasurer	Director	2003
Robert L. Dillhoff	57	District Highway Management Administrator, Department of Transportation	Director	2001
Joe S. Edwards, Jr.	61	Businessman/Investor/ President, Buckeye Stave Company	Director	2000
P. Douglas Harter	57	Associate, Harter and Son Funeral Home	Director	2001
E. Eugene Lehman	62	President of United Bancshares, Chairman of The Union Bank Company and Chairman of BancServices United, Inc.	Director and President	1989
James N. Reynolds	66	Retired banker; Chairman of United Bancshares	Director and Chairman	2000
H. Edward Rigel	61	Farmer, Rigel Farms, Inc.	Director	2000
David P. Roach	53	President, Vogel Roach Corp. (radio broadcasting company)	Director	2001
Robert M. Schulte, Sr.	71	President, Spherion of Lima, Inc. (temporary staffing firm); President, RKPL Inc. (payroll services); Owner, RM Schulte & Associates (staffing firm)	Director	2002
Bonita R. Selhorst	57	Senior Vice President and Secretary of United Bancshares, Inc.	Secretary and Senior Vice President	N/A
Brian D. Young	37			N/A

Chief Financial Officer,  
United Bancshares, Inc.

Chief Financial  
Officer and  
Treasurer

(1)

Except as indicated, each director and officer has held the occupation identified for at least five years preceding the date of this Proxy Statement.

(2)

In addition to serving as directors of United Bancshares, the following persons serve as directors of the following subsidiaries or former subsidiaries of United Bancshares:

<b>Director</b>	<b>Subsidiary</b>	<b>Director Since</b>
Robert L. Benroth	The Union Bank Company	2001
Robert L. Dillhoff	The Union Bank Company	2003
	Citizens Bank of Delphos	1991
Joe S. Edwards, Jr.	The Union Bank Company	2003
	The Bank of Leipsic Company	1977
P. Douglas Harter	The Union Bank Company	2003
	Citizens Bank of Delphos	1969
E. Eugene Lehman	The Union Bank Company	1989
	BancServices United, Inc.	2001
James N. Reynolds	The Union Bank Company	2000
	The Bank of Leipsic Company	1966
H. Edward Rigel	The Union Bank Company	2003
	The Bank of Leipsic Company	1979
David P. Roach	The Union Bank Company	2003
	Citizens Bank of Delphos	1997
Robert M. Schulte, Sr.	The Union Bank Company	1994

**CERTAIN BENEFICIAL OWNERS**

Under Rule 13(d) of the Securities Exchange Act of 1934, a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment power over such security. Such beneficial owner under this definition need not enjoy the economic benefit of such securities. The shareholder identified in the following table is deemed to be beneficial owner of 5% or more of the common stock of United Bancshares as of January 31, 2004. The Company is not aware of any other shareholder beneficially owning 5% or more of the Company's common stock.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Numbers of Shares Beneficially Owned</b>	<b>Percent of Class</b>
Common	Joe S. Edwards, Jr.  2626 Shoreline Drive  Lima, Ohio 45805	185,101	5.07%

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In the ordinary course of conducting its business, United Bancshares, for itself or through its banking subsidiaries, may engage in transactions with the employees, directors and managers of United Bancshares, The Union Bank Company and BancServices United, Inc. which may include, but not be limited to, loans. As required by and in compliance with Ohio banking law, all banking transactions with directors, employees or managers of United Bancshares, or its subsidiaries, are conducted on the same basis and terms as would be provided to any other bank customer. In addition, each of these transactions was made on terms similar to those that could have been negotiated with an unaffiliated third party.

To the knowledge of United Bancshares, no director, officer or affiliate of the Company, owner of record or beneficially of more than 5% of the Company's common stock, or any associate of any such director, officer, affiliate of the Company or security holder, is an adverse party to the Company or any of its subsidiaries or has a material interest that is adverse to the Company or any of its subsidiaries.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires United Bancshares' officers and directors and persons who own more than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required to furnish United Bancshares with copies of all Section 16(a) forms they file. All such forms were filed in a timely manner as required except one Form 4 reporting ownership of 1,645 shares held in the Company's Employee Stock Ownership Plan by James N. Reynolds which was not filed in a timely manner but has since been filed. Based solely on the Company's review of the Section 16(a) forms received by it and by statements of officers and directors concerning their compliance with the applicable filing requirements and with the exception of Mr. Reynolds as described above, the officers, directors and greater than 10% beneficial owners of United Bancshares have complied with all applicable filing requirements.

## **CORPORATE GOVERNANCE**

### **Board of Director and Shareholders Meetings**

The Board of Directors met ten times during the fiscal year ended December 31, 2003. Each incumbent director attended at least 90% of the total number of Board meetings and eight of the directors attended 100% of the total number of meetings. Eight directors attended the 2003 Annual Meeting of Shareholders. Directors receive \$6,000 annual compensation for their service on the Board of Directors of United Bancshares. Inside directors are not compensated for their services as directors beyond their salaries received from United Bancshares or its subsidiaries.

All of the directors of United Bancshares also serve as directors of United Bancshares' depository subsidiary, The Union Bank Company. One of the directors also serves as a director of BancServices United, Inc., the non-depository subsidiary of the Company. Each of the outside directors may receive additional compensation for their services as a director of a subsidiary.

### **Board of Director Independence**

Each year the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASD Rules and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director are considered to be independent directors. The Board of Directors has reviewed a number of factors to evaluate the independence of each of its members. These factors include its members' current and historic relationships with the Company and its competitors, suppliers and customers; their relationships with management and other directors; the relationships their current and former employers have with the Company; and the relationships between the Company and other companies of which the Company's board members are directors or executive officers. After evaluating these factors, the Board of Directors has determined that all of the Directors, with

the exception of E. Eugene Lehman, are independent directors of the Company within the meaning of applicable NASD Rules.

Independent members of the Board of Directors of the Company meet in executive session without management present, and are scheduled to do so at least two times per year. The Board of Directors has designated James N. Reynolds as the presiding director for these meetings.

### **Shareholder Communications**

Our shareholders may communicate directly with the members of the Board of Directors or the individual chairman of standing committees of the Board of Directors by writing directly to those individuals at the following address: 100 South High Street, Columbus Grove, Ohio 45830. The Company's general policy is to forward, and not to intentionally screen, any mail received at the Company's corporate office that is sent directly to an individual.

### **Code of Ethics**

On February 17, 2004, the Board of Directors adopted a Code of Ethics which is applicable to the Chief Executive Officer, Chief Financial Officer and all other senior financial officers. A copy of the Code of Ethics is attached hereto as Appendix A. In addition, the Board of Directors has adopted a code of ethics that applies to all of our employees, officers and directors.

### **COMMITTEES OF THE BOARD OF DIRECTORS**

The Company has an Audit Committee the members of which are Joe S. Edwards, Jr., Robert L. Dillhoff, P. Douglas Harter and Robert L. Benroth. The Audit Committee was created and a written charter for the Audit Committee was adopted on August 8, 2000. All of the members of the Audit Committee are (i) independent directors as defined in NASD Rule 4200; (ii) meet the criteria for independence set forth in Rule 10A(m)(3) of the Securities Exchange Act of 1934; and (iii) have not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three year. The Board of Directors has determined that Joe S. Edwards, Jr. is an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K. The Audit Committee has the sole authority to retain and dismiss the independent auditors and reviews their performance and independence with management. The primary functions of the Audit Committee are to oversee: (i) the audit of the financial statements of the Company provided to the SEC, the Corporation's shareholders and to the general public; (ii) the Corporation's internal financial and accounting controls and processes; and (iii) the independent audit process. The Audit Committee met a total of five times during the fiscal year ended December 31, 2003. A copy of the Audit

Committee Charter is attached hereto as Appendix B.

The Company has a Nominating Committee, the members of which are Robert M. Schulte, Sr., P. Douglas Harter and H. Edward Rigel. Each member of the Nominating Committee is independent within the meaning of applicable SEC and NASD Rules. The Nominating Committee was formed in 2003. This Committee is responsible for reviewing the qualifications of potential candidates for the Board of Directors, including those potential candidates submitted by shareholders. In addition, the Nominating Committee recommends to the Board of Directors candidates for election as directors at the Company's annual meetings and candidates to fill vacancies on the Board of Directors. Historically, United Bancshares has not received director candidate nominations from its shareholders and, therefore, does not have a formal policy regarding consideration of such recommendations. However, any recommendations received from shareholders will be evaluated in the same manner that potential nominees suggested by the Board of Directors are evaluated. The Nominating Committee met a total of two times during the fiscal year ended December 31, 2003. The Nominating Committee has adopted a written charter.

It is a policy of the Nominating Committee that candidates for director possess the highest personal and professional integrity, have demonstrated exceptional ability and judgment, and have skills and expertise appropriate for the Company and serving the long-term interest of the Company's shareholders. The Nominating Committee's process for identifying and evaluating nominees is as follows: (1) in the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews such directors' overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any related party transactions with the Company during the applicable time period; and (2) in the case of new director candidates, the Nominating Committee first conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating Committee meets to discuss and consider such candidates' qualifications, including whether the nominee is independent for purposes of the NASD Rules, and then selects a candidate for recommendation to the Board of Directors by majority vote. In seeking potential nominees, the Nominating Committee uses its network of contacts to compile a list of potential candidates. To date, the Nominating Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

United Bancshares has a Compensation Committee, the members of which are James N. Reynolds, Robert M. Schulte, Sr. and Robert Dillhoff. Each member of the Compensation Committee is independent within the meaning of applicable NASD Rules and non-employee directors within the meaning of Section 162 of the Internal Revenue Code and Rule 16b-3 under the Exchange Act. The Compensation Committee is responsible for reviewing the compensation, performance and retention related issues with respect to the Chief Executive Officer. The Compensation Committee met a total of two times during the fiscal year ended December 31, 2003.

### **Audit Committee Report**

The Audit Committee of United Bancshares' Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee is composed of four directors, each of whom is independent within the meaning of applicable NASD Rules. The Audit Committee

operates under a written charter approved by the Board of Directors. A copy of the Audit Committee Charter is attached hereto as Appendix B.

Management of the Company is responsible for the Company's financial reporting process, including its system of internal control, and for the preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles. The Company's auditors are responsible for auditing those financial statements. The Audit Committee's responsibility is to monitor and review these processes.

The Audit Committee has reviewed and discussed the audited consolidated financial statements with management. The Committee has also reviewed and discussed with Clifton Gunderson LLP, the Company's independent auditors, the matters required to be discussed by SAS 61 (Statement on Auditing Standards), as may be modified or supplemented. The Audit Committee also discussed with the independent auditors the overall quality of the Company's accounting policies.

The Audit Committee also has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committee), as may be modified or supplemented and, as required, has discussed with Clifton Gunderson its independence.

Based on the foregoing discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as filed with the SEC.

This report has been provided by the Audit Committee:

Robert L. Dillhoff

P. Douglas Harter

Joe S. Edwards, Jr.

Robert L. Benroth



**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth the compensation paid by United Bancshares on a consolidated basis to the chief executive officer and chief financial officer. There were no other named executive officers whose total compensation exceeded \$100,000 for the year ended December 31, 2003.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation			All Other Compensation <sup>(1)</sup>
		Salary	Bonus	Other Annual Comp.	Awards		
					Rest. Stock Award	Securities Underlying Options/SAR (#)	
E. Eugene Lehman Chief Executive Officer and President of United Bancshares	2003	\$141,200	\$ 0	NA	NA	NA	\$ 51,270
	2002	\$115,593	\$ 0	NA	NA	NA	\$ 40,713
	2001	\$115,593	\$ 0	NA	NA	NA	\$ 28,099
Brian D. Young  Chief Financial Officer of U n i t e d Bancshares	2003	\$96,114	\$5,024	NA	NA	NA	\$ 9,102
	2002	\$76,750	\$1,372	NA	NA	NA	\$ 7,031
	2001 <sup>(2)</sup>	\$10,835	\$ 0	NA	NA	NA	\$ 975

(1)

Amounts included as "All Other Compensation" for Mr. Lehman consist of discretionary and matching contributions to the Employee Stock Ownership Plan and accruals to the company's supplemental employee retirement plan. Amounts included as "All Other Compensation" for Mr. Young consist of discretionary and matching contributions to the Employee Stock Ownership Plan.

(2)

Mr. Young's employment with the Company began in October 2001.

The following table sets forth information regarding stock options and stock appreciation rights, and the value thereof, of the named executive officers as of December 31, 2003.

Name	<b>Aggregated Option/SAR Exercises in 2003</b>					
	<b>and December 31, 2003 Option/SAR Value</b>					
	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options/SAR's at December 31, 2003		Value of Unexercised in-the-Money Options/SAR's at December 31, 2003	
		Exercisable	Unexercisable	Exercisable	Unexercisable	
E. Eugene Lehman	12,287	\$114,122	0	0	\$0	\$0
Brian D. Young	0	\$0	0	0	\$0	\$0

### **Benefit Plans**

*Incentive Stock Option and Nonstatutory Stock Option Plan.* United Bancshares has in place an Incentive Stock Option and Nonstatutory Stock Option Plan which was approved by the shareholders in April, 1995 for the purpose of attracting and retaining key officers, employees and directors. The plan provides for the grant of incentive stock options, non-qualified stock options and stock appreciation rights.

The maximum number of shares that may be optioned under the plan was originally 17,120. Due to subsequent stock splits and stock dividends, this number would be equivalent to 232,415 shares of current stock. United Bancshares had granted options for all of these shares. Certain of the grants have been exercised. However, options to purchase 16,291 shares that were previously granted were returned to the plan in November 2002, these options may be reissued by the Board of Directors upon the recommendation of the Stock Option Committee of the Company.

The plan is administered by the Stock Option Plan Committee, which consists of the outside directors of the United Bancshares Board of Directors. The committee is appointed by the United Bancshares Board of Directors. The committee is responsible to the Board of Directors for the operation and administration of the plan and makes recommendations to the Board of Directors with respect to those persons who should participate in the plan and the extent of that participation.

Under the plan, the Board of Directors, upon the recommendation of the committee, was permitted to grant nonstatutory stock options to any director and incentive stock options or nonstatutory stock options to any officer, key executive, administrative or other employee of the Company. The Board of Directors was also permitted to grant stock appreciation rights to any participant receiving options.

The options granted under this plan are evidenced by a stock option agreement which may not be the same for participants granted options at different times. The option agreements may contain conditions regarding employment and noncompetition terms. The terms of the options provide that no option is exercisable prior to one year nor after ten years from the date of the grant of the option.

United Bancshares will continue to administer the Stock Option Plan formerly maintained by Delphos Citizens Bancorp. This Stock Option Plan was effective May 28, 1997. All options to be granted under this plan were granted prior to the merger of Delphos Citizens Bancorp with and into United Bancshares. However, options to purchase 68,603 shares that were previously granted expired in May 2001 and these options may be reissued by the Board of Directors upon the recommendation of the stock option committee of the Company.

The total options granted, or to be granted under these plans, are evidenced by a stock option agreement which may not be the same for participants granted options at different times. The option agreements may contain conditions regarding employment and noncompetition terms.

### **Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for issuance</b>
Equity compensation plans approved by security holders	114,417 shares	\$9.70	84,894 shares
Equity compensation plans not approved by security holders	0	0	0
<b>Total</b>	<b>114,417 shares</b>	<b>\$9.70</b>	<b>84,894 shares</b>

*Executive Supplemental Income Plan.* The Union Bank Company sponsors the Executive Supplemental Income Plan, a non-qualified retirement plan that benefits certain individuals designated by the Board of Directors of the bank. The supplemental income plan provides eligible individuals with supplemental retirement benefits, the amount of which is based upon the individual's years of service with The Union Bank Company. Currently, Mr. Lehman is among those persons who participate in the plan. The formula by which benefits are determined is based upon age, years of service, age at retirement and actuarially determined variables. Under this plan, Mr. Lehman's annual retirement benefit, if he retires at age 65, will be \$59,105 per year for fifteen years.

The supplemental income plan also provides benefits to those designated individuals who die prior to reaching normal retirement age or who become disabled. In addition, the supplemental income plan provides that the designated individuals who are covered under the plan will become fully vested in his or her benefit upon a change in control. Upon a change in control, The Union Bank Company and the designated individual may agree to accelerate the payment of benefits provided under the plan. Upon such an event, the benefit will be distributed in a single payment in an amount equal to the present value of the designated individual's benefit discounted at an 8% interest rate. Benefits under the supplemental income plan become payable when the designated individual's employment terminates with The Union Bank Company due to normal retirement, early retirement, death or disability.

### **Report on Executive Compensation**

The Board of Directors of the Company is responsible for developing the Company's executive compensation principles, policies and programs for all executive officers of the Company besides the Chief Executive Officer. The Compensation Committee of the Board of Directors is responsible for determining the compensation to be paid to the Chief Executive Officer and for the review of the Chief Executive Officer.

The Company's compensation programs are designed to provide its executive officers with market competitive salaries and the opportunity to earn incentive compensation related to performance expectations identified by the Company's Board of Directors and the boards of directors of the subsidiaries. The objectives of the Company's executive compensation program are to:

(a)

Support the achievement of the Company's annual and long-term goals and objectives as determined annually by the Company's Board of Directors;

(b)

Establish base salaries targeted at a median level for comparable positions within a comparison group of companies in the banking industry (the "Comparison Group"), with incentive opportunities designed to pay total compensation that are above average for outstanding bank performance; and

(c)

Provide compensation plans and arrangements that encourage the retention of better-performing executives.

The Company's executive compensation policies seek to provide an opportunity for compensation that varies with performance and which compares favorably to levels provided to executives within the Comparison Group.

The Company seeks to set base salaries for the Company's executive officers at levels which are competitive with median levels for executives with similar roles and responsibilities within the Comparison Group. In setting annual salaries for individuals, the Board of Directors, or the Compensation Committee in the case of the Chief Executive Officer, first considers the compensation paid for similar positions in the banking industry and the executive's experience, level and scope of responsibility as a benchmark reference. The Board of Directors, or the Compensation Committee in the case of the Chief Executive Officer, then considers the individual performance of the executive measured against the Company's expectations in developing its salary increase recommendations. Based on such factors, in December 2002, the Compensation Committee decided to increase the Chief Executive Officer's salary compensation for the 2003 fiscal year from the salary compensation for the 2002 fiscal year.

The compensation of executive officers of the Company and each of the subsidiaries includes (i) base salary and (ii) annual cash bonuses. Executive officers also receive various benefits generally available to all employees of the Company, such as participation in a defined contribution profit-sharing plan and medical plans.

The Board of Directors of United Bancshares:

Robert L. Benroth	P. Douglas Harter	H. Edward Rigel
Robert L. Dillhoff	E. Eugene Lehman	David P. Roach
Joe S. Edwards	James N. Reynolds	Robert M. Schulte, Sr.

The Compensation Committee of the Board of Directors:

James N. Reynolds, Robert L. Dillhoff and Robert M. Schulte, Sr.

## **PERFORMANCE GRAPH**

The following graph provides an indication of cumulative total shareholder returns for the Company as compared with the Nasdaq Total US Index and the Nasdaq Bank Stock Index. This graph covers the period from February 1, 2000 through December 31, 2003. The cumulative total shareholder returns included in the graph reflect the returns for the shares of Common Stock of United Bancshares. The information provided in the graph assumes that \$100 was invested on February 1, 2000 in United Bancshares Common Stock, the Nasdaq Total US Index and the Nasdaq Bank Stock Index, and that all dividends were reinvested.

**[INSERT PERFORMANCE GRAPH]**

## **INDEPENDENT PUBLIC ACCOUNTANTS**

The principal accountant selected by the Board of Directors for the current year is Clifton Gunderson LLP, 1400 Edison Plaza, 300 Madison Avenue, Toledo, Ohio 43604. A representative of the principal accountant will be present at the Annual Meeting, will have the opportunity to make a statement if he desires to do so and will be available to respond to appropriate questions.

### **Audit Fees**

The aggregate fees billed by Clifton Gunderson for professional services rendered for the audit of the Company's annual consolidated financial statements for the 2002 and 2003 fiscal years and the reviews of the consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q were \$72,700 for 2003 and \$76,900 for 2002.

### **Audit-Related Fees**

The aggregate fees billed by Clifton Gunderson for assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements and not reported under "Audit Fees" were \$37,235 for 2003 and \$6,866 for 2002. The services for the fees disclosed under this category for 2003 primarily relate to the audits of the Company's 401(k) and ESOP benefit plans as well as accounting consultation in connection with the purchase of two branch locations. The services for the fees disclosed under this category for 2002 primarily related to special loan confirmation services.

### **Tax Fees**

The aggregate fees billed by Clifton Gunderson for professional services rendered for tax compliance, tax advice and tax planning for the two most recent fiscal years were \$9,750 for 2003 and \$12,850 for 2002.

### **All Other Fees**

There were no other fees of Clifton Gunderson not included in "Audit Fee," "Audit-Related Fees" or "Tax Fees" for the two most recent fiscal years.

As required by the Sarbanes-Oxley Act of 2002, the Audit Committee is responsible for the approval of all audit and permitted non-audit services performed by the independent public accountants for the Company. The entire Audit Committee determines whether to approve such services and, therefore, no other pre-approval policies or procedures are currently in place. The Audit Committee approved 100% of the audit and permitted non-audit services performed by Clifton Gunderson. The Audit Committee has considered and ultimately determined that the provision of any of the non-audit or other services provided by Clifton Gunderson to the Company is compatible with maintaining Clifton Gunderson's independence.

## **OTHER MATTERS**

The Board of Directors does not know of any other business to be presented at the Annual Meeting and does not intend to bring other matters before the Annual Meeting. However, if other matters properly come before the Annual Meeting, it is intended that the persons named in the accompanying proxy will vote thereon according to their best judgment in the interests of the Company.

In order for any shareholder proposal for the 2004 Annual Meeting of Shareholders to be eligible for inclusion in the Company's proxy statement relating to that meeting and to be presented for shareholder action at that meeting, it must be received by the Secretary of the Company at 100 South High Street, Columbus Grove, Ohio 45830, prior to November 28, 2004. The form of proxy distributed by the Company with respect to the 2004 Annual Meeting of Shareholders may include discretionary authority to vote on any matter which is presented to the shareholders at the meeting if the Company does not receive notice of that matter at the above address prior to February 11, 2005.

By Order of the Board of Directors

E. Eugene Lehman

President and Chief Executive Officer

## **APPENDIX A**

### **CODE OF ETHICS**

**Applicable to CEO, CFO and Other Senior Financial Officers**

#### **I. Introduction**



The Board of Directors of United Bancshares, Inc.(the Company ) has developed and adopted this Code of Ethics applicable to the Company's Chief Executive Officer, Chief Financial Officer and Controller (collectively, the Senior Financial Officers ). The purpose of this Code of Ethics is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in periodic reports filed by the Company; and to promote compliance with all applicable laws, rules and regulations that apply to the Company and its Senior Financial Officers.

## **II. Honest and Ethical Conduct**

While we expect honest and ethical conduct from all of our employees in all aspects of our business, we expect the highest possible honest and ethical conduct from our Senior Financial Officers. A Senior Financial Officer owes a duty to the Company to act and perform his or her responsibilities with honest and ethical conduct. In order to maintain the highest degree of integrity in the conduct of the Company's business and to maintain a Senior Financial Officer's independent judgment, conflicts of interest must be avoided.

A conflict of interest occurs when a Senior Financial Officer has any duties or interests, whether professional or personal, that are mutually incompatible and may conflict with the proper and impartial fulfillment of the Senior Financial Officer's duties, responsibilities or obligations to the Company. In particular, a Senior Financial Officer must never use or attempt to use his or her position at the Company to obtain any improper personal benefit for himself or herself, or for any other person.

Actions that might involve a conflict of interest, or the appearance of one, should be disclosed in writing to the Audit Committee for review. If approval of such a situation is appropriate, the disclosure and approval will be filed in the Senior Financial Officer's personnel file. Senior Financial Officers who knowingly fail to disclose conflicts of interest are subject to discipline, up to and including dismissal.

## **III. Disclosure**

Senior Financial Officers are responsible for ensuring that the disclosure in the Company's periodic reports is full, fair, accurate, timely and understandable. Financial activities must be recorded in compliance with all applicable laws and accounting practices. Knowingly making false, misleading or incomplete entries, records or documentation is strictly prohibited. A Senior Financial Officer will be considered to have knowingly made false, misleading or incomplete entries, records or documentation if he or she knowingly (i) makes, or permits or directs another to make, materially false, misleading or incomplete entries in the Company's, or any of its subsidiaries', financial statements or records; (ii) fails to correct materially false, misleading or incomplete financial statements or records; (iii) signs, or permits another to sign, a document containing materially false, misleading or incomplete information, or (iv) falsely responds, or fails to respond, to specific inquiries of the Company's external accountant.

Any Senior Financial Officer who is aware of a materially false or misleading statement or an omission in any of the Company's periodic reports is required to report the matter to the Audit Committee, the Chief Executive Officer or General Counsel promptly.

Senior Financial Officers are responsible for adequately supervising the preparation of financial disclosure in the periodic reports required to be filed by the Company. Adequate supervision includes closely reviewing and critically analyzing the financial information to be disclosed.

## **IV. Compliance**

It is the Company's policy to conduct its business in a responsible and ethical manner. As such, we comply with all applicable laws, rules and regulations. It is the responsibility of each Senior Financial Officer to adhere to the

standards and restrictions imposed by these laws, rules and regulations that pertain to accounting and auditing matters and filing of periodic reports, as well as all other applicable laws that relate to the Company and the conduct of its business.

If a Senior Financial Officer suspects that a situation violates any applicable law, rule, regulation or this Code of Ethics, he or she is to report that situation to the General Counsel, Internal Audit Manager or the Chief Executive Officer. No one will be subject to retaliation because of a good faith report of a suspected violation.

If a Senior Financial Official fails to comply with this Code of Ethics or any applicable laws or regulations, he or she is subject to disciplinary measure, up to and including discharge.

## **APPENDIX B**

### **UNITED BANCSHARES, INC.**

#### **Audit Committee Charter**

The Audit Committee ( Committee ) of the Board of Directors ( Board ) of United Bancshares, Inc. ( Company ), will have the oversight responsibility, authority and specific duties as described below.

#### **COMPOSITION**

The Committee will be comprised of at least three directors as determined by the Board. The members of the Committee will meet the independence and experience requirements of applicable NASD and Securities and Exchange Commission ( SEC ) rules and regulations. Each member shall be able to read and understand fundamental financial statements at the time of his or her appointment, in accordance with Nasdaq National Market Audit Committee requirements. At least one member of the Audit Committee shall be designated an audit committee financial expert as defined by and in accordance with the rules and regulations of the SEC. The members of the Committee will be elected annually at the organizational meeting of the full Board held on the date of the annual meeting of stockholders and will be listed in the annual report to shareholders. One of the members of the Committee will be elected Committee Chair by the Board.

#### **RESPONSIBILITY**

The Committee is a part of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the financial statements and other financial information to be provided to shareholders and the SEC; (ii) compliance with legal and regulatory requirements; (iii) the system of internal controls that management has established; (iv) the external audit process; and (v) the auditing, accounting, and financial reporting process generally. In addition, the Committee provides an avenue for communication between the

independent auditor, financial management and the Board. The Committee should have a clear understanding with the independent auditor that they must maintain an open and transparent relationship with the Committee. The Committee is directly responsible for the appointment, compensation and oversight of the independent auditor engaged to prepare or issue an audit report on the financial statements of the Company. The independent auditor shall report directly to the Committee. The Committee will make regular reports to the Board concerning its activities.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of management and the independent auditor.

## **AUTHORITY**

The Committee has the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the internal controls of the Company. The Committee has the authority to retain and determine the funding for external professionals, including independent counsel and auditor, to render advice and counsel and assist in any investigation and performance of its functions at the Company's expense. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a Committee meeting or to meet with any members of or advisors to the Committee. All employees will be directed to cooperate with respect thereto as requested by members of the Committee.

## **MEETINGS**

The Committee is to meet at least four times annually and as many additional times as the Committee deems necessary. Content of the agenda for each meeting should be cleared by the Committee Chair. The Committee is to meet periodically in separate executive sessions with the management, the internal auditors and the independent auditors.

## **ATTENDANCE**

Committee members will strive to be present at all meetings. As necessary or desirable, the Committee Chair may request that members of management, employees of the Company or representatives of the Company's outside counsel or independent auditor be present at Committee meetings.

## **SPECIFIC DUTIES**

In carrying out its oversight responsibilities, the Committee will:

1.

Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This should be done in compliance with applicable NASD Audit Committee Requirements.

2.

Approve the selection, retention (subject to approval by the Company's shareholders) or termination of the Company's independent auditor.

3.

Pre-approve all audit and permitted non-audit services to be performed by the independent auditor and establish policies and procedures for the engagement of the independent auditor to provide the permitted non-audit services, with exceptions provided for de minimis amounts under certain circumstances in accordance with the rules and regulations of the SEC and NASD.

4.

Review and discuss with the Company's management and independent auditor the Company's: (a) the adequacy and effectiveness of the company's internal control over financial reporting, including any significant deficiencies and significant changes in internal control over financial reporting reported to the Committee by the independent auditor or management; (b) the Company's internal audit procedures; and (c) the adequacy and effectiveness of the Company's disclosure controls and procedures, and management reports thereon.

5.

Review with the Company's management and independent auditor significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the independent auditor their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.

6.

Review the scope and general extent of the independent auditor's annual audit. The Committee's review should include an explanation from the independent auditor of the factors considered by the auditor in determining the audit scope, including the major risk factors. The independent auditor should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will determine and approve the fee arrangement with the independent auditor.

7.

Inquire as to the independence of the independent auditor, including whether the provision by the independent auditor of permitted non-audit services is compatible with independence, and obtain from the independent auditor, at least annually, a formal written statement delineating all relationships between the independent auditor and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

8.

Have a predetermined arrangement with the independent auditor that they will advise the Committee through its Chair and management of the Company of any matters identified through procedures followed for interim quarterly financial statements, and that such notification is to be made prior to filing Forms 10-Q.

9.

Consider and approve, if appropriate, major changes to the Company's accounting principles and practices proposed by management.

10.

At the completion of the annual audit, review with management and the independent auditor the following:

◦

The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-K, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

◦

Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.

◦

Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent auditor during their audit, including access to all requested records, data and information. Inquire of the independent auditor whether there have been any disagreements with management which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements.

◦

Other communications as required to be communicated by the independent auditor by Statement of Auditing Standards (SAS) 61, as amended, relating to the conduct of the audit.

If deemed appropriate after such review and discussion, recommend to the Board that the financial statements be included in the Company's annual report on Form 10-K.

11.

After preparation by management and review by the independent auditor, approve the report required under SEC rules to be included in the Company's annual proxy statement. The charter is to be published as an appendix to the proxy statement every three years.

12.

Discuss with the independent auditor the quality of the Company's financial and accounting personnel. Also, elicit the comments of management regarding the responsiveness of the independent auditor to the Company's needs.

13.

Meet with management and the independent auditor to discuss any recommendations that the independent auditor may have, particularly those characterized as material or serious. Typically, such recommendations will be presented by

the independent auditor in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the independent auditor and receive follow-up reports on action taken concerning the aforementioned recommendations.

14.

Review and pre-approve related-party transactions in accordance the rules and regulations of the NASD.

15.

Establish procedures for receipt, retention and treatment of complaints received by the Company regarding the Company's accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

16.

Obtain from the independent auditor assurance that they will inform Company management concerning any information indicating that an illegal act has or may have occurred that could have a material effect on the Company's financial statements, and assure that such information has been conveyed to the Committee.

17.

Generally as part of the review of the annual financial statements, receive an oral report(s), at least annually, from the Company's general counsel concerning legal and regulatory matters that may have a material impact on the financial statements or on the Company's contingent liabilities and risks.

18.

As the Committee may deem appropriate, obtain, weigh and consider expert advice as to Audit Committee related rules of the NASD, Statements on Auditing Standards and other accounting, legal and regulatory provisions.

## **PROXY**

**UNITED BANCSHARES, INC.**

### **PROXY FOR ANNUAL MEETING OF SHAREHOLDERS - APRIL 21, 2004**

The undersigned, having received notice of the Annual Meeting of Shareholders of United Bancshares, Inc., Columbus Grove, Ohio to be held at 7:30 p.m., April 21, 2004, hereby designates and appoints the Proxy Committee of the Board of Directors, as attorney and proxy for the undersigned, with full power of substitution, to vote for and in the name of the undersigned all shares of the common stock of United Bancshares, Inc., which the undersigned is entitled to vote at such Annual Meeting of Shareholders, or at any adjournments thereof, such proxy being directed to vote as specified below on the following proposals and, in its discretion, on any other business that may properly

come before the Annual Meeting or any adjournments thereof, including a proposal to adjourn the meeting:

This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. If no direction is given, this proxy will be voted (i) FOR the election of each of the named nominees to the Board of Directors.

**This Proxy is solicited by the Board of Directors. The Board of Directors recommends a FOR vote on the proposal..**

**THIS PROXY SOLICITED BY THE BOARD OF DIRECTORS**

ALL FORMER PROXIES ARE HEREBY REVOKED

**Please complete, sign, date and promptly mail this proxy in the enclosed postage-paid envelope**

**Proposal 1.**

**To elect the following nominees to the Board of Directors:**

Robert L. Benroth	Robert L. Dillhoff	Joe S. Edwards, Jr.
P. Douglas Harter	E. Eugene Lehman	James N. Reynolds
H. Edward Rigel	David P. Roach	Robert M. Schulte, Sr.

FOR the nominees (except as marked to the contrary below)      WITHHOLD AUTHORITY for one or more of the nominees

If you wish to withhold authority to vote for any nominee, enter the name(s) on the following line:

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Signature

Date

---

Signature

(please sign exactly as your name appears hereon. All joint owners should sign. When signing in a fiduciary capacity or as corporate officer, please give your full title as such.)