

SECURITIES A
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ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

OMB APPROVAL

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2008 AND ENDING 12/31/2008

MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: United Brokerage Services Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

514 Market Street

(No. and Street)

Parkersburg

WV

26101

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Damon White

202-638-7733

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young

(Name - if individual, state last, first, middle name)

500 Virginia Street, East

Charleston

WV

25301

(Address)

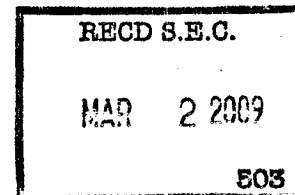
(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.



FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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3/1/08

OATH OR AFFIRMATION

I, Damon White, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of United Brokerage Services, Inc, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Damon A. White
Signature

Senior Vice President & Principal
Title

Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

my Commission # 7058559
Expires June 30, 2010

United Brokerage Services, Inc.
Financial Statements and Supplementary Information
Year Ended December 31, 2008

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Report of Independent Registered Public Accounting Firm

The Board of Directors
United Brokerage Services, Inc.

We have audited the accompanying statement of financial condition of United Brokerage Services, Inc. (the Company), a wholly owned subsidiary of United Bank, Inc., as of December 31, 2008, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Brokerage Services, Inc. at December 31, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

February 26, 2009

United Brokerage Services, Inc.

Statement of Income

Year Ended December 31, 2008

Revenues

Brokerage commissions	\$ 5,155,848
Investment income	62,180
Total revenues	<u>5,218,028</u>

Noninterest expenses

Salaries and employee benefits	3,052,731
Data processing	96,045
Clearing costs	161,100
Professional fees	32,453
Travel	83,392
Occupancy and equipment	77,077
Insurance expense	24,662
Other	418,584
Total noninterest expenses	<u>3,946,044</u>

Income before income taxes	1,271,984
Income tax expense	394,625
Net income	<u><u>\$ 877,359</u></u>

See accompanying notes.

United Brokerage Services, Inc.

Statement of Changes in Shareholder's Equity

	Common Stock	Paid-in Surplus	Retained Earnings	Total
Balance at January 1, 2008	\$ 500,000	\$ 100,338	\$ 3,209,198	\$ 3,809,536
Net income	—	—	877,359	877,359
Balance at December 31, 2008	<u>\$ 500,000</u>	<u>\$ 100,338</u>	<u>\$ 4,086,557</u>	<u>\$ 4,686,895</u>

See accompanying notes.

United Brokerage Services, Inc.

Statement of Cash Flows

Year Ended December 31, 2008

Operating activities

Net income	\$ 877,359
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation expense	21,426
Provision for doubtful accounts	11,546
Deferred tax benefit	(63,275)
Payments to purchase securities	(1,741,300)
Proceeds from the sale of securities	1,015,784
Increase in receivable from clearing broker	(243,397)
Decrease in prepaid expenses and other assets	56,378
Increase in accounts payable and accrued expenses	59,344
Net cash used in operating activities	<u>(6,135)</u>

Investing activities

Purchase of premises and equipment	<u>(13,250)</u>
Decrease in cash and cash equivalents	(19,385)
Cash and cash equivalents at January 1, 2008	157,195
Cash and cash equivalents at December 31, 2008	<u><u>\$ 137,810</u></u>

See accompanying notes.

United Brokerage Services, Inc.

Notes to Financial Statements

December 31, 2008

1. Nature of Operations

Organization

United Brokerage Services, Inc. (the Company) is a licensed broker/dealer approved by the Financial Industry Regulatory Authority. The Company is a wholly owned subsidiary of United Bank, Inc. (United), which is a wholly owned subsidiary of United Bankshares, Inc. (UBSI) and operates principally in the West Virginia, Virginia, and Washington, D.C. markets. The Company offers retail brokerage services relating to securities and related products on a fully disclosed basis.

The Company clears its security transactions on a fully disclosed basis through First Clearing, LLC.

Capital and Reserve Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Such Rule prohibits a broker/dealer from engaging in securities transactions when its "aggregate indebtedness" to all other persons exceeds 15 times its "net capital," as those terms are defined, subject to a \$250,000 minimum net capital requirement. At December 31, 2008, the Company had net capital of \$3,212,123, which is \$2,962,123 in excess of its required net capital of \$250,000 at December 31, 2008. The Company is exempt from Rule 15c3-3 of the Securities and Exchange Act of 1934 under Section (k)(2)(ii) of that Rule as all transactions are cleared through another broker/dealer on a fully disclosed basis.

2. Significant Accounting Policies

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States (GAAP). A description of the significant accounting policies is presented below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual amounts could differ from those estimates.

United Brokerage Services, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Substantially all of the Company's financial assets and liabilities are carried at fair value or at amounts that, because of their short-term nature, approximate fair value.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which provides enhanced guidance for using fair value to measure assets and liabilities. The Company adopted SFAS 157 on January 1, 2008. The adoption of this statement did not have a material impact on the Company's financial statements.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, to address concerns regarding comparability in reporting tax assets and liabilities in an enterprise's financial statements resulting from a lack of specific guidance in SFAS 109, *Accounting for Income Taxes*. The Company adopted FIN 48 as of January 1, 2007; however, the adoption of this statement did not have an impact on the Company's financial statements because the Company has not recorded a liability for uncertain income tax positions.

Cash and Cash Equivalents

Cash consists of a checking account maintained at United and cash on deposit with the clearing broker. The balance of the restricted interest-bearing account as of December 31, 2008, was \$35,202 and is used for funding related to certain insurance programs offered by United.

Securities Owned

Securities transactions are recorded on a trade date basis. Securities owned are stated at fair value with changes in the fair value recorded in the statement of income. Fair value is based on listed market prices. Securities consist primarily of units of ownership in a money market fund managed by Evergreen and a restricted interest-bearing account held at United.

Fixed Assets

Fixed assets include equipment, which is depreciated using the straight-line method over the useful lives of the assets. Total depreciation expense recorded as of December 31, 2008, was \$21,426.

United Brokerage Services, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Revenues

Revenues are recorded as the income is earned and the related service is performed. In return for such services, the Company charges a commission for its selling and administrative efforts. The commission is recorded as a receivable from customers and the receivables are stated at the amount the Company expects to collect. Revenues on the statement of income are shown net of amounts written-off during 2008, which totaled \$333,556.

Advertising Costs

All advertising costs are expensed as incurred.

Income Taxes

The Company is included in the consolidated federal income tax return filed by its ultimate parent, UBSI. Accordingly, the Company provides for income taxes based on its taxable income or loss multiplied by UBSI's approximate effective tax rate and remits to or receives from UBSI amounts payable or receivable. The Company's results of operations are included in the consolidated income tax return of UBSI. The primary component of income tax expense is current income tax due to UBSI. During 2008, the Company paid \$389,479 of income taxes to UBSI and had a receivable from UBSI of \$110,792 as of December 31, 2008, related to the overpayment of income taxes. The receivable is included in other assets on the statement of financial condition.

Employee Benefit Plans

The Company participates in UBSI's defined benefit retirement plan as well as a deferred compensation plan under Section 401(k) of the Internal Revenue Code. UBSI's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. The Company did not make a 2008 contribution. Pension (benefit) and 401(k) expenses for 2008 were \$(9,168) and \$38,971, respectively. These expenses are included in the salaries and employee benefits total in the statement of income. Effective December 31, 2006, UBSI adopted SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*, which required the recognition in the statement of financial position of a liability, for plans which are underfunded, or an asset, for funds which are overfunded. Prior to the adoption of SFAS 158, the

United Brokerage Services, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Company recorded its allocated portion of the United defined benefit retirement plan as a prepaid pension asset. Upon the adoption of SFAS 158, the Company adjusted the allocated portion of the prepaid pension asset to properly reflect its allocated portion of the funded status of United's defined benefit retirement plan. The overfunded allocated pension asset as of December 31, 2008, is \$23,520. The Company also recorded a deferred tax liability of \$9,408 as of December 31, 2008, associated with the allocated pension asset.

3. Related Party Transactions

United provides certain management services to the Company, including accounting and administrative functions. In addition, United is providing rental space to the Company for a nominal annual cost of \$1. For the year ended December 31, 2008, the Company paid \$137,500 to United, which is included in other expenses on the statement of income.

4. Contingencies

The Company applies the provisions of the FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, which provides accounting and disclosure requirements for certain guarantees. The Company has agreed to indemnify the clearing broker for losses that it may sustain from customer accounts introduced by the Company. As of December 31, 2008, there were no amounts to be indemnified related to such agreement.

5. Fair Value Measurements

SFAS 157 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by SFAS 157, are used to measure fair value.

United Brokerage Services, Inc.

Notes to Financial Statements (continued)

5. Fair Value Measurements (continued)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The Company currently has one financial asset that is valued using a Level 1 input. The securities owned by the Company have a balance of \$3,342,532 at December 31, 2008.

6. FOCUS Reconciliation

The Company has filed an amended FOCUS Report to match the audited version of Form X-17A-5. There are no material differences in the amended FOCUS Report.

Supplementary Information

United Brokerage Services, Inc.

Computation of Net Capital Under Rule 15c3-1

December 31, 2008

Shareholder's equity	\$ 4,686,895
Deductions and/or charges	
Nonallowable assets:	
Fixed assets	39,348
Prepaid expenses	54,570
Interest-bearing cash	35,202
Nonallowable receivables	1,010,299
Prepaid pension benefit	23,520
Other assets	245,657
Total deductions and/or charges	<u>1,408,596</u>
Net capital before haircuts on securities positions	<u>3,278,299</u>
Haircut on securities	66,176
Net capital	<u><u>\$ 3,212,123</u></u>
Aggregate indebtedness	
Total liabilities	<u><u>\$ 253,925</u></u>
Net capital requirement	<u><u>\$ 250,000</u></u>
Excess net capital	<u><u>\$ 2,962,123</u></u>

There were no material differences between the audited computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2008, Part IIA FOCUS filing.

United Brokerage Services, Inc.

Statement Regarding Rule 15c3-3

December 31, 2008

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under Section (k)(2)(ii) of that Rule.

Supplementary Report

Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5

The Board of Directors
United Brokerage Services, Inc.

In planning and performing our audit of the financial statements of United Brokerage Services, Inc. (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

February 26, 2009

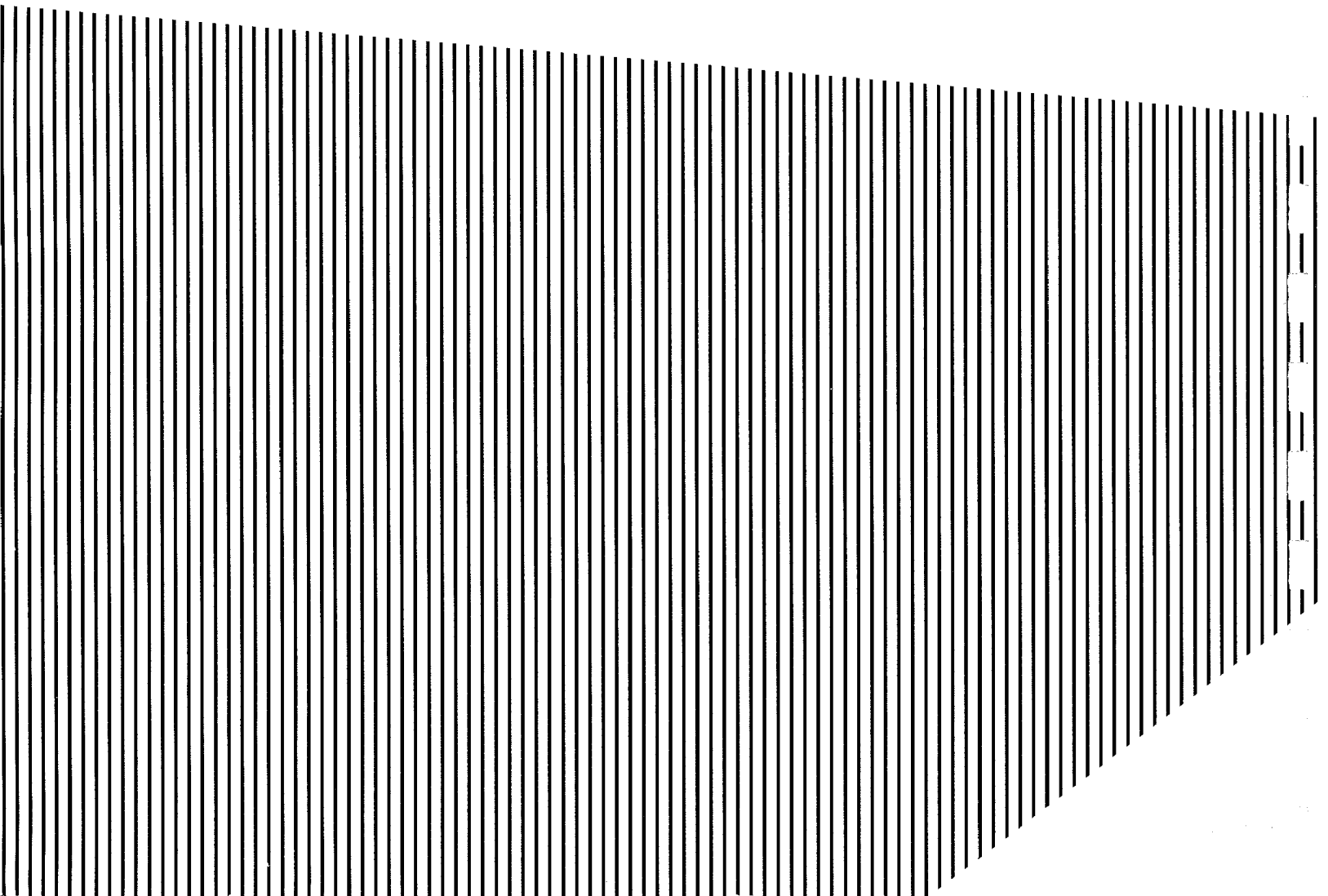
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FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

United Brokerage Services, Inc.
Year Ended December 31, 2008
With Report and Supplementary Report of
Independent Registered Public Accounting Firm