



American State Bancshares, Inc.

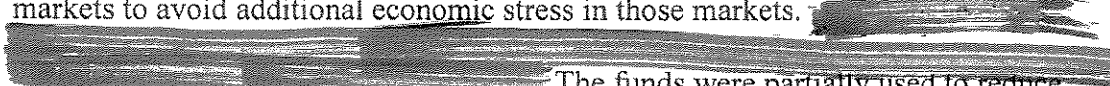
March 17, 2009

Mr. Neil M. Barofsky, Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

This letter is to reply to your letter dated February 5, 2009 regarding the use of the TARP funds by our corporation, American State Bancshares, Inc. Accordingly, we respectfully respond to the questions outlined in your letter.

- (1) We received the funds on January 9, 2009. Our anticipated use of these funds were essentially two-fold, one to assure that the capital levels of the subsidiary banks remain well capitalized and two, to provide additional capital to allow our corporation to acquire other potential troubled financial institutions in our markets to avoid additional economic stress in those markets.

 The funds were partially used to reduce all senior debt and we have retained \$4.4 million in our corporate account for best use when it becomes apparent that there is need for capital in one of our two subsidiary banks.

- (2) Being a small bank holding company corporation, we have no issues regarding change in executive officer compensation. As CEO of both the holding company and the banks I am the highest compensated executive, however my contract, now over two years into the contract period provided for no increases in compensation until 12-31-2011. My existing incentive compensation is based only upon the increase in profitability of the holding company and is paid in phantom stock of the parent, no cash incentive. Being one of the largest shareholders of the company, there is certainly a disincentive to mitigate loan risk.

1321 Main Street, P.O. Box 1346, Great Bend, KS 67530

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Our holding company prepares financials only on a quarter-end basis and therefore we do not have any supporting financials subsequent to the funding of the TARP senior preferred stock. We do, however have the most recent statement of the account that will substantiate the information provided above. Again, our intent is to use these funds to support our ability to assist in mitigating the economic stress from other troubled institutions in our markets. We are currently not anticipating the acquisition of healthy institutions at this time.

Please let us know should you have further questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Donald R. LacKamp".

Donald R. LacKamp
President & CEO

I certify that the above content to the best of my knowledge is true:

A handwritten signature in cursive script, appearing to read "Donald R. LacKamp", positioned above a horizontal line.

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