



Emclaire Financial Corp.

612 Main Street • Drawer D • Emlenton, PA 16373-0046
Phone: 724-867-2311 / Website: www.emclairefinancial.com

March 4, 2009

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

Dear Mr. Barofsky:

This letter is in response to your February 6, 2009 request associated with our use of funds that the U.S. Department of Treasury invested in Emclaire Financial Corp. (the "Corporation") under the Capital Purchase Program ("CPP").

- 1.(a) On December 23, 2008, the Corporation issued to the U.S. Department of the Treasury, in exchange for aggregate consideration of \$7.5 million, a total of 7,500 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A under the CPP ("CPP Financing"). The Corporation invested 100% of the CPP Financing into its wholly owned subsidiary, the Farmers National Bank of Emlenton (the "Bank"). As a result, the Bank's legal lending limit was increased from \$4.0 million prior to receipt of the CPP Financing to \$5.4 million after receipt of the CPP Financing. As communicated to our customers, shareholders, employees and other members of the community, we plan to utilize the funds to expand the Bank's lending in the communities that we serve. This additional capital will support growth strategies that the Corporation's board of directors had previously established and will support the banking needs of our customers in the small communities that we serve.
- 1.(b) The funds received from the CPP Financing are recorded as preferred stock at the Corporation level and as capital surplus at the Bank level subsequent to being contributed by the Corporation to the Bank. As such, they were segregated from other institution funds.
- 1.(c) Between the December 23, 2008 CPP funding close date and February 28, 2009, the Bank's loan portfolio increased by \$12.4 million or 4.6% from \$268.4 million at December 23rd to \$280.8 million at February 28th. In further detail, we note the following:
 - During this period, we funded three tax anticipation notes for three separate local counties totaling \$11.5 million. These were new loan relationships for the Bank, and we were in a better position to competitively bid on these loans as a result of the CPP Financing.
 - During this period, we closed a \$3.4 million apartment loan to a new customer.

- Despite the poor national economy, the Bank has not experienced a decline in loan demand in the communities that we serve and has enjoyed one of the better winter lending seasons in recent years.
 - The Bank's current commercial loan backlog and pipeline reports indicate new loans in underwriting and in process of \$15.1 million and \$2.9 million, respectively. Small business loans in process total just under \$500,000.
 - While consumer loan demand has been somewhat slow in recent weeks, this is attributable mainly to historic seasonality. Regardless, the Bank has \$854,000 in residential mortgage loan requests in process.
- 1.(d) As outlined above, the original \$7.5 million capital contribution was used entirely for lending activities. We anticipate that the additional capital will afford us future growth opportunities in lending or as we otherwise expand core banking activities in our region.
2. In regard to our implementation of the executive compensation requirements associated with our participation in the CPP Financing, we took the following actions in order to comply with the TARP CPP executive compensation requirements including Section 111(b) of the Emergency Economic Stabilization Act ("EESA") as in effect on December 23, 2008:
- Our Senior Executive Officers ("SEOs") executed the required waivers relating to compensation restrictions within Section 111(b) of EESA;
 - Our Compensation Committee convened on December 11, 2008 and undertook the required review for compensation practices and policies that could incentivize our SEOs to take excessive and/or unnecessary risks with respect to our institution. The Committee determined that no compensatory plans or elements of compensation relating to our SEOs involved unnecessary or excessive risk-taking. Accordingly, no repeal or remedial action was or is necessary;
 - We amended our incentive bonus plan to permit the Corporation and the Bank to recover the amount of any bonus paid to any participant under the plan that is reasonably determined at any time by the Corporation to have been calculated or based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria used in the plan;
 - We acknowledge and agree to the deductibility limitation of compensation in excess \$500,000 for SEOs and have instituted controls and procedures to limit the deduction for such compensation for federal income tax purposes to \$500,000 for each SEO;
 - The Corporation will appoint its principal accounting officer to serve as its Chief TARP Compliance Officer ("CTCO") and the CTCO will provide oversight of the required certification process. The CEO of the Corporation is preparing the required certification and

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the Compensation Committee is preparing for its certification of its reviews of SEO compensatory arrangements.

As you are aware, the recently enacted American Recovery and Reinvestment Act of 2009 ("ARRA") significantly amended portions of the EESA as it relates to executive compensation. We are currently evaluating the requirements of the ARRA and how it affects our compensation arrangements. The Corporation and the Bank will take such action as is necessary to comply with the new restrictions and limitations on executive compensation as required by EESA, as amended by ARRA.

The foregoing information is provided in response to the information request by the Special Inspector General dated February 6, 2009. This undersigned duly authorized senior executive officer of Emclaire Financial Corp. hereby certifies, to the best of his knowledge and further qualified by the accuracy of information provided to me, the accuracy of the foregoing statements, representations and supporting information.

I trust that the foregoing is complete and is useful for purposes of your audit of the use of funds by those healthy institutions which received investments under TARP.

Please don't hesitate to contact me directly should you have any questions or require additional information. I can be reached at the address above, via telephone at (724) 867-2311, extension 118, or via email at wmarsh@farmersnb.com.

Very truly yours,



William C. Marsh
Chairman of the Board
President and Chief Executive Officer

EMCLAIRE FINANCIAL CORP.
THE FARMERS NATIONAL BANK OF EMLENTON

cc The Office of the Comptroller of Currency

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The Farmers National Bank of Emienton
Statutory Limitations

Based On Data For The Period Ending: September 30th, 2008
(These Limitations Only Apply To National Banks)

Topic	Law		Calculated
	Regulation	Calculation	Amount
Legal Lending Limit:	12 CFR 32	15% Total Capital	3984
Legal Lending Limit (with qualifying marketable collateral)	12 CFR 32	25% Total Capital	6640
Legal Investment Limit:	12 CFR 1		
Type I Securities	12 CFR 1.1	Unlimited	NO LIMIT
Type II Securities	12 CFR 1.2	10% Total Capital	2656
Type III Securities	12 CFR 1.3	10% Total Capital	2656
Term Fed Funds		15% Total Capital	3984
Limit on Loans to One Affiliate	12 USC 371c	10% Total Capital	2656
Limit on Loans to All Affiliates	12 USC 371c	20% Total Capital	5312
Investment in Bank Premises	12 USC 371d	100% Capital Stock	1500
Federal Reserve Stock	12 CFR 209	3% Capital Stock/Surplus	333
Investments in Safe Deposit Corporation	12 USC 24(7)	15% Total Capital	3984
Holdings of State Housing Corporation	12 USC 24(7)	5% Total Capital	1328
Investment in Banker's Bank	12 USC 24(7)	10% Total Capital	2656
Investment in Agriculture Lending Corp.	12 USC 24(7)	20% Total Capital	5312
		No limit if ownership => 80%	
Investment in Eligible Acceptances of Drafts or Bills of Exchange:	12 USC 372		
Aggregate Limit		150% Total Capital	39838
Aggr. Domestic Trans.		50% Total Capital	13279
Individual Limit		10% Total Capital	2656
National Bank's Investment in Bank Corporation			
Authority to do Foreign Business	12 USC 618	10% Total Capital	2656
Investment in Bank Service Corp.	12 USC 1862	Lesser of 10% Total Capital OR 5% Total Assets	2656 17727
Investment in Small Business Investment Companies	15 USC 681	5% Total Capital	1328
Total Capital (Tier1 plus Tier2 plus the excess ALLL)			26,559
Capital Stock			1500
Capital Stock/Surplus			11098
TOTAL ASSETS (SCHEDULE RC)			354546

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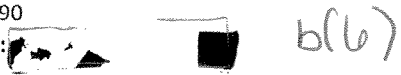
The Farmers National Bank of Emlenton
Statutory Limitations

Based On Data For The Period Ending: December 31st, 2008
(These Limitations Only Apply To National Banks)

Topic	Law		Calculated
	Regulation	Calculation	Amount
Legal Lending Limit:	12 CFR 32	15% Total Capital	5409
Legal Lending Limit (with qualifying marketable collateral)	12 CFR 32	25% Total Capital	9018
Legal Investment Limit:	12 CFR 1		
Type I Securities	12 CFR 1.1	Unlimited	NO LIMIT
Type II Securities	12 CFR 1.2	10% Total Capital	3606
Type III Securities	12 CFR 1.3	10% Total Capital	3606
Term Fed Funds		15% Total Capital	5409
Limit on Loans to One Affiliate	12 USC 371c	10% Total Capital	3606
Limit on Loans to All Affiliates	12 USC 371c	20% Total Capital	7212
Investment in Bank Premises	12 USC 371d	100% Capital Stock	1500
Federal Reserve Stock	12 CFR 209	3% Capital Stock/Surplus	662
Investments in Safe Deposit Corporation	12 USC 24(7)	15% Total Capital	5409
Holdings of State Housing Corporation	12 USC 24(7)	5% Total Capital	1803
Investment in Banker's Bank	12 USC 24(7)	10% Total Capital	3606
Investment in Agriculture Lending Corp.	12 USC 24(7)	20% Total Capital	7212
		No limit if ownership => 80%	
Investment in Eligible Acceptances of Drafts or Bills of Exchange:	12 USC 372		
Aggregate Limit		150% Total Capital	54093
Aggr. Domestic Trans.		50% Total Capital	18031
Individual Limit		10% Total Capital	3606
National Bank's Investment in Bank Corporation			
Authority to do Foreign Business	12 USC 618	10% Total Capital	3606
Investment in Bank Service Corp.	12 USC 1862	Lesser of 10% Total Capital OR 5% Total Assets	3606 18680
Investment in Small Business Investment Companies	15 USC 681	5% Total Capital	1803
Total Capital (Tier1 plus Tier2 plus the excess ALLL)			36,062
Capital Stock			1500
Capital Stock/Surplus			22058
TOTAL ASSETS (SCHEDULE RC)			373803

3102500090

Printed by:



FARMERS NATIONAL BANK
Reporting Institution: 0

Liability: 3102500090 - PREFERRED STOCK

Branch: Description Summary Account
EMCLAIRE FINANCIAL CORP

Liability Summary

Current Balance:	\$7,500,000.00	Previous Balance:	\$7,500,000.00
Fiscal Year Budget:	\$0.00	Credits:	\$0.00
Fiscal Year Budget Variance:	\$7,500,000.00	Debits:	\$0.00
		Current Balance:	\$7,500,000.00
Mar 2009 Average:	\$7,500,000.00	Fiscal Year Average:	\$7,500,000.00
Mar 2009 Budget:	\$0.00	Last Month End Balance	\$7,500,000.00
Mar 2009 Budget Variance:	\$7,500,000.00	Application Balance	\$0.00
		Adjustment:	

Target Budget Amount

	Budget	Actual	Variance
January:	\$0.00	\$7,500,000.00	\$7,500,000.00
February:	\$0.00	\$7,500,000.00	\$7,500,000.00
March:	\$0.00	\$7,500,000.00	\$7,500,000.00
April:	\$0.00	\$0.00	\$0.00
May:	\$0.00	\$0.00	\$0.00
June:	\$0.00	\$0.00	\$0.00
July:	\$0.00	\$0.00	\$0.00
August:	\$0.00	\$0.00	\$0.00
September:	\$0.00	\$0.00	\$0.00
October:	\$0.00	\$0.00	\$0.00
November:	\$0.00	\$0.00	\$0.00
December:	\$0.00	\$0.00	\$0.00
Average	\$0.00	\$7,500,000.00	\$7,500,000.00

Projected Target Budget

	Projected
January:	\$0.00
February:	\$0.00
March:	\$0.00
April:	\$0.00
May:	\$0.00
June:	\$0.00
July:	\$0.00
August:	\$0.00
September:	\$0.00
October:	\$0.00
November:	\$0.00
December:	\$0.00
Average	\$0.00

2009 Historical Information

	Debits Posted	Credits Posted	Average Balance	Month End Balance
January:	\$0.00	\$0.00	\$7,500,000.00	\$7,500,000.00
February:	\$0.00	\$0.00	\$7,500,000.00	\$7,500,000.00
March:	\$0.00	\$0.00	\$7,500,000.00	\$7,500,000.00
April:	\$0.00	\$0.00	\$0.00	\$0.00

3102000004

Printed by: [REDACTED] b(6)

FARMERS NATIONAL BANK

Reporting Institution: 0

Liability: 3102000004 - SURPLUS

	Description	Summary Account
Branch:	OPERATIONS	3102000099
COST CENTER:	FINANCE AND ADMINISTRATION	3102001098

Liability Summary

Current Balance:	\$14,359,484.35	Previous Balance:	\$14,359,484.35
Fiscal Year Budget:	<u>\$0.00</u>	Credits:	\$0.00
Fiscal Year Budget Variance:	\$14,359,484.35	Debits:	<u>\$0.00</u>
		Current Balance:	\$14,359,484.35
Mar 2009 Average:	\$14,359,484.35	Fiscal Year Average:	\$7,811,865.30
Mar 2009 Budget:	<u>\$0.00</u>	Last Month End Balance	\$14,359,484.35
Mar 2009 Budget Variance	\$14,359,484.35	Application Balance	\$0.00
		Adjustment:	

Target Budget Amount

	Budget	Actual	Variance
January:	\$0.00	\$6,859,484.35	\$6,859,484.35
February:	\$0.00	\$14,359,484.35	\$14,359,484.35
March:	\$0.00	\$14,359,484.35	\$14,359,484.35
April:	\$0.00	\$0.00	\$0.00
May:	\$0.00	\$0.00	\$0.00
June:	\$0.00	\$0.00	\$0.00
July:	\$0.00	\$0.00	\$0.00
August:	\$0.00	\$0.00	\$0.00
September:	\$0.00	\$0.00	\$0.00
October:	\$0.00	\$0.00	\$0.00
November:	\$0.00	\$0.00	\$0.00
December:	\$0.00	\$0.00	\$0.00
Average	\$0.00	\$10,669,008.16	\$10,669,008.16

Projected Target Budget

	Projected
January:	\$0.00
February:	\$0.00
March:	\$0.00
April:	\$0.00
May:	\$0.00
June:	\$0.00
July:	\$0.00
August:	\$0.00
September:	\$0.00
October:	\$0.00
November:	\$0.00
December:	\$0.00
Average	\$0.00

2009 Historical Information

	Debits Posted	Credits Posted	Average Balance	Month End Balance
January:	\$0.00	\$0.00	\$6,859,484.35	\$6,859,484.35
February:	\$0.00	\$7,500,000.00	\$7,930,912.92	\$14,359,484.35
March:	\$0.00	\$0.00	\$14,359,484.35	\$14,359,484.35

FARMERS NATIONAL BANK
 FINANCIAL MANAGEMENT SYSTEM
 CONSOLIDATED STATEMENT OF CONDITION

	EOM BAL DEC'08	AVG BAL DEC'08	EOM BAL NOV'08	AVG BAL CYTD 2008	AVG BAL CYTD 2007	EOM BAL CYTD 2007
1202000099 U S SECURITIES	0	0	0	0	0	0
1203000099 US AGENCY SECURITIES	0	0	0	0	0	0
1204500099 TERM FED FUNDS	0	0	0	0	0	0
1205100099 MES SECURITIES	0	0	0	0	0	0
1205140099 UNREALIZED G/L CMO SECURITIES	0	0	0	0	0	0
1205170099 COMMERCIAL PAPER	0	0	0	0	0	0
SECURITIES, TAXABLE HELD TO MATURITY	0	0	0	0	0	0
1204000099 STATE AND MUN SECURITIES	0	0	0	0	0	0
SECURITIES, TAX EXEMPT HELD TO MATURITY	0	0	0	0	0	0
1206000099 BONDS IN PROCESS	(1,003,833)	378,053	0	443,610	(20,618)	(20,618)
OTHER SECURITIES	(1,003,833)	378,053	0	443,610	(20,618)	(20,618)
TOTAL SECURITIES	68,142,376	68,662,872	67,104,845	54,828,050	48,417,021	48,731,817
1421000099 RESIDENTIAL MORTGAGE-FIXED	59,331,772	59,569,247	59,390,720	53,414,195	53,814,889	51,977,047
1421010099 RESIDENTIAL MORTGAGE-VARIABLE	14,779,045	14,330,426	14,134,761	14,248,335	10,880,568	13,586,493
1421020099 RES. MTG - SERVICED FOR OTHERS	7,852,785	7,854,703	7,862,585	7,811,820	6,801,607	7,665,006
1421030099 RES. MTG - CONTRA SERVICED	(7,852,785)	(7,854,703)	(7,862,585)	(7,811,820)	(6,801,607)	(7,665,006)
1422000099 PUR ACCTG ADJ-MTG	21,814	22,483	22,624	25,768	35,261	30,330
1422200099 PUR ACCTG ADJ-ECSLA	142,435	142,435	142,435	22,489	0	0
1407100099 FREDDIE MAC PAYMENT IN PROCESS	0	0	0	0	0	0
1407110099 ADVANCED FUNDS DUE	1,244	1,244	1,244	1,912	3,258	2,343
1407120099 PREPAID FUNDS	7,260	3,889	11,728	5,720	6,175	15,428
1407130099 PARTIAL PAYMENT FUNDS	1,208	1,006	1,189	1,127	1,406	1,306
1407140099 NEGATIVE ESCROW FUNDS	0	0	0	34	0	0
1410000099 DEF. FEES/COSTS - RES. MTG	(15,085)	(15,982)	(17,216)	(27,971)	(46,833)	(37,650)
1410000099 UNREALIZED GAIN/LOSS-LOANS HFS	0	0	0	0	0	0
RESIDENTIAL MORTGAGES	74,269,694	74,054,750	73,687,651	67,687,582	64,793,996	65,575,251
1427000099 CONSUMER - H/E - FIXED	53,298,230	53,560,455	53,731,160	48,700,078	44,497,492	45,731,987
1427100099 CONSUMER - H/E - VARIABLE	0	0	0	0	0	0
1427500099 CONSUMER - H/E - CREDIT LINE	3,995,788	4,128,903	4,104,783	3,903,372	3,550,317	3,609,794
1427500099 DEF FEES/COSTS-HOME EQUITY	27,945	27,491	27,284	18,787	7,966	11,811
HOME EQUITY LOANS	57,321,964	57,716,849	57,863,228	52,622,239	48,055,777	49,353,593
1422000099 MORTGAGE 5+ - FIXED	100,917	100,917	100,917	14,376	0	0
1422100099 MORTGAGE 5+ - VARIABLE	112,680	112,733	113,892	130,062	192,554	180,017
1423000099 COMMERCIAL MTG - FIXED	10,003,482	10,068,749	10,122,148	9,306,464	9,076,527	8,560,352
1423100099 COMMERCIAL MTG - VARIABLE	63,537,080	63,430,786	60,517,070	59,904,770	58,774,151	58,750,219
1423200099 COMMERCIAL MTG - TAX EXEMPT	0	0	0	0	0	0
1423300099 COMMERCIAL CONST. MTG-FIXED	343,462	342,387	341,917	164,411	233,280	316,302
1423400099 COMMERCIAL CONST. MTG-VARIABLE	15,787,613	15,768,273	15,735,350	11,816,480	1,141,389	6,739,885
1423000099 DEF FEES/COST-COMMERCIAL MTG	(35,848)	(31,808)	(32,627)	(3,511)	1,248	(7,039)
1423000099 COMMERCIAL MTG-CONTR. SERVICED	(4,808,703)	(4,814,513)	(4,814,778)	(3,741,229)	(3,697,972)	(3,630,174)
1423900099 NON ACCR INT PAID COMM. MTG	0	0	0	0	0	0
1423970099 PART NON ACCR INT PD COMM. MTG	0	0	0	0	0	0
COMMERCIAL MORTGAGES	85,040,685	84,977,526	82,083,891	77,591,824	65,721,179	70,909,563
1425000099 COMM'I BUS., TERM-FIXED	11,758,222	11,784,356	11,749,241	9,360,857	8,507,121	8,891,200
1425010099 COMM'I BUS., TERM-VARIABLE	5,693,304	5,701,536	5,715,717	7,974,649	11,138,407	9,676,448
1425100099 COMM'I BUS., DEMAND-FIXED	1,131,700	1,310,648	1,211,785	1,228,446	1,027,006	945,039

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	EOM BAL DEC'08	AVG BAL DEC'08	EOM BAL NOV'08	AVG BAL CYTD 2008	AVG BAL CYTD 2007	EOM BAL NOV'08	AVG BAL CYTD 2008	AVG BAL CYTD 2007	EOM BAL NOV'08	AVG BAL CYTD 2008	EOM BAL NOV'08	AVG BAL CYTD 2008	AVG BAL CYTD 2007
1425110099 COMM'L BUS., DEMAND-VARIABLE	2,444,026	2,444,330	2,444,526	2,314,857	1,453,289	2,444,526	2,314,857	1,453,289	2,444,526	2,314,857	2,444,526	2,314,857	2,008,493
1425200099 COMM'L BUS., TAX EXEMPT	5,496,751	5,702,746	5,715,372	5,959,765	6,286,089	5,715,372	5,959,765	6,286,089	5,715,372	5,959,765	5,715,372	5,959,765	5,998,218
1425500099 COMM'L BUS., CREDIT LINE	14,729,171	14,462,727	14,412,965	12,877,842	8,864,628	14,412,965	12,877,842	8,864,628	14,412,965	12,877,842	14,412,965	12,877,842	10,176,031
1425510099 STANDBY LETTER OF CREDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
1425600099 COMMERCIAL INDIRECT	522,577	526,015	534,036	606,861	495,857	526,015	606,861	495,857	526,015	606,861	526,015	606,861	571,894
1405900099 COMM'L BUS., CONTRA SERVICED	0	0	0	0	0	0	0	0	0	0	0	0	0
1405950099 NON ACCR INT PAID - COMM'L BUS	1,264	1,264	1,264	2,172	1,545	1,264	2,172	1,545	1,264	2,172	1,264	2,172	1,694,839
1405970099 PART NON ACCR INT PD COMM'L BUS	0	0	0	0	0	0	0	0	0	0	0	0	0
1450000099 DEFER FEES/COSTS-COMM'L BUS.	96,548	99,049	97,831	94,161	85,891	97,831	94,161	85,891	97,831	94,161	97,831	94,161	96,349
COMMERCIAL BUSINESS LOANS	42,073,566	42,032,674	41,882,739	39,249,244	35,727,260	41,882,739	39,249,244	35,727,260	41,882,739	39,249,244	41,882,739	39,249,244	36,671,946
1426000099 CONSUMER - INSTALLMENT	3,309,460	3,330,852	3,388,532	3,429,646	3,346,801	3,309,460	3,429,646	3,346,801	3,309,460	3,429,646	3,309,460	3,429,646	3,550,932
1426100099 CONSUMER - TIME	84,601	73,728	34,597	18,740	78,955	84,601	18,740	78,955	84,601	18,740	84,601	18,740	25,055
1426200099 CONSUMER - LINE OF CREDIT	404,211	368,604	374,412	382,783	425,571	404,211	382,783	425,571	404,211	382,783	404,211	382,783	406,920
1426100099 CONSUMER - AUTOMOBILE	5,136,281	5,201,905	5,243,835	4,911,269	3,983,689	5,136,281	4,911,269	3,983,689	5,136,281	4,911,269	5,136,281	4,911,269	5,130,941
1428500099 CONSUMER - INDIRECT	97,865	99,179	102,513	113,817	201,740	97,865	113,817	201,740	97,865	113,817	97,865	113,817	141,628
1401050099 CONSUMER - STUDENT LOANS	0	0	0	0	0	0	0	0	0	0	0	0	0
1403000099 INSTALLMENT LOANS	0	0	0	0	0	0	0	0	0	0	0	0	0
1403050099 OVERDRAFTS	67,763	83,814	69,511	112,759	96,144	67,763	112,759	96,144	67,763	112,759	67,763	112,759	185,679
1403200099 FUR ACTGS ADJ-IL	93,413	94,052	94,988	93,700	75,500	93,413	93,700	75,500	93,413	93,700	93,413	93,700	97,999
1460000099 DEFER FEES/COSTS - CONSUMER	9,193,597	9,272,137	9,308,390	9,062,715	8,208,602	9,193,597	9,062,715	8,208,602	9,193,597	9,062,715	9,193,597	9,062,715	9,539,157
CONSUMER LOANS	268,374,077	268,490,663	268,453,267	247,304,548	223,055,456	268,374,077	247,304,548	223,055,456	268,374,077	247,304,548	268,374,077	247,304,548	233,075,594
1407000099 LOAN HOLDOVER	(21,040)	(940)	(14,825)	(2,013)	(6,405)	(21,040)	(2,013)	(6,405)	(21,040)	(2,013)	(21,040)	(2,013)	(16,819)
1407050099 DEFERRED COSTS IN PROCESS	0	0	0	0	0	0	0	0	0	0	0	0	0
1407060099 DEFERRED COSTS IN PROCESS	0	0	0	0	0	0	0	0	0	0	0	0	0
1407200099 LAS NON POST DEBIT	34,119	3,056	(3,144)	36,565	38,467	34,119	36,565	38,467	34,119	36,565	34,119	36,565	0
1407500099 LAS NON POST CREDIT	(44,132)	(37,075)	(3,144)	(36,557)	(29,210)	(44,132)	(36,557)	(29,210)	(44,132)	(36,557)	(44,132)	(36,557)	(62,811)
1407600099 DDL NON POST DEBIT	0	(152)	0	457	1,016	0	457	1,016	0	457	0	457	(25)
1407700099 DDL NON POST CREDIT	505,622	471,904	3,645,335	1,091,339	544,892	505,622	1,091,339	544,892	505,622	1,091,339	505,622	1,091,339	1,105,737
1407800099 LOAN DISBURSEMENTS IN PROCESS	474,569	436,724	3,627,364	1,090,942	548,640	474,569	1,090,942	548,640	474,569	1,090,942	474,569	1,090,942	1,026,081
OTHER LOANS	268,374,077	268,490,663	268,453,267	247,304,548	223,055,456	268,374,077	247,304,548	223,055,456	268,374,077	247,304,548	268,374,077	247,304,548	233,075,594
TOTAL LOANS RECEIVABLE	(2,681,875)	(2,852,873)	(2,646,585)	(2,323,303)	(2,092,495)	(2,681,875)	(2,323,303)	(2,092,495)	(2,681,875)	(2,323,303)	(2,681,875)	(2,323,303)	(2,156,733)
1408000099 VAL RES FOR LOAN LOSSES	265,692,202	265,837,790	265,806,681	244,981,245	220,962,961	265,692,202	244,981,245	220,962,961	265,692,202	244,981,245	265,692,202	244,981,245	230,918,861
TOTAL LOANS RECEIVABLE, NET	3,463,700	3,409,830	3,286,700	2,514,362	1,981,548	3,463,700	2,514,362	1,981,548	3,463,700	2,514,362	3,463,700	2,514,362	2,328,600
1205200099 FEDERAL HOME LOAN BANK STOCK	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950
1205210099 FEDERAL RESERVE BANK STOCK	3,796,650	3,742,780	3,619,650	2,847,312	2,314,498	3,796,650	2,847,312	2,314,498	3,796,650	2,847,312	3,796,650	2,847,312	2,661,550
FEDERAL BANK STOCKS	4,009,000	4,000,000	4,000,000	4,000,000	4,000,000	4,009,000	4,000,000	4,000,000	4,009,000	4,000,000	4,009,000	4,000,000	4,000,000
1250000099 CSV - BOLI APPRECIATION	1,314,484	1,299,449	1,296,284	1,196,659	974,886	1,314,484	1,196,659	974,886	1,314,484	1,196,659	1,314,484	1,196,659	1,088,966
1252000099 CSV - BOLI ACCUM INS EXP CONTR	(129,477)	(127,659)	(127,277)	(115,190)	(88,365)	(129,477)	(115,190)	(88,365)	(129,477)	(115,190)	(129,477)	(115,190)	(102,072)
CSV - BANK OWNED LIFE INSURANCE	5,189,007	5,171,789	5,169,007	5,081,469	4,886,521	5,189,007	5,081,469	4,886,521	5,189,007	5,081,469	5,189,007	5,081,469	4,986,894

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FARMERS NATIONAL BANK
 FINANCIAL MANAGEMENT SYSTEM
 CONSOLIDATED STATEMENT OF CONDITION

	EOM BAL FEB'09	AVG BAL FEB'09	EOM BAL JAN'09	AVG BAL CYTD 2009	SOY BAL CYTD 2008
SECURITIES, TAX EXEMPT AVAILABLE FOR SALE	13,834,129	13,757,762	14,336,118	13,744,768	13,807,655
1202000099 U S SECURITIES	0	0	0	0	0
1203000099 US AGENCY SECURITIES	0	0	0	0	0
1204500099 TERM FED FUNDS	0	0	0	0	0
1205100099 MBS SECURITIES	0	0	0	0	0
1205170099 COMMERCIAL PAPER	0	0	0	0	0
SECURITIES, TAXABLE HELD TO MATURITY	0	0	0	0	0
1204000099 STATE AND MUN SECURITIES	0	0	0	0	0
SECURITIES, TAX EXEMPT HELD TO MATURITY	0	0	0	0	0
1206000099 BONDS IN PROCESS	0	(409,632)	(2,000,860)	(367,063)	0
OTHER SECURITIES	0	(409,632)	(2,000,860)	(367,063)	0
TOTAL SECURITIES	57,395,032	58,073,308	59,411,271	61,096,545	68,304,534
1421000099 RESIDENTIAL MORTGAGE-FIXED	58,735,391	58,882,204	59,167,786	59,001,752	59,132,818
1421010099 RESIDENTIAL MORTGAGE-VARIABLE	14,674,680	14,762,546	14,782,065	14,739,427	14,777,331
1421020099 RES. MTG - SERVICED FOR OTHERS	7,791,010	7,867,449	7,751,013	7,812,489	7,850,048
1421900099 RES. MTG - CONTRA SERVICED	(7,865,637)	(7,872,998)	(7,751,013)	(7,847,295)	(7,850,048)
1402200099 PUR ACCTG ADJ-MTG	20,934	21,666	21,934	21,833	22,283
1402300099 PUR ACCTG ADJ-ECSLIA	139,140	140,344	140,344	140,938	141,553
1407100099 FREDDIE MAC PAYMENT IN PROCESS	0	0	0	0	0
1407110099 ADVANCED FUNDS DUE	1,244	1,244	1,244	1,252	1,344
1407120099 PREPAID FUNDS	13,067	5,820	14,398	6,081	16,485
1407130099 PARTIAL PAYMENT FUNDS	865	1,029	858	1,084	884
1407140099 NEGATIVE ESCROW FUNDS	0	0	0	0	0
1410000099 DEF. FEES/COSTS - RES. MTG	(10,100)	(10,987)	(11,694)	(11,832)	(14,695)
1411000099 UNREALIZED GAIN/LOSS-LOANS HFS	0	0	0	0	0
RESIDENTIAL MORTGAGES	73,497,525	73,798,276	74,116,936	73,893,296	74,077,805
1427000099 CONSUMER - H/E - FIXED	52,030,337	52,466,378	52,852,036	52,694,927	52,938,109
1427100099 CONSUMER - H/E - VARIABLE	0	0	0	0	0
1427500099 CONSUMER - H/E - CREDIT LINE	4,203,268	4,187,643	4,212,827	4,164,891	3,997,865
1427500099 DEF FEES/COSTS-HOME EQUITY	27,684	28,222	28,750	28,169	27,845
HOME EQUITY LOANS	56,261,290	56,682,244	57,093,614	56,887,988	56,963,820
1422000099 MORTGAGE 5+ - FIXED	102,217	102,217	102,217	101,754	100,917
1422100099 MORTGAGE 5+ - VARIABLE	109,009	110,095	110,276	110,803	112,680
1423000099 COMMERCIAL MTG - FIXED	10,103,672	10,079,879	10,026,609	10,041,944	9,856,841
1423100099 COMMERCIAL MTG - VARIABLE	66,060,120	66,268,972	66,292,272	66,023,250	63,450,704
1423200099 COMMERCIAL MTG - TAX EXEMPT	0	0	0	0	0
1423300099 COMMERCIAL CONST. MTG-FIXED	1,325,000	1,325,000	1,325,000	1,103,071	855,639
1423400099 COMMERCIAL CONST. MTG-VARIABLE	16,026,701	16,017,476	15,993,742	15,903,416	15,802,226
1426000099 DEF FEES/COST-COMMERCIAL MTG	(24,875)	(25,637)	(29,414)	(29,376)	(35,666)
1403900099 COMMERCIAL MTG-CONTRA SERVICED	(4,788,454)	(4,795,153)	(4,796,980)	(4,799,567)	(4,805,458)
1403950099 NON ACCR INT PAID - COMM'L MTG	0	0	0	0	0
1403970099 PART NON ACCR INT PD COMM'L MTG	0	0	0	0	0
COMMERCIAL MORTGAGES	88,913,387	89,081,851	89,013,723	88,520,359	85,337,884
1425000099 COMM'L BUS., TERM-FIXED	11,376,587	11,512,976	11,660,549	11,653,526	11,739,358
1425010099 COMM'L BUS., TERM-VARIABLE	5,676,766	5,715,232	5,639,674	5,695,382	5,717,924

FARMERS NATIONAL BANK
 FINANCIAL MANAGEMENT SYSTEM
 CONSOLIDATED STATEMENT OF CONDITION

	EOM BAL FEB '09	AVG BAL FEB '09	EOM BAL JAN '09	AVG BAL JAN '09	EOM BAL CYTD 2009	AVG BAL CYTD 2009	EOM BAL CYTD 2008	AVG BAL CYTD 2008
1425100099 COMM'L BUS.. DEMAND-FIXED	1,339,124	1,333,439	1,303,366	1,303,366	1,228,784	1,225,651	1,098,733	1,098,733
1425110099 COMM'L BUS.. DEMAND-VARIABLE	2,040,799	2,375,597	2,437,012	2,437,012	2,410,661	2,517,660	2,443,009	2,443,009
1425200099 COMM'L BUS.. TAX EXEMPT	17,125,838	17,142,804	17,126,721	17,126,721	15,987,568	5,953,904	5,888,856	5,888,856
1425300099 COMM'L BUS.. CREDIT LINE	14,890,981	14,439,735	14,500,375	14,500,375	14,434,670	12,867,266	14,522,763	14,522,763
1425510099 STANDBY LETTER OF CREDIT	0	0	0	0	0	2,619	0	0
1425510099 COMMERCIAL INDIRECT	485,388	490,404	505,413	505,413	502,192	605,009	521,505	521,505
1425600099 COMM'L BUS.. CONTRA SERVICED	(328)	(271)	1,264	1,264	535	(1,098,499)	1,264	1,264
1405900099 NON ACQR INT PAID - COMM'L BUS	0	0	0	0	0	0	0	0
1405900099 NON ACQR INT PAID - COMM'L BUS	0	0	0	0	0	0	0	0
1405900099 PART NON ACQR INT PD COMM'L BUS	101,895	103,508	101,171	101,171	100,834	94,187	94,983	94,983
1450000099 DEFER FEES/COSTS-COMM'L BUS.	53,034,753	53,213,428	53,275,547	53,275,547	52,014,155	39,308,522	41,828,399	41,828,399
COMMERCIAL BUSINESS LOANS								
1426000099 CONSUMER - INSTALLMENT	3,127,430	3,200,506	3,273,359	3,273,359	3,245,171	3,427,161	3,313,195	3,313,195
1426100099 CONSUMER - TIME OF CREDIT	189,667	151,355	225,682	225,682	180,081	19,960	74,576	74,576
1426200099 CONSUMER - LINE OF CREDIT	398,694	391,521	395,188	395,188	397,675	383,297	408,710	408,710
1426100099 CONSUMER - AUTOMOBILE	4,937,306	4,974,455	5,036,808	5,036,808	5,022,180	4,916,369	5,126,077	5,126,077
1428500099 CONSUMER - INDIRECT	82,077	83,753	84,938	84,938	85,177	113,431	91,507	91,507
1401050099 CONSUMER - STUDENT LOANS	0	0	0	0	0	0	0	0
1403000099 INSTALLMENT LOANS	0	0	0	0	0	0	0	0
1403050099 OVERDRAFTS	51,265	95,402	48,359	48,359	87,087	112,512	95,505	95,505
1403200099 FUR ACCTG ADJ.-I.	0	0	0	0	0	0	0	0
1460000099 DEFER FEES/COSTS - CONSUMER	8,864,529	8,983,644	9,155,973	9,155,973	9,108,300	9,066,434	9,293,352	9,293,352
CONSUMER LOANS								
1403000099 LOAN HOLDOVER	0	(50)	0	0	(53)	1,308	0	0
1407000099 LOANS IN PROCESS	(609)	(2,587)	(450)	(450)	(2,500)	(2,501)	0	0
1407050099 DEFERRED COSTS IN PROCESS	0	0	0	0	0	0	0	0
1407060099 DEFERRED COSTS IN PROCESS	0	0	0	0	0	(10)	0	0
1407300099 LAS NON POST DEBIT	(11,621)	(24,528)	(6,832)	(6,832)	(19,304)	(37,322)	(350)	(350)
1407500099 LAS NON POST CREDIT	(50)	(48)	0	0	(76)	(165)	0	0
1407600099 DDL NON POST DEBIT	0	13	16	16	10	447	0	0
1407700099 DDL NON POST CREDIT	216,399	317,984	57,708	57,708	632,577	1,083,128	1,166,956	1,166,956
1407800099 LOAN DISBURSEMENTS IN PROCESS	204,118	298,370	145,290	145,290	809,792	1,085,028	1,177,306	1,177,306
OTHER LOANS								
TOTAL LOANS RECEIVABLE	280,775,605	282,057,816	282,801,087	282,801,087	281,233,792	247,768,340	268,588,568	268,588,568
1408000099 VAL RES FOR LOAN LOSSES	(2,699,657)	(2,715,453)	(2,707,644)	(2,707,644)	(2,688,400)	(2,330,808)	(2,651,023)	(2,651,023)
TOTAL LOANS RECEIVABLE, NET	278,075,948	279,342,363	280,093,443	280,093,443	278,545,391	245,437,532	265,937,545	265,937,545
1205200099 FEDERAL HOME LOAN BANK STOCK	3,463,700	3,463,700	3,463,700	3,463,700	3,463,700	2,535,112	3,463,700	3,463,700
1205210099 FEDERAL RESERVE BANK STOCK	332,950	332,950	332,950	332,950	332,950	332,950	332,950	332,950
FEDERAL BANK STOCKS	3,796,650	3,796,650	3,796,650	3,796,650	3,796,650	2,868,062	3,796,650	3,796,650
1250000099 CSV - BOLI	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
1251000099 CSV - BOLI APPRECIATION	1,354,470	1,341,577	1,335,470	1,335,470	1,332,249	1,199,251	1,316,470	1,316,470
1252000099 CSV - BOLI ACCUM INS EXP CONTR	(134,718)	(133,440)	(132,393)	(132,393)	(131,999)	(115,507)	(130,062)	(130,062)
CSV - BANK OWNED LIFE INSURANCE	5,219,752	5,208,436	5,203,077	5,203,077	5,200,250	5,083,744	5,186,402	5,186,402



**Farmers
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PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No.	Call Coll.	Account	Officer	Initials
\$8,000,000.00	01-02-2009		540744	202		100	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: COUNTY OF BUTLER (TIN: 26-6001020)
PO BOX 1208
BUTLER, PA 16003

Lender: The Farmers National Bank of Emlenton
Corporate Banking
612 Main Street
Emlenton, PA 16373

Principal Amount: \$8,000,000.00

Date of Note: January 2, 2009

Maturity Date: December 31, 2009

PROMISE TO PAY. COUNTY OF BUTLER ("Borrower") promises to pay to The Farmer's National Bank of Emlenton ("Lender"), or order, in lawful money of the United States of America, the principal amount of Eight Million & 00/100 Dollars (\$8,000,000.00), together with interest on the unpaid principal balance from January 2, 2009, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 2.075% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in full immediately upon Lender's demand. If no demand is made, Borrower will pay this loan in one principal payment of \$8,000,000.00 plus interest on December 31, 2009. This payment due on December 31, 2009, will be for all principal and all accrued interest not yet paid. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT; MINIMUM INTEREST CHARGE. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$20.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: The Farmers National Bank of Emlenton, Corporate Banking, 612 Main Street, Emlenton, PA 16373.

LATE CHARGE. If a payment is 16 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$15.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 3.000 percentage points. If judgment is entered in connection with this Note, interest will continue to accrue after the date of judgment at the rate in effect at the time judgment is entered. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may, after giving such notices as required by applicable law, declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Pennsylvania without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Pennsylvania.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

PROPERTY INSURANCE. Borrower understands that Borrower is required to obtain insurance for the collateral securing this Note. Further

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PROMISSORY NOTE
(Continued)

Loan No: 540744

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Information concerning this requirement is set forth in the Security Agreement.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: Farmers National Bank 612 Main Street Emlenton, PA 16373.

GENERAL PROVISIONS. This Note is payable on demand. The inclusion of specific default provisions or rights of Lender shall not preclude Lender's right to declare payment of this Note on its demand. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several. If any portion of this Note is for any reason determined to be unenforceable, it will not affect the enforceability of any other provisions of this Note.

CONFESSION OF JUDGMENT. BORROWER HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR THE PROTHONOTARY OR CLERK OF ANY COURT IN THE COMMONWEALTH OF PENNSYLVANIA, OR ELSEWHERE, TO APPEAR AT ANY TIME FOR BORROWER AFTER A DEFAULT UNDER THIS NOTE AND WITH OR WITHOUT COMPLAINT FILED, CONFESS OR ENTER JUDGMENT AGAINST BORROWER FOR THE ENTIRE PRINCIPAL BALANCE OF THIS NOTE AND ALL ACCRUED INTEREST, LATE CHARGES AND ANY AND ALL AMOUNTS EXPENDED OR ADVANCED BY LENDER RELATING TO ANY COLLATERAL SECURING THIS NOTE, TOGETHER WITH COSTS OF SUIT, AND AN ATTORNEY'S COMMISSION OF TEN PERCENT (10%) OF THE UNPAID PRINCIPAL BALANCE AND ACCRUED INTEREST FOR COLLECTION, BUT IN ANY EVENT NOT LESS THAN FIVE HUNDRED DOLLARS (\$500) ON WHICH JUDGMENT OR JUDGMENTS ONE OR MORE EXECUTIONS MAY ISSUE IMMEDIATELY; AND FOR SO DOING, THIS NOTE OR A COPY OF THIS NOTE VERIFIED BY AFFIDAVIT SHALL BE SUFFICIENT WARRANT. THE AUTHORITY GRANTED IN THIS NOTE TO CONFESS JUDGMENT AGAINST BORROWER SHALL NOT BE EXHAUSTED BY ANY EXERCISE OF THAT AUTHORITY, BUT SHALL CONTINUE FROM TIME TO TIME AND AT ALL TIMES UNTIL PAYMENT IN FULL OF ALL AMOUNTS DUE UNDER THIS NOTE. BORROWER HEREBY WAIVES ANY RIGHT BORROWER MAY HAVE TO NOTICE OR TO A HEARING IN CONNECTION WITH ANY SUCH CONFESSION OF JUDGMENT AND STATES THAT EITHER A REPRESENTATIVE OF LENDER SPECIFICALLY CALLED THIS CONFESSION OF JUDGMENT PROVISION TO BORROWER'S ATTENTION OR BORROWER HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

THIS NOTE IS GIVEN UNDER SEAL AND IT IS INTENDED THAT THIS NOTE IS AND SHALL CONSTITUTE AND HAVE THE EFFECT OF A SEALED INSTRUMENT ACCORDING TO LAW.

BORROWER:

COUNTY OF BUTLER

By: *A. Dale Pinkerton* (Seal)
A. DALE PINKERTON, CHAIRMAN of COUNTY OF BUTLER

By: *James C. Lohaiser* (Seal)
JAMES C. LOKHAISER, SECRETARY of COUNTY OF BUTLER

By: *James L. Kennedy* (Seal)
JAMES L. KENNEDY, VICE CHAIRMAN of COUNTY OF BUTLER

By: *William S. O'Donnell* (Seal)
WILLIAM S. O'DONNELL, CHIEF CLERK of COUNTY OF BUTLER
Attest

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County of Jefferson, Pennsylvania
\$2,500,000.00 Aggregate Principal Amount
TAX ANTICIPATION NOTE
SERIES OF 2009

January 16, 2009

JEFFERSON COUNTY, Pennsylvania (the "Local Government Unit") for value received and intending to be legally bound, promises to pay the principal of Two Million Five Hundred and 00/100 Dollars (\$2,500,000.00) together with interest thereon from the date hereof at a rate of 2.075% per annum, fixed tax free calculated on the basis of a year of 360 days and the actual number of days elapsed, to the registered owner hereof on or before December 31, 2009, at the corporate office of **Farmers National Bank**, Drawer D, Emlenton, Pennsylvania, as Sinking Fund Depository and Paying Agent, upon surrender of this Note, in such coin or currency of the United States of America as at the place and time of payment is legal tender for the payment of public and private debts. Interest shall be payable monthly, the first interest payment being due thirty (30) days after closing.

This Note is issued under and pursuant to all the terms and provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act of December 19, 1996, P.L. 1158, No.177, as amended, and is designated as a "qualified tax-exempt obligation" under Section 265 (b) (3) (B) of the Internal Revenue Code of 1986, as amended. The indebtedness evidenced hereby is a borrowing in anticipation of current taxes to be received by the Local Government Unit during the fiscal year in which this Note has been issued and is to be repaid from such taxes received by the Local Government Unit during said fiscal year. In the event of any default hereunder, the Local Government Unit will pay the owner's reasonable costs and expenses incurred in collection of the amounts due hereunder, the Local Government Unit hereby pledges and grants (equally and ratably with all other tax and revenue anticipation notes issued during the current fiscal year in the aggregate principal amount stated above) to the Sinking Fund Depository, for the benefit of the owner, from time to time, of this Note, a first lien and charge on, and security interest in, the taxes to be received by the Local Government Unit during the period this Note is outstanding in order to secure the payment of the indebtedness evidenced hereby and the interest thereon.

This Note is further executed and delivered pursuant to a Resolution adopted by the Local Government Unit upon the affirmative vote of at least a majority of the members of its Governing Body at a public meeting duly and regularly held, and after filing with the Department of Community and Economic Development of the Commonwealth of Pennsylvania the documents required by Section 8126 of the said Local Government Unit Debt Act. This Note is fully registered and may not be transferred except upon surrender hereof and notation of transfer upon the registration books of the County.

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No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based herein, against any officer, agent, or employee, past, present, or future, of the Local Government Unit, as such, either directly or through the Local Government Unit, whether by virtue or any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty, or otherwise; all such liability of such officers, agents, or employees is hereby renounced, waived, and released as a condition of any as consideration for the issuance and acceptance of this Note.

It is hereby certified that all acts, conditions, and things required to be done, to occur or be performed precedent to and in furtherance of the issuance of this Note, or in the creation of the indebtedness of which this Note is evidence, have been done, have occurred, and have been performed in regular and due form and manner as required by law, and that the repayment obligation represented by this Note is not in excess of any constitutional or statutory limitation.

If, at anytime during the existence of this loan, the borrowing is determined not to be tax-free, Farmers National Bank would adjust the interest rate to Farmers National Bank's Base Rate and the payment would be adjusted accordingly for the remaining term. Said change would be retroactive to the date that the loan was determined not to be tax-free.

IN WITNESS WHEREOF, the Local Government Unit has caused this Note to be signed in its name by its County Commissioners and its corporate seal to be hereunto affixed, or a facsimile thereof to be printed hereon, duly attested by the Chief Clerk, as of the date set forth above.

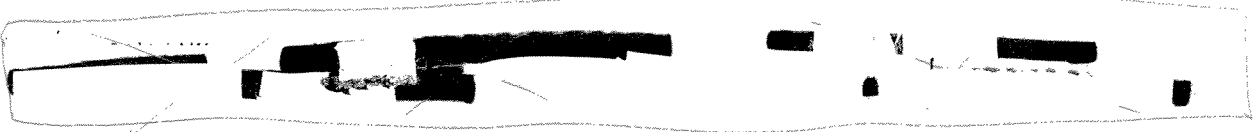
COUNTY OF JEFFERSON:

By: Paul Corbin
Paul Corbin, Chairman

By: James P. McIntyre
James P. McIntyre, Commissioner

By: Jeffrey E. Pisarcik
Jeffrey E. Pisarcik, Commissioner

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COUNTY OF ELK
RESOLUTION NO. 2008-19

AUTHORIZING THE COUNTY OF ELK TO INCUR TAX ANTICIPATION INDEBTEDNESS FOR THE YEAR 2009; FIXING THE FORM OF THE NOTE TO BE ISSUED FOR SAID INDEBTEDNESS; AND AWARDING THE NOTE AT PRIVATE SALE.

Whereas, the Board of County Commissioners has determined that it is necessary for the County to incur debt in a sum not exceeding \$950,000 for the purpose of funding current expenses for the year 2009

And Whereas, said indebtedness will be incurred in anticipation of the receipt of current taxes;

And Whereas, said indebtedness will not exceed the limitations for tax anticipation debt provided in the Pennsylvania Local Government Unit Debt Act, 53 Pa.C.S.A. §8122;

And Whereas, the County has solicited quotes from all of the financial institutions actively engaged in business in the County for the purchase of the tax anticipation note to be issued pursuant to this resolution;

And Whereas, the County Commissioners have determined that the proposal submitted by Farmers National Bank, providing a fixed interest rate of 2.075% per annum, represents the most favorable proposal submitted;

NOW THEREFORE, BE IT RESOLVED:

1. Authorization of Debt.

The County of Elk is hereby authorized to incur debt in anticipation of the receipt of current taxes for the fiscal year 2009 in the aggregate principal sum of \$950,000, to be evidenced by a tax anticipation note substantially in the form attached hereto as Exhibit "A".

2. Security.

As security for the note issued under this Resolution, the County of Elk, hereby pledges, and grants a security interest in, the taxes of the County levied during the fiscal year 2009.

3. Authorization.

The Chairperson, Board of County Commissioners, and the Chief Clerk are hereby authorized and directed to execute the note issued under this Resolution, any financing statement required under the Pennsylvania Commercial Code and any and all other documents which may be required to fully perfect and issue the said note. The Chief

Clerk is directed to file a copy of the proceedings authorizing the said note and the certification of taxes required under the Local Government Unit Debt Act, 53 Pa.C.S.A. §8126.

4. Private Sale of Note.

The Board of County Commissioners determines that it is the in the best interest of the County to award the note issued under this Resolution by private sale to Farmers National Bank, pursuant to its proposal of December 19, 2008, a copy of which is attached to this Resolution as Exhibit "B".

ADOPTED at a duly constituted public meeting of the Board of County Commissioners this 30th. day of December, 2008.

COUNTY OF ELK

Attest: *Lizzy Abraham*
Chief Clerk

June H. Long
David N. Long
Robert T. Newcom
BOARD OF COMMISSIONER

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Exhibit "A"
2009 Tax Anticipation Note

Date: January 9, 2009

Amount: \$950,000

FOR VALUE RECEIVED AND INTENDING TO BE LEGALLY BOUND, the County of Elk hereby promises to pay to the order of Farmers National Bank, its successors and assigns, the sum of Nine Hundred Fifty Thousand Dollars (\$950,000), lawful money of the United States of America, together with interest at the rate of 2.075% per annum (accruing on a 360-day basis) beginning on the date of this note and continuing to and including the date of maturity thereof; with all payments to be applied first to interest and the balance to principal; and with the entire balance of principal and interest to be paid in full on or before December 31, 2009; with interest payable in monthly installments on or before the 10th day of each and every month for interest accrued during the preceding calendar month. All payments shall be made at an office of Farmers National Bank, or at such other location with the Commonwealth of Pennsylvania as may be designated by the holder hereof from time to time in writing delivered to the undersigned.

The interest rate on this note has been established on the basis of legal opinion received by the Bank and the County that under existing statutes, rulings and regulations, as now administered, the interest received on this note by the Bank and any other participant in this note is not subject to federal income tax. If at any time the interest rate payable to the note holder shall be deemed taxable to the note holder under federal law, the interest rate on the note shall then be changed to the prime commercial rate then changed by the Bank as from time to time adjusted; provided however, that the rate of interest shall not be greater than 5.00% per annum;

In the event that the County of Elk fails to make payment of the entire balance of principal and interest on this note on or before December 31, 2009, then at such time the interest payable on the principal balance of the note shall be changed to a rate equal to the Farmer National Bank's prime commercial rate, as from time to time adjusted, provided that such interest rate shall not be greater than 5.00% per annum.

The Chief Clerk of the County of Elk is hereby designed as the paying agent of this note pursuant to the Local Government Unit Debt Act, 53 Pa.C.S.A. §8125.

IN WITNESS WHEREOF, the County of Elk has caused this note to be properly executed under this corporate seal as of the date originally set forth above.

COUNTY OF ELK

Attest: Leggy Osharok
Chief Clerk

By: June H. Soeg
Chairperson, Board of County Commissioners



**Farmers
National
Bank**

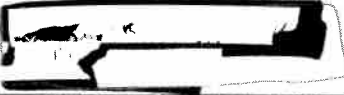
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PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No.	Original	Account	Officer	Initials
\$3,400,000.00	01-02-2009	01-10-2029					

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

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Borrower:  **Lender:** The Farmers National Bank of Emlenton
Corporate Banking
612 Main Street
Emlenton, PA 16373

Principal Amount: \$3,400,000.00 **Date of Note:** January 2, 2009
Maturity Date: January 10, 2029

PROMISE TO PAY. [Redacted] ("Borrower") jointly and severally promise to pay to The Farmers National Bank of Emlenton ("Lender"), or order, in lawful money of the United States of America, the principal amount of Three Million Four Hundred Thousand & 00/100 Dollars (\$3,400,000.00), together with interest on the unpaid principal balance from January 2, 2009, until paid in full.

PAYMENT. Borrower will pay this loan in full immediately upon Lender's demand. If no demand is made, subject to any payment changes resulting from changes in the Index, Borrower will pay this loan in accordance with the following payment schedule, which calculates interest on the unpaid principal balances as described in the "INTEREST CALCULATION METHOD" paragraph using the interest rates described in this paragraph: 60 monthly consecutive principal and interest payments in the initial amount of \$24,308.88 each, beginning February 10, 2009, with interest calculated on the unpaid principal balances using an interest rate of 5.875% per annum based on a year of 360 days; 60 monthly consecutive principal and interest payments in the initial amount of \$25,323.67 each, beginning February 10, 2014, with interest calculated on the unpaid principal balances using an interest rate based on the 5 Year Treasury Note - Constant Maturity Index of the Federal Reserve Statistical Release H.15 (519) (currently 3.760%), plus a margin of 2.750 percentage points, resulting in an initial interest rate of 6.510% per annum based on a year of 360 days; 60 monthly consecutive principal and interest payments in the initial amount of \$25,323.68 each, beginning February 10, 2019, with interest calculated on the unpaid principal balances using an interest rate based on the 5 Year Treasury Note - Constant Maturity Index of the Federal Reserve Statistical Release H.15 (519) (currently 3.760%), plus a margin of 2.750 percentage points, resulting in an initial interest rate of 6.510% per annum based on a year of 360 days; 60 monthly consecutive principal and interest payments in the initial amount of \$25,323.67 each, beginning February 10, 2024, with interest calculated on the unpaid principal balances using an interest rate based on the 5 Year Treasury Note - Constant Maturity Index of the Federal Reserve Statistical Release H.15 (519) (currently 3.760%), plus a margin of 2.750 percentage points, resulting in an initial interest rate of 6.510% per annum based on a year of 360 days; and one principal and interest payment of \$25,323.34 on January 10, 2029, with interest calculated on the unpaid principal balances using an interest rate based on the 5 Year Treasury Note - Constant Maturity Index of the Federal Reserve Statistical Release H.15 (519) (currently 3.760%), plus a margin of 2.750 percentage points, resulting in an initial interest rate of 6.510% per annum based on a year of 360 days. This estimated final payment is based on the assumption that all payments will be made exactly as scheduled and that the Index does not change; the actual final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under this Note. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the 5 Year Treasury Note - Constant Maturity Index of the Federal Reserve Statistical Release H.15 (519) (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each adjustment to the index. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 3.760% per annum. The interest rate or rates to be applied to the unpaid principal balance during this Note will be the rate or rates set forth herein in the "Payment" section. Notwithstanding any other provision of this Note, after the first payment stream, the interest rate for each subsequent payment stream will be effective as of the last payment date of the just-ending payment stream. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT PENALTY. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Upon prepayment of this Note, Lender is entitled to the following prepayment penalty: If this Note is paid in full from refinancing with a source other than Farmers National Bank from the Note Date, a prepayment penalty will be assessed as follows: Months 0 - 12: 3% of the unpaid principal balance; Months 13 - 24: 2% of the unpaid principal balance; Months 25 - 60: 1% of the unpaid principal balance; and 1/2% of the unpaid principal balance for the entire remaining life of the loan. Except for the foregoing, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: The Farmers National Bank of Emlenton, Corporate Banking, 612 Main Street, Emlenton, PA 16373.

LATE CHARGE. If a payment is 16 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$15.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by adding a 3.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default. After maturity, or after this Note would have matured had there been no default, the Default Rate Margin will continue to apply to the final interest rate described in this Note. If judgment is entered in connection with this Note, interest will continue to accrue after the date of judgment at the rate in effect at the time judgment is entered. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

- Payment Default.** Borrower fails to make any payment when due under this Note.
- Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.
- False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.
- Death or Insolvency.** The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.
- Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help,

Loan No:

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**PROMISSORY NOTE
(Continued)**

repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may, after giving such notices as required by applicable law, declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Pennsylvania without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Pennsylvania.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

PROPERTY INSURANCE. Borrower understands that Borrower is required to obtain insurance for the collateral securing this Note. Further information concerning this requirement is set forth in the Pledge Agreement and Mortgage and in the Agreement to Provide Insurance, all the terms and conditions of which are hereby incorporated and made a part of this Note.

MODIFICATION FEE. Any modification to the terms of the Note, including the interest rate, will be assessed a 1/2% charge of the current unpaid principal balance which represents a modification fee.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: Farmers National Bank 612 Main Street Emonton, PA 16373.

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BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

THIS NOTE IS GIVEN UNDER SEAL AND IT IS INTENDED THAT THIS NOTE IS AND SHALL CONSTITUTE AND HAVE THE EFFECT OF A SEALED INSTRUMENT ACCORDING TO LAW.

BORROWER:

b(6)

(Seal) (Seal)

Credit Analysis Backlog / Status Sheet
February 24, 2009

Borrower Name	Request	Product Type	Loan Officer	New Monies	% Probability of Closing	Projected Timeline	Level of Approval Required	Status
	\$ 1,000,000	CREM		\$ 1,000,000	75%	2 Mo.		OLC today
	\$ 50,000	CREM		\$ 41,900	75%	2 Mo.		OLC today
	\$ 200,000	LOC		\$ -	N/A	N/A		OLC today
	\$ 250,000	LOC		\$ -	N/A	N/A		OLC today
	\$ 30,762	Letter of Credit		\$ -	N/A	N/A		OLC today
	\$ 200,000	LOC		\$ -	N/A	N/A		OLC today
	\$ 170,000	LOC		\$ -	N/A	N/A		OLC today
	\$ 60,000	LOC		\$ -	N/A	N/A		OLC today
	\$ 70,000	ACH Exposure		\$ -	N/A	N/A		OLC today
	\$ 20,000	LOC		\$ -	N/A	N/A		OLC today
	\$ 50,000	CREM		\$ 50,000	75%	3 Mo.		OLC today
	\$ 70,000	CREM		\$ 70,000	75%	3 Mo.		OLC today
	\$ 32,000	CREM		\$ 14,900	75%	3 Mo.		OLC today
	\$ 100,000	LOC		\$ 100,000	75%	3 Mo.		OLC today
	\$ 330,000	CREM		\$ 330,000	75%	2 Mo.		CAM in process
	\$ 750,000	Time Note		\$ 750,000	33%	2 Mo.		CAM in process
	\$ 1,500,000	LOC		\$ 1,500,000	33%	2 Mo.		CAM in process
	\$ 100,000	LOC		\$ 100,000	75%	2 Mo.		CAM in process
	\$ 1,000,000	LOC		\$ 1,000,000	75%	2 Mo.		CAM in process
	\$ 4,500,000	CREM		\$ 4,500,000	75%	2 Mo.		CAM in process
	\$ 56,300	Term Note		\$ 56,300	75%	1 Mo.		CAM in process
	\$ 1,200,000	CREM		\$ 1,200,000	75%	3 Mo.		CAM in process
	\$ 1,600,000	CREM		\$ 1,600,000	75%	3 Mo.		CAM in process
	\$ 1,300,000	CREM		\$ 1,300,000	75%	3 Mo.		CAM in process
	\$ 1,300,000	CREM		\$ 1,300,000	75%	3 Mo.		CAM in process
	\$ 120,000	CREM		\$ 120,000	75%	3 Mo.		CAM in process
	\$ 50,000	LOC		\$ 50,000	75%	2 Mo.		CAM in process

b(6)

b(6)

\$ 16,109,062

b(4), b(6)

\$ 15,083,100

IC
COMM
BACKLOG

IC
COMM
PIPELINE

**CORPORATE BANKING
COMMERCIAL LOAN PROCESS TRACKING**

PRIME is currently: 3.25%

DATE	LOAN TYPE	AMOUNT	NEW	RENEW	REPLACE	INITIAL RATE	TERM	TRM	APPROX. VALUE	APPROX. DATE	ORIGINATOR	APPROX. DATE	STATUS	COMMENTS
2/12/08	Term	\$ 1,000,000	\$ 1,000,000			Fixed	5.80%	\$ -	\$ 50	60	n/a	n/a	3/31 e	
2/17/09	CREM	\$ 325,000	\$ 5,723			60 mo then 5yr PHLB 5 yr LT Fixed + 3.00	6.50%	\$ 2,500	\$ 350	240	Aty	Approved Aty	3/31 e	
		\$ 3,225,000		\$ 5,723				\$ 2,500						
12/11/08	CREM	\$ 49,000	\$ 49,000			60 mo then 5 yr Truss + 3.0	6.75%	\$ 150	\$ 350	180	Aty	received 2/16	2/26	
2/10/09	CREM	\$ 100,497	\$ -			60 mo then 5yr PHLB 5 yr LT Fixed + 3.50	7.50%	\$ -	\$ 350	180	Emerton Office	n/a	3/1 e	Pending receipt of additional real estate to be held up collateral
		\$ 149,497		\$ 49,000				\$ 150						
12/10/08	Term	\$ 457,000	\$ 457,000			Fixed-Tax Free	3.95%	\$ 1,145	\$ -	180	Aty	11/21	4/1 e	Pending State Approval
1/12/09	CREM	\$ 79,000	\$ 79,000			60 mo then 5 yr US Truss + 2.50	6.80%	\$ 100	\$ 350	180	Aty	Aty	1/31 e	Pending final sales agreement
Pending BLC	CREM	\$ 1,337,000	\$ 1,337,000			120 mo then 10 yr US Truss + 3.50	7.00%	\$ 3,025	\$ 350	240	Aty	Aty	4/1 e	Pending USDA 80% Guaranty
		\$ 1,793,000		\$ 1,816,000				\$ 4,270						
		\$ 3,341,497		\$ 2,821,723				\$ 7,920						\$ 119,908

b(4)

Wtd. Ave. Rate: 4.10%

Ave. Term: 192

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Residential Mortgages - Pending
As of: 2/24/09

Br #	Borrower	Amount	New \$	Term (Mths)	Product	Rate	Constr. (Y/N)	Conf. (Y/N)	Escrow (Y/N)	Appl. Date	Date Appl. Rec'd	Comm. Ltr. Sent (Date)	# Days Since App Date	Date Closed	Proj. Closing (Month)	Status / Comments
	[REDACTED]	\$ 137,000	\$ 52,360	240	Fixed	7.000%	N	N	N	1/29	12/16	1/26	75		Feb	
	[REDACTED]	\$ 47,000	\$ 47,000	180	Fixed	5.000%	N	Y	N	1/23	1/27	2/18	31		Mar	
	[REDACTED]	\$ 51,500	-	120	Fixed	4.875%	N	Y	Y	1/27	1/27		27		Mar	
	[REDACTED]	\$ 118,000	\$ 118,000	360	Fixed	5.250%	N	Y	Y	1/22	1/27		32		Mar	
	[REDACTED]	\$ 61,000	-	360	Fixed	5.250%	N	Y	Y	1/24	1/29		30		Mar	
	[REDACTED]	\$ 222,000	-	180	Fixed	5.000%	N	Y	Y	1/14	1/29		40		Mar	
	[REDACTED]	\$ 132,800	\$ 7,800	180	Fixed	5.000%	N	Y	N	1/22	2/2	2/23	32		Mar	
	[REDACTED]	\$ 80,000	-	240	Fixed	5.250%	N	Y	Y	1/29	2/2	2/18	25		Mar	
	[REDACTED]	\$ 54,000	\$ 54,000	240	Fixed	5.750%	N	N	Y	1/15	2/2	2/23	39		Mar	
	[REDACTED]	\$ 135,000	\$ 135,000	360	7/1 ARM	5.625%	Y	N	N	1/20	1/29		34		Mar	
	[REDACTED]	\$ 170,000	\$ 170,000	360	Fixed	5.250%	N	Y	Y	2/6	2/11		18		Mar	
	[REDACTED]	\$ 96,000	-	360	Fixed	5.250%	N	Y	Y	1/21	2/12		33		Mar	
	[REDACTED]	\$ 97,800	\$ 25,349	360	7/1 ARM	5.625%	N	N	Y	2/10	2/13		14		Mar	
	[REDACTED]	\$ 160,000	\$ 160,000	300	Fixed	5.250%	N	Y	Y	2/9	2/17		15		Mar	
	[REDACTED]	\$ 85,000	\$ 85,000	360	USDA	5.250%	N	N	Y	2/9	2/17		15		Mar	
	Totals	\$ 1,647,700	\$ 854,309													

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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. William C. Marsh
Emclaire Financial Corp./The Farmers National Bank of Emlenton
612 Main Street
P.O. Drawer D
Emlenton, PA 16373

Dear Mr. William C. Marsh,

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.

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)