



LEGAL ALERT

July 1, 2009

Enhancing Disclosures Contained in Quarterly and Annual Reports

Over the past few quarters, bank holding companies have been revising, expanding, and adding disclosure in their public filings due to the condition of the United States' economy and particularly its impact on the financial services industry. We recommend bank holding companies assess the quality of their disclosures in their quarterly and annual reports with respect to risk factors and management's discussion and analysis of financial condition and results of operation (the "MD&A") to determine if these disclosures accurately reflect the current condition of the company. In addition to strengthening a company's relationship with shareholders, improving the quality of these disclosures may strengthen its ability to defend itself should securities class action litigation occur.

Risk Factors

Consider the following risk factors and determine whether such risk factors make an investment in your company's securities speculative or risky and whether your company has adequately disclosed the relevance of these risk factors in its quarterly and annual reports. If you believe investors should consider these risk factors when considering their current or prospective investment in your company, we suggest revising the most recent disclosure contained in your company's quarterly and annual reports to reflect its changed circumstances. In addition to the enumerated risk factors, companies should assess whether there are other risk factors that have arisen but have yet to be discussed in its quarterly and annual reports.

1. The potential impact of the severity and duration of the current recession and the composition of the bank's loan portfolio on the level of loan charge-offs, provisions for loan losses, and, consequently, net income.
2. The impact of the economic downturn in the bank's geographic area, the bank's customer's base level of deposits, and demand for other financial products.
3. The accessibility to and price of additional capital if the company's growth and liquidity needs require the company to raise additional capital.
4. Possible dilution of current shareholders if the company is required to raise additional capital.
5. The adverse affect of the soundness of other financial institutions.
6. The recognition of other-than-temporary impairment of the company's investment securities.
7. The continued decline of debt and equity markets and its impact on the company's wealth management subsidiaries.
8. The restrictions and impact of recently enacted legislation and government programs including the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, and the United States Department of the Treasury's Capital Purchase Plan.
9. The ability of the United States government and its agencies to stabilize the financial markets.
10. The increase in FDIC insurance premiums and assessments.
11. The anticipated systematic reform to the financial industry regulatory system.

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Management's Discussion and Analysis of Financial Condition and Results of Operation

The current economic downturn has had significant impact on the financial condition and results of operations of many bank holding companies. Consequently, the company's MD&A should be appropriately modified or expanded to address the material events and uncertainties that have arisen during these times so that its investors may better understand the state of the company and their investment. Though you may believe there are other sections of your MD&A which should be enhanced, you may wish to begin by considering the thoroughness of the disclosure concerning the following topics in light of the current state of the economy:

1. Steps implemented since the downturn to recognize and resolve troubled credits.
2. Changes in methodology for determining loan loss reserves and the increase in reserves required by such methodology.
3. Higher charge-off rates.
4. Impairment of goodwill.
5. Other-than-temporary impairment of investment securities.
6. Need to raise capital or increase liquidity.
7. Dependence on the soundness of other banks.

If you have questions on how to enhance your company's disclosures contained in its quarterly and annual reports, you may contact the following individuals of our office at 717-731-1700.

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