MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY

WHEELING, WEST VIRGINIA

AUDIT REPORT

DECEMBER 31, 2009

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Main Street Financial Services Corp.
Wheeling, West Virginia

We have audited the accompanying consolidated balance sheets of Main Street Financial Services Corp. and Subsidiary as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2008, the Company adopted new authoritative accounting guidance related to endorsement split-dollar life insurance arrangements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Main Street Financial Services Corp. and Subsidiary as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

S. R. Snodgrass, A.C.

Wheeling, West Virginia
March 26, 2010

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MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
Cash and cash equivalents:		
Cash and amounts due from banks	$ 1,413,930	$ 1,687,911
Interest-bearing deposits with banks	8,807,028	9,617,260
Total cash and cash equivalents	10,220,958	11,305,171
Investment securities:		
Securities available-for-sale, at fair value	4,478,616	5,983,569
Securities held-to-maturity, at amortized cost	25,463,087	16,425,853
Total investment securities	29,941,703	22,409,422
Loans	167,923,931	156,282,758
Allowance for loan losses	(2,250,000)	(2,022,420)
Net loans	165,673,931	154,260,338
Premises and equipment, net	2,937,136	3,129,467
Accrued interest receivable	792,044	927,231
Cash surrender value of life insurance	2,429,974	894,142
Real estate owned	173,225	153,414
Deferred tax asset	852,318	663,669
Federal Home Loan Bank stock	1,494,500	1,494,500
Other assets	1,440,915	337,898
TOTAL ASSETS	$ 215,956,704	$ 195,575,252
LIABILITIES		
Deposits:		
Noninterest bearing	$ 22,125,196	$ 19,885,486
Interest bearing	143,294,554	121,987,082
Total deposits	165,419,750	141,872,568
Repurchase agreements	8,770,309	10,979,000
Borrowings	25,089,432	27,452,771
Advances by borrowers for taxes and insurance	223,632	194,466
Accrued interest payable	338,890	522,463
Other liabilities	699,861	321,734
TOTAL LIABILITIES	200,541,874	181,343,002
SHAREHOLDERS' EQUITY		
Common stock at $1 par value; 5,000,000 shares authorized, 1,738,000 shares issued and outstanding	1,738,000	1,738,000
Additional paid-in capital	8,551,036	8,551,036
Retained earnings	5,073,022	3,939,574
Accumulated other comprehensive income	52,772	3,640
TOTAL SHAREHOLDERS' EQUITY	15,414,830	14,232,250
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 215,956,704	$ 195,575,252

The accompanying notes are an integral part of the financial statements.

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$ 9,586,720	$ 9,475,748
Debt securities:		
Taxable	986,275	1,132,969
Tax-exempt	151,959	152,484
Dividends	38,766	44,285
Deposits with banks	7,924	101,646
TOTAL INTEREST AND DIVIDEND INCOME	10,771,644	10,907,132
INTEREST EXPENSE		
Deposits and repurchase agreements	3,464,587	4,480,952
Other borrowings	525,895	873,517
TOTAL INTEREST EXPENSE	3,990,482	5,354,469
NET INTEREST INCOME	6,781,162	5,552,663
PROVISION FOR LOAN LOSSES	416,325	350,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,364,837	5,202,663
NON-INTEREST INCOME		
Service charges	223,648	230,805
Other income	126,192	103,219
TOTAL NON-INTEREST INCOME	349,840	334,024
NON-INTEREST EXPENSES		
Salaries and employee benefits	2,027,645	1,717,211
Net occupancy expenses of premises	655,303	521,713
Other operating expenses	2,319,281	1,932,037
TOTAL NON-INTEREST EXPENSES	5,002,229	4,170,961
INCOME BEFORE INCOME TAX EXPENSE	1,712,448	1,365,726
INCOME TAX EXPENSE	579,000	435,000
NET INCOME	$ 1,133,448	$ 930,726
EARNINGS PER SHARE - BASIC	$ 0.65	$ 0.59

The accompanying notes are an integral part of the financial statements.

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
DECEMBER 31, 2009 AND 2008

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Total Shareholders' Equity
BALANCES AT DECEMBER 31, 2007	$ 780,000	$ 7,462,036	$ 3,029,193	$ 42,016		$ 11,313,245
Cumulative effect of EITF 06-4			(20,345)			(20,345)
Stock split of 780,000 shares of common stock (2 for 1)	780,000	(780,000)	-	-		-
Issuance of 178,000 shares of common stock at $11.50 per share	178,000	1,869,000	-	-		2,047,000
Comprehensive income:						
Net income	-	-	930,726	-	$ 930,726	930,726
Other comprehensive gain, net of tax:						
Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax benefit of $19,313	-	-	-	(38,376)	(38,376)	(38,376)
Total comprehensive income					$ 892,350	
BALANCES AT DECEMBER 31, 2008	1,738,000	8,551,036	3,939,574	3,640		14,232,250
Comprehensive income:						
Net income	-	-	1,133,448	-	$ 1,133,448	1,133,448
Other comprehensive gain, net of tax:						
Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax of $25,310	-	-	-	49,132	49,132	49,132
Total comprehensive income					$ 1,182,580	
BALANCES AT DECEMBER 31, 2009	$ 1,738,000	$ 8,551,036	$ 5,073,022	$ 52,772		$ 15,414,830

The accompanying notes are an integral part of the financial statements.

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,133,448	$ 930,726
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	416,325	350,000
Depreciation	285,235	203,339
Investment securities accretion, net	73,113	2,846
Net change in:		
Accrued interest receivable	135,187	(75,342)
Accrued interest payable	(183,573)	(102,117)
Deferred tax asset	(216,000)	(16,407)
Earnings on life insurance	(35,832)	(35,361)
Other assets/liabilities, net	(697,539)	24,325
Net cash provided by operating activities	910,364	1,282,009
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Maturities and calls	3,000,000	2,250,000
Principal collected on mortgage-backed securities	579,710	793,936
Activity in held-to-maturity securities:		
Purchases	(22,660,661)	(9,090,007)
Maturities and calls	11,098,333	6,334,808
Principal collected on mortgage-backed securities	426,356	162,941
Purchase of life insurance	(1,500,000)	-
Purchases of Federal Home Loan Bank stock	-	(282,200)
Net increase in loans, net of charge offs	(11,829,918)	(14,688,220)
Proceeds from sale of other real estate owned	(19,811)	113,102
Purchases of premises and equipment	(92,904)	(864,307)
Net cash used in investing activities	(20,998,895)	(15,269,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	-	2,047,000
Net change in other borrowings	(2,363,339)	5,037,221
Net increase in deposits	23,547,182	4,995,382
Net decrease in repurchase agreements	(2,208,691)	4,038,000
Net decrease in advances by borrowers for taxes and insurance	29,166	21,496
Net cash provided by financing activities	19,004,318	16,139,099
CHANGE IN CASH AND CASH EQUIVALENTS	(1,084,213)	2,151,161
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,305,171	9,154,010
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,220,958	$ 11,305,171
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	$ 4,174,055	$ 5,456,585
Cash paid during the year for income taxes	437,871	546,060

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Main Street Financial Services Corp. (the "Company") is a West Virginia corporation formed on June 20, 2003. The Company is a financial services holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Main Street Bank Corp. (the "Bank"). The Bank is headquartered in Wheeling, West Virginia and operates as a community-oriented bank with locations in Wheeling and Wellsburg, West Virginia concentrating in consumer, residential, and installment loan products and deposit services, along with small business commercial banking from customers located primarily in the West Virginia Northern Panhandle and surrounding areas. The Bank operates as a West Virginia state chartered commercial bank and provides full banking services. The Bank received its West Virginia State Banking Commission Charter on March 12, 2001, and opened for business to its customers on June 20, 2001.

Basis of Consolidation

The consolidated financial statements include the accounts of Main Street Financial Services Corp., and its wholly-owned subsidiary, Main Street Bank Corp. after elimination of all material intercompany transactions and balances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Investment Securities

The Company classifies investment securities, at purchase, as either held-to-maturity or available-for-sale. Debt securities acquired with the intent to hold to maturity are stated at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, and recognized as adjustments of interest income. Unrealized holding gains and losses for available-for-sale securities are reported as a separate component of shareholders' equity, net of tax, until realized. Realized security gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All investment securities, regardless of classification, are monitored and tested for impairment. An investment security is considered to be impaired when the unrealized loss is considered to be other than temporary. When this occurs, the investment is written down to the current fair market value with the write-down being reflected as a realized loss.

Premiums and discounts on securities are recognized in interest income utilizing the straight line to maturity method for municipal bonds and the level yield method over the period to maturity for other securities types.

Investment securities fair values are based on observed market prices. Certain investment securities do not have observed bid prices and their fair value is based on instruments with similar risk elements. Since regulatory stock is redeemable at par, the Company carries it at cost.

Loans

Loans receivable are stated at their unpaid principal balance, net of the allowance for loan losses. Interest on loans is credited to income as earned and is accrued only if it is considered collectible. An allowance for uncollected interest on mortgage loans is provided for all accrued interest on loans which are delinquent 90 days or more, resulting in interest previously accrued on these loans being reversed from income and, thereafter, interest is recognized only to the extent of payments received. Loans are returned to accrual status when less than 90 days delinquent and when, in management's judgment, collection is probable.

Loans are considered past due based on contractual terms. Charge-offs consist of amounts determined to be uncollectible on unsecured loans 90 days past due and secured loans 120 days past due.

Loans held-for-sale are comprised of mortgage loans that management has the intent to sell on the secondary market. Loans held-for-sale are stated at the lower of cost or fair value.

Allowance for Loan Losses

The allowance for loan losses represents the amount which management estimates is adequate to provide for probable losses inherent in its loan portfolio, as of the balance sheet date. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based upon management's quarterly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans, analyze delinquencies, ascertain loan growth, evaluate potential charge-offs and recoveries, and assess general economic conditions in the markets served.

The allowance is calculated by applying loss factors to outstanding loans by type, excluding loans for which a specific allowance has been determined. Loss factors are based on management's consideration of the nature of the portfolio segments, changes in mix and volume of the loan portfolio, historical loan loss experience, and general economic conditions. In addition, management considers industry standards and trends with respect to nonperforming loans and its knowledge and experience with specific lending segments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Although management believes that it uses the best information available to make such determinations and that the allowance for loan losses is adequate at December 31, 2009, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making the initial determinations. A downturn in the local economy, rising unemployment, or negative performance trends in financial information from borrowers could be indicators of subsequent increased levels of nonperforming assets and possible charge-offs, which would normally require increased loan loss provisions. An integral part of the periodic regulatory examination process is the review of the adequacy of the Bank's loan loss allowance. The regulatory agencies could require the Bank, based on their evaluation of information available at the time of their examination, to provide additional loan loss provisions to further supplement the allowance.

Impaired loans are commercial and commercial real estate loans for which it is probable the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Bank individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Bank may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability, while not classifying the loan as impaired if the loan is not a commercial or commercial real estate loan. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan, using the original interest rate, and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Mortgage loans on one-to-four family properties and all consumer loans are large groups of smaller-balance homogeneous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis taking into consideration all circumstances surrounding the loan and the borrower including the length of the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed.

Loan Origination Fees

Loan origination fees and certain direct loan origination costs are deferred and the net amount amortized as an adjustment of the related loan's yield. Deferral and amortization of these amounts is over the estimated contractual life of the related loans.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Real Estate Owned
Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Company's carrying amount or fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs related to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Marketing and Advertising Costs
Non-direct response marketing and advertising costs are expensed as incurred. Such costs amounted to $234,244 and $204,665 for the periods ended December 31, 2009 and 2008, respectively.

Income Taxes
Income taxes are provided for the tax effects reported in the financial statements and consist of taxes currently due plus deferred taxes. The deferred tax assets and liabilities represent the future tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Statement of Cash Flows
The Company considers all cash, demand accounts due from depository institutions, interest-bearing deposits with other banks with an initial maturity of less than 90 days, and federal funds sold to be cash equivalents for purposes of the statement of cash flows.

Endorsement Split-Dollar Life Insurance Arrangements

On January 1, 2008, the Company changed its accounting policy and recognized a cumulative-effect adjustment to retained earnings totaling $20,345 related to accounting for certain endorsement split-dollar life insurance arrangements in connection with the adoption of new authoritative accounting guidance issued by the Financial Accounting Standards Board (FASB).

Earnings per Share
Basic earnings per common share is determined by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are not presented since the Company has no common stock equivalents.

Subsequent Events
The Company assessed events occurring subsequent to December 31, 2009, through March 26, 2010, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were issued on March 26, 2010.

NOTE 2 - INVESTMENT SECURITIES

The amortized cost of securities and their approximate fair values are as follows:

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Securities available-for-sale:				
U.S. agency securities	$ -	$ -	$ -	$ -
Mortgage-backed securities	1,488,814	42,057	(228)	1,530,643
Municipal securities	828,529	39,444	-	867,973
Mutual fund	2,080,000	-	-	2,080,000
Total available-for-sale	4,397,343	81,501	(228)	4,478,616
Securities held-to-maturity:				
U.S. agency securities	21,110,869	31,688	(390,228)	20,752,329
Mortgage-backed securities	1,177,239	44,865	-	1,222,104
Municipal securities	2,581,979	115,442	(14,532)	2,682,889
Corporate note	593,000	4,970	-	597,970
Total held-to-maturity	25,463,087	196,965	(404,760)	25,255,292
Total	$ 29,860,430	$ 278,466	$ (404,988)	$ 29,733,908

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Securities available-for-sale:				
U.S. agency securities	$ 2,999,847	$ 14,063	$ -	$ 3,013,910
Mortgage-backed securities	2,068,202	14,960	(27,299)	2,055,863
Municipal securities	828,257	6,563	(1,024)	833,796
Mutual fund	80,000	-	-	80,000
Total available-for-sale	5,976,306	35,586	(28,323)	5,983,569
Securities held-to-maturity:				
U.S. agency securities	11,544,939	59,544	(9)	11,604,474
Mortgage-backed securities	1,603,565	36,114	-	1,639,679
Municipal securities	2,684,349	46,139	(42,005)	2,688,483
Corporate note	593,000	-	(7,940)	585,060
Total held-to-maturity	16,425,853	141,797	(49,954)	16,517,696
Total	$ 22,402,159	$ 177,383	$ (78,277)	$ 22,501,265

The amortized cost and estimated fair value of securities by contractual maturity are as follows:

	December 31, 2009			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ -	$ -	$ -	$ -
After 1 year through 5 years	-	-	4,637,006	4,708,899
After 5 years through 10 years	828,529	867,973	6,034,736	6,019,174
After 10 years	-	-	13,614,106	13,305,115
Mutual funds	2,080,000	2,080,000	-	-
Mortgage-backed securities	1,488,814	1,530,643	1,177,239	1,222,104
Total	$ 4,397,343	$ 4,478,616	$ 25,463,087	$ 25,255,292

NOTE 2 - INVESTMENT SECURITIES (CONTINUED)

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

Investment securities with a carrying value of $3,797,269 and $2,596,824 were pledged at December 31, 2009 and 2008, respectively, to secure certain deposits. Investment securities with a carrying value of $8,770,000 and $10,979,000 were pledged at December 31, 2009 and 2008, respectively, to secure repurchase agreements. In addition, a letter of credit was obtained to collateralize deposits the State of West Virginia has with the Bank. The Letter of Credit was issued on September 9, 2009, and matures on March 11, 2010.

The following tables show the gross unrealized losses and fair value, aggregated by investment category and length of time, that the individual securities have been in a continuous unrealized loss position.

	2009					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agencies	$ 16,401,293	$ 390,228	$ -	$ -	$ 16,401,293	$ 390,228
Mortgage-backed	-	-	47,109	228	47,109	228
Municipal	-	-	360,468	14,532	360,468	14,532
Total debt securities	$ 16,401,293	$ 390,228	$ 407,577	$ 14,760	$ 16,808,870	$ 404,988

	2008					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agencies	$ 499,845	$ 9	$ -	$ -	$ 499,845	$ 9
Mortgage-backed	1,267,286	26,464	34,593	835	1,301,879	27,299
Municipal	1,439,160	43,029	-	-	1,439,160	43,029
Corporate note	-	-	492,060	7,940	492,060	7,940
Total debt securities	$ 3,206,291	$ 69,502	$ 526,653	$ 8,775	$ 3,732,944	$ 78,277

The investment securities portfolio contains unrealized losses of direct obligations of U.S. agency securities, including mortgage-related instruments issued or backed by the full faith and credit of the United States government, or are generally viewed as having the implied guarantee of the U.S. government, and debt obligations of a U.S. state or political subdivision.

On a monthly basis, management evaluates the severity and duration of impairment for its investment securities portfolio unless the Company has the ability to hold the security to maturity without incurring a loss. Generally, impairment is considered other than temporary when an investment security has sustained a decline of 10 percent or more for 6 months.

The Company has concluded that any impairment of its investment securities portfolio is not other than temporary, but is the result of interest rate changes or sector credit rating changes that are not expected to result in the noncollection of principal and interest during the period. There are 30 positions that are temporarily impaired at December 31, 2009.

NOTE 2 - INVESTMENT SECURITIES (CONTINUED)

The Company views its investment in stock of the Federal Home Loan Bank of Pittsburgh as a long-term investment. No ready market exists for the stock, and it has no quoted market value. Accordingly, when evaluating for impairment, the value is determined based on the ability of the Company to recover the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability is influenced by factors such as 1) the significance of the decline in net assets of the institution as compared to the investment amount and length of time a decline has persisted, 2) impact of legislative and regulatory changes on the institution, and 3) the liquidity of the institution.

The Company does not believe that its investment in the stock of the FHLB of Pittsburgh is impaired as of December 31, 2009. However, this estimate could change in the near term if any of the following occur: 1) Significant other-than-temporary losses are incurred on the FHLB of Pittsburgh's mortgage-backed securities causing a significant decline in their regulatory capital status, 2) the economic losses resulting from credit deterioration on the FHLB of Pittsburgh's mortgage-backed securities increases significantly, or 3) capital preservation strategies being utilized by the FHLB of Pittsburgh become ineffective.

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans at December 31 are summarized as follows:

	2009	2008
Construction, land development, and other land loans	$ 5,716,000	$ 7,078,000
Secured by 1-4 family residential properties	82,272,000	78,183,000
Secured by multifamily residential properties	3,809,000	3,606,000
Secured by nonfarm nonresidential properties	36,035,000	31,511,000
Commercial and industrial loans	29,797,894	25,820,652
Other loans	10,102,000	9,961,000
Total	167,731,894	156,159,652
Allowance for loan losses	(2,250,000)	(2,022,420)
Prepaid loan fees	192,037	123,106
Net loans	$ 165,673,931	$ 154,260,338

The allowance for loan losses at December 31 is summarized as follows:

	2009	2008
Balance at beginning of period	$ 2,022,420	$ 1,940,818
Provision for loan losses	416,325	350,000
Charged off loans, net of recoveries	(188,745)	(268,398)
Balance at end of period	$ 2,250,000	$ 2,022,420

At December 31, the Company had the following past due loans:

	2009	2008
Past due 30 through 89 days	$ 1,897,000	$ 5,317,000
Past due 90 days or more	6,408,000	3,068,000
Nonaccrual	696,000	748,000

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Overdrawn demand deposits reclassified as loans totaled $318,918 and $502,733 at December 31, 2009 and 2008, respectively.

The subsidiary bank has entered into transactions with certain directors, executive officers, significant shareholders, and their affiliates. Such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other customers, and did not, in the opinion of management, involve more than a normal credit risk or present any other unfavorable features.

Impaired loans are accounted for in accordance with accounting standards. The Company considers a loan impaired when, based on current information and events, it is probable that the company will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Impaired loan information for the years ended December 31:

	2009	2008
Total impaired loans with an allocated allowance	$ 3,550,986	$ -
Allocated allowance on impaired loans	$ 792,691	$ -
Average impaired loans	$ 3,373,767	$ -

The following is an analysis of loan activity to directors, executive officers, significant shareholders, and their affiliates.

	December 31,	
	2009	2008
Balance, beginning of period	$ 6,217,463	$ 5,145,695
New loans during the period	4,803,060	3,324,198
Repayments during the period	(2,067,935)	(2,252,430)
Balance, end of period	$ 8,952,588	$ 6,217,463

NOTE 4 - PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31 follows:

	2009	2008
Land	$ 359,716	$ 359,716
Building	1,461,964	1,461,964
Leasehold improvements	940,506	901,515
Furniture and equipment	1,906,452	1,839,844
Total	4,668,638	4,563,039
Accumulated depreciation	1,731,502	1,433,572
Net premises and equipment	$ 2,937,136	$ 3,129,467

NOTE 5 - DEPOSITS

Deposit account balances at December 31 were comprised of the following:

	2009	2008
Non-interest bearing	$ 22,125,196	$ 19,885,486
Interest-bearing demand	2,685,219	2,904,168
Money market	17,521,302	6,316,541
Savings accounts	31,648,340	19,794,349
Certificates of deposit	91,439,693	92,972,024
Total	$ 165,419,750	$ 141,872,568

The aggregate amount of jumbo certificates of deposit with a minimum denomination of $100,000 was approximately $42,049,000 and $44,609,000 at December 31, 2009 and 2008, respectively.

At December 31, 2009, the scheduled maturity of certificates of deposits is as follows:

2010	$ 58,421,783
2011	17,057,652
2012	5,008,286
2013	4,392,260
2014	6,559,712
Total	$ 91,439,693

NOTE 6 - BORROWINGS

The subsidiary bank is a member of the Federal Home Loan Bank of Pittsburgh (the "FHLB") and the First Tennessee Bank National Association (the FTN). FTN borrowings are to be secured in full by collateral acceptable to and in safekeeping of FTN. The Bank had a line of credit of $3,000,000 originating on June 29, 2008, and maturing on June 30, 2009. No amount is outstanding as of December 31, 2009. FHLB borrowings are secured by a blanket lien by the FHLB on certain residential mortgage loans or securities with a fair value at least equal to the outstanding loan balances. The Bank has one letter of credit totaling $5,310,176 to secure certain deposits as described in Note 2. No amount is outstanding as of December 31, 2009.

The Bank had advances outstanding at December 31, 2009, from the FHLB in the amount of $21,977,718.

NOTE 6 – BORROWINGS (CONTINUED)

The following is a schedule of outstanding borrowings from the FHLB at December 31:

Date Issued	2009	2008	Maturity Date	Rate	Type
05/07/04	$ 77,718	$ 258,884	05/07/10	4.13%	Fixed-monthly interest & principal
05/07/04	-	90,888	05/07/09	3.86%	Fixed-monthly interest & principal
05/03/07	1,500,000	1,500,000	05/03/10	4.97%	Fixed-monthly interest
07/26/07	-	1,000,000	07/27/09	5.16%	Fixed-monthly interest
11/16/07	3,000,000	3,000,000	11/21/12	3.83%	Fixed-monthly interest
05/05/08	1,500,000	1,500,000	05/05/11	1.36%	Adjustable-monthly interest
06/05/08	-	2,000,000	06/05/09	2.94%	Fixed-monthly interest
08/20/08	-	1,500,000	08/20/09	3.04%	Fixed-monthly interest
11/24/08	-	4,500,000	02/24/09	1.35%	Fixed-monthly interest
12/11/08	-	2,000,000	03/10/09	0.90%	Fixed-monthly interest
12/24/08	-	5,000,000	01/13/09	0.64%	Fixed-monthly interest
12/12/08	-	2,000,000	02/23/09	0.90%	Fixed-monthly interest
01/15/09	3,000,000	-	01/18/11	1.99%	Fixed-monthly interest
03/05/09	4,900,000	-	09/09/10	1.41%	Fixed-monthly interest
10/29/09	3,000,000	-	04/30/10	0.36%	Fixed-monthly interest
11/24/09	5,000,000	-	02/24/10	0.26%	Fixed-monthly interest
Total	$ 21,977,718	$ 24,349,772			

In April 2005, the Company established a subsidiary trust, Main Street (WV) Statutory Trust I (the "Trust") in which the Company owns 100 percent of the common equity. The Trust issued preferred securities to outside investors and used the proceeds of the issuance to purchase from the Company junior subordinated debentures in the amount of $3,093,000. The Company's junior subordinated debentures are the sole asset of the Trust. Pursuant to FIN 46(R), the Company did not consolidate the Trust. However, the $3,093,000 of mandatorily redeemable preferred securities issued by the Trust are includible for regulatory purposes as a component of the Company's Tier 1 capital. These trust-preferred securities must be redeemed upon the maturity of the debentures.

The Company's junior subordinated debentures are due June 15, 2035, with interest payments due March 15, June 15, September 15, and December 15 of each year. Interest is payable at an initial rate of 5.26 percent adjusted at the interest due date by the 3 month LIBOR plus 2.05 percent. The Company has the right to redeem the debentures, in whole or in part, but in all cases in a principal amount with integral multiples of $1 million, on any interest payment date on or after June 2010, at par. The Company reflects borrowed funds in the amount of $3,093,000 as of December 31, 2009 and 2008, and interest expense in the amount of $97,528 and $168,765 for the years ended December 31, 2009 and 2008, respectively.

NOTE 6 – BORROWINGS (CONTINUED)

The following table summarizes the contractual repayments at December 31, 2009:

Year	Amount
2010	$ 14,496,432
2011	4,500,000
2012	3,000,000
2013	-
Thereafter	3,093,000
Total	$ 25,089,432

Borrowings are comprised of the following at December 31:

	2009	2008
FHLB borrowings	$ 21,977,718	$ 24,349,772
Junior subordinated debt	3,093,000	3,093,000
Treasury, tax, and loan note option	18,714	9,999
Total	$ 25,089,432	$ 27,452,771

NOTE 7 - INCOME TAXES

The following temporary differences gave rise to the deferred tax asset at December 31:

	2009	2008
Deferred tax assets:		
Deferred loan fees	$ 6,950	$ 8,847
Allowance for loan losses	724,616	624,170
Unearned interest recognition	30,086	25,665
Deferred compensation	124,345	80,971
Deferred state income tax	90,341	45,957
Total deferred tax assets	976,338	785,610
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	27,351	2,331
Depreciation	96,669	119,610
Total deferred tax liabilities	124,020	121,941
Net deferred tax assets	$ 852,318	$ 663,669

Income tax expense for the years ended December 31, 2009 and 2008, is comprised of the following components:

	2009	2008
Current	$ 723,196	$ 352,797
Deferred	(144,196)	82,203
Total income tax expense	$ 579,000	$ 435,000

NOTE 7 - INCOME TAXES (CONTINUED)

Income tax expense differs from the provision for federal income tax computed at the statutory rate of 34 percent for the years ended December 31, 2009 and 2008, as follows:

	2009	2008
Tax at federal statutory rate	$ 582,232	$ 464,347
State income tax net of federal	48,093	38,433
	630,325	502,780
Increase (decrease) in taxes:		
Tax-exempt interest	(47,246)	(45,116)
Bank owned life insurance	(12,183)	(12,023)
Other	8,104	(10,641)
Total income tax expense	$ 579,000	$ 435,000

NOTE 8 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Company has outstanding commitments, such as commitments to extend credit, which are not included in the accompanying financial statements. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheets.

Financial instruments whose contractual amount represents credit risk at December 31 are as follows:

	2009	2008
Home equity lines of credit	$ 4,570,000	$ 4,292,000
Commercial loans	2,365,000	3,712,000
Other unused commitments	357,000	348,000
Total	$ 7,292,000	$ 8,352,000

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Most of the Company's loans and commitments have been granted to customers in the primary market area of Ohio County, West Virginia. The Company's loans are generally secured by specific items of collateral, including real property, vehicles, and business assets. Although the Company has a diversified loan portfolio, repayment of these loans is dependent, in part, upon the economic conditions of this region.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Profit Sharing Plan ("the Plan") with all employees eligible as of the Plan's commencement date of August 1, 2001. Employees with hire dates after August 1, 2001, are eligible on the first January 1, April 1, July 1, or October 1, coinciding with or immediately following the date the employee completes 6 months of service and has reached the age of 21.

Participants may make contributions of up to 20 percent of their compensation. The employer's matching contribution equals a discretionary percentage, determined by the employer, of the participant's salary reduction. These matching contributions are made and allocated per pay period. The plan also provides for an additional year-end matching contribution equal to a discretionary percentage, to be determined by the employer, of the participant's salary. The matching contributions charged to operations were $88,932 and $90,494 for the years ending December 31, 2009 and 2008, respectively.

On April 30, 2004, the Bank entered into supplemental retirement agreements with its executive officers under which the Bank has agreed to provide additional retirement benefits. The Bank has recognized expense in the amount of $34,275 and $35,560 for the years ending December 31, 2009 and 2008, respectively, for the accrual of benefits payable under these agreements. Coincident with the adoption of the supplemental retirement agreements, the Bank purchased life insurance policies on each of the executive officers. The Bank is the beneficiary of the policies. The amount of income recognized on the growth in value of the policies was $35,832 and $35,361 for the year ending December 31, 2009 and 2008, respectively.

At December 31, 2009 and 2008, $166,076 and $111,457, respectively, were recorded as a liability under these contracts and $56,466 and $37,895, respectively, were recognized as a related deferred tax asset. The life insurance policies had an aggregate cash surrender value of $943,296 and $894,142 at December 31, 2009 and 2008, respectively.

The Bank established a Directors' Deferred Plan to allow eligible directors to defer all, or a portion of, their fees. Deferrals are to be invested in Company stock twice each year on June 30th and December 31st. The Bank shall make matching contributions of 50 percent of the individual's percentage of fees with a maximum match of $1,000 to be deferred. The individual is immediately 100 percent vested in their deferral and Bank contributions. Deferred compensation is to be paid to the individual or beneficiary upon the end of the individual's term of office. At December 31, 2009 and 2008, director's deferred compensation payable was $199,646 and $126,693, respectively, and $67,880 and $43,076 were recognized as a related deferred tax asset.

In relation with the establishment of the Directors' Deferral Plan, the Bank entered into a Trust Agreement with a corporate trustee in order to establish a trust fund (Rabbi Trust). Each director's account within the Rabbi Trust will be credited with their deferred fees, Bank contribution, and earnings or losses attributable to the account. The trust established under the agreement is a grantor trust.

NOTE 10 - REGULATORY MATTERS

The subsidiary bank is subject to various regulatory capital requirements administered by its primary regulator, the State of West Virginia, and its insurer, the Federal Deposit Insurance Corporation (FDIC). Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank and the financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Qualitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier I capital to risk-weighted assets (as defined in the regulations), and Tier I capital to average assets (as defined). Management believes, as of December 31, 2009, that the Bank meets all of the capital adequacy requirements to which it is subject.

As of December 31, 2009, the most recent notification from the FDIC, the Bank was categorized as "well capitalized" under the FDIC regulatory framework. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's standing.

The Bank's actual and required capital amounts and ratios are as follows:

(Dollars Expressed in Thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2009:						
Total Risk-Based Capital (Total Risk Weighted Assets)	$19,706	12.78%	$12,334	8.00%	$15,418	10.00%
Tier I Capital (To Risk Weighted Assets)	17,775	11.53%	6,167	4.00%	9,251	6.00%
Tier I Capital (To Average Assets)	17,775	8.43%	8,438	4.00%	10,548	5.00%

NOTE 10 - REGULATORY MATTERS (CONTINUED)

Dollars Expressed in Thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2008:						
Total Risk-Based Capital (Total Risk Weighted Assets)	$18,946	13.63%	$11,120	8.00%	$13,901	10.00%
Tier I Capital (To Risk Weighted Assets)	17,205	12.38%	5,560	4.00%	8,340	6.00%
Tier I Capital (To Average Assets)	17,205	9.08%	7,575	4.00%	9,469	5.00%

The Company is also subject to regulation by the Federal Reserve Bank of Cleveland. Capital ratios of the Company do not differ significantly from those of the Bank.

NOTE 11 - COMPREHENSIVE INCOME

The Company is required to present comprehensive income in a full set of general-purpose financial statements for all periods presented. Other comprehensive income comprises unrealized holding gains (losses) on the available-for-sale securities portfolio. The Company has elected to report the effects of other comprehensive income as part of the consolidated statement of changes in stockholders' equity. The following represents other comprehensive income before tax and net of tax.

	2009	2008
Before-tax amount	$ 74,442	$ (57,689)
Tax effect	(25,310)	19,313
Net-of-tax amount	$ 49,132	$ (38,376)

NOTE 12 - OPERATING LEASE

The Company extended an operating lease to lease its main office building in June 2006. The operating lease expires in May 2011 with an option to extend the lease for three 5-year renewal terms commencing in June 2011, June 2016, and June 2021. The exercising of all three renewal terms will cause the lease to expire on May 31, 2026.

The base rent payment is $144,372 per year, or $12,031 per month. Commencing on June 1, 2011, and continuing for 5 years thereafter, the rent due is increased by 60 percent of the increase in the Consumer Price Index ("CPI") over the CPI on June 1, 2001, but not to exceed an increase of 12.5 percent, or $22.04 per square foot, unless the parties agree otherwise.

NOTE 12 - OPERATING LEASE (CONTINUED)

The Company also rents 500 square feet of storage space in the main office building for a base rent payment of $2,256 per year through May 31, 2011. On June 1, 2011, through May 31, 2016, the rent for the storage space will increase by 12.5 percent. The rent will increase by 12.5 percent for each exercised renewal term thereafter.

The Company entered into an operating lease to lease its Elm Grove, West Virginia branch in April 2008. The base rent payment is $2,500 per month through May 31, 2018. Commencing on June 1, 2018, the lease is renewable in 5 year increments. Upon renewal, the rent due is increased by the percentage of the increase in the Consumer Price Index ("CPI") over the CPI on the commencement of the previous lease term, but not to exceed an increase of 12.5 percent.

Rent expense recognized for the period ended December 31, 2009 and 2008, totaled $178,673 and $166,628, respectively.

Minimum future rental payments under these operating leases as of December 31, 2009, for each of the next 5 years and in the aggregate are:

December 31,	
2010	$ 176,628
2011	103,314
2012	30,000
2013	30,000
2014	30,000
Thereafter	102,500
Total	$ 472,442

NOTE 13 - LIMITATIONS ON DIVIDENDS

West Virginia State Law precludes the Bank from paying dividends without the prior approval of the Commissioner of Banking, if such dividends exceed the total of the Bank's net profits as defined for the year, combined with its net profits of the previous 2 years. Under this formula, the Bank can declare dividends in 2009 without the approval of the Commissioner of Banking of approximately $2,368,558, plus an additional amount equal to the Bank's net profit for 2010 up to the date of any such dividend declaration, subject to minimum regulatory capital requirements. The Subsidiary Bank is the primary source of funds to pay dividends to the stockholders of Main Street Financial Services Corp.

NOTE 14 – STOCK TRANSACTIONS

The Company declared a 2 for 1 stock split on June 12, 2008, which was effective June 20, 2008. This resulted in the issuance of an additional 780,000 shares of the Company's common stock.

In September 2008, the Company initiated an offering of its common stock to the public at a price of $11.50 per share. This offering, which was completed in December 2008, resulted in the issuance of 178,000 additional shares of common stock.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company is required to disclose estimated fair values for its financial instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Also, it is the Company's general practice and intention to hold most of its financial instruments to maturity and not to engage in trading or sales activities. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions can significantly affect the estimates.

Estimated fair values have been determined by the Company using historical data and an estimation methodology suitable for each category of financial instruments. The estimated fair value of the Company's investment securities is described in Note 1. The Company's fair value estimates, methods, and assumptions are set forth below for the Company's other financial instruments.

As certain assets and liabilities, such as deferred tax assets, premises and equipment, and many other operational elements of the Company, are not considered financial instruments but have value, this estimated fair value of financial instruments would not represent the full market value of the Company.

The following methods and assumptions were used in estimating fair values of financial instruments as disclosed herein:

Cash and Cash Equivalents, Accrued Interest Receivable, Accrued Interest Payable, Advances by Borrowers for taxes and Insurance: The fair value is equal to the carrying value.

Interest-Bearing Time Deposits: The fair value is estimated using rates currently offered for deposits of similar remaining maturities.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, commercial real estate, residential real estate, construction real estate, and other consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories.

The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimate of maturity is based on the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions.

Fair value for significant nonperforming loans is based on recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discounted rates are judgmentally determined using available market information and specific borrower information.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Deposit Liabilities and Repurchase Agreements: The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW, and money market accounts, is equal to the amount payable on demand as of December 31, 2009 and 2008. The fair value of certificates of deposit is based on the discounted value of contractual cash flows.

The fair value estimates above do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market, commonly referred to as the core deposit intangible.

Cash Surrender Value of Life Insurance: The fair value is equal to the Cash Surrender Value of the life insurance policies.

Borrowings: The fair value is estimated using a discounted cash flow and applying contractual costs currently being offered in the existing advances to current market rates offered for notes of similar remaining maturities.

The estimated fair values of the Bank's financial instruments are as follows:

	December 31, 2009	
	Carrying Amount	Estimated Fair Value
Financial Assets:		
Cash and cash equivalents	$ 9,981,000	$ 9,981,000
Securities available-for-sale	2,317,000	2,396,000
Securities held-to-maturity	25,281,000	24,972,000
Loans, net	165,979,000	165,878,000
Accrued interest receivable	792,000	792,000
Cash surrender value of life insurance	2,430,000	2,430,000
Federal Home Loan Bank stock	1,494,000	1,494,000
Financial Liabilities:		
Deposits and repurchase agreements	174,190,000	172,630,000
Advances by borrowers for taxes and insurance	224,000	137,000
Accrued interest payable	333,000	333,000
Borrowings	25.089,000	25,034,000

	December 31, 2008	
	Carrying Amount	Estimated Fair Value
Financial Assets:		
Cash and cash equivalents	$ 11,305,000	$ 11,305,000
Securities available-for-sale	5,984,000	5,984,000
Securities held-to-maturity	16,426,000	16,578,000
Loans, net	154,260,000	154,559,000
Accrued interest receivable	927,000	927,000
Cash surrender value of life insurance	894,000	894,000
Federal Home Loan Bank stock	1,494,000	1,494,000
Financial Liabilities:		
Deposits and repurchase agreements	152,851,000	152,053,000
Advances by borrowers for taxes and insurance	194,000	194,000
Accrued interest payable	522,000	522,000
Borrowings	27,453,000	27,068,000

NOTE 16 – FAIR VALUE MEASUREMENTS

The FASB issued provisions related to Fair Value Measurements, which provide consistency and comparability in determining fair value measurements and to provide for expanded disclosures about fair value measurements. The definition of fair value maintains the exchange price notion in earlier definitions of fair value but focuses on the exit price of the asset or liability. The exit price is the price that would be received to sell the asset or paid to transfer the liability adjusted for certain inherent risks and restrictions. Expanded disclosures are also required about the use of fair value to measure assets and liabilities.

As required by U.S. GAAP, each financial asset and liability must be identified as having been valued according to specified level of input, 1, 2 or 3. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

The measurement of fair value should be consistent with one of the following valuation techniques: market approach, income approach, and/or cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. As of December 31, 2009, all of the financial assets measured at fair value utilized the market approach.

The following table presents the assets and liabilities reported on the balance sheet at their fair value as of December 31, 2009, by level within the fair value hierarchy. As required by U.S. GAAP, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level I	Level II	Level III	Total
Assets:				
Corporate Stock	$ -	$ 4,478,616	$ -	$ 4,478,616