

Form 5500-SF Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Short Form Annual Return/Report of Small Employee Benefit Plan This form is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). Complete all entries in accordance with the instructions to the Form 5500-SF.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☒ single-employer plan ☐ multiple-employer plan (not multiemployer) ☐ one-participant plan
B This return/report is for:	☐ first return/report ☐ final return/report ☐ an amended return/report ☐ short plan year return/report (less than 12 months)
C Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ DFVC program ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information						
1a Name of plan <u>THE MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN</u>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">1b Three-digit plan number (PN) ▶</td> <td style="width:40%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>05/01/1972</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>05/01/1972</u>			
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2a Plan sponsor's name and address (employer, if for single-employer plan) <u>MERCHANTS NATIONAL BANK</u> <u>100 NORTH HIGH STREET</u> <u>HILLSBORO, OH 45133</u>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">2b Employer Identification Number (EIN) <u>31-0373340</u></td> <td style="width:40%;"></td> </tr> <tr> <td>2c Plan sponsor's telephone number <u>937-393-1993</u></td> <td></td> </tr> <tr> <td>2d Business code (see instructions) <u>522110</u></td> <td></td> </tr> </table>	2b Employer Identification Number (EIN) <u>31-0373340</u>		2c Plan sponsor's telephone number <u>937-393-1993</u>		2d Business code (see instructions) <u>522110</u>	
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3a Plan administrator's name and address (if same as Plan sponsor, enter "Same") <u>MERCHANTS NATIONAL BANK</u> <u>100 NORTH HIGH STREET</u> <u>HILLSBORO, OH 45133</u>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">3b Administrator's EIN <u>31-0373340</u></td> <td style="width:40%;"></td> </tr> <tr> <td>3c Administrator's telephone number <u>937-393-1993</u></td> <td></td> </tr> </table>	3b Administrator's EIN <u>31-0373340</u>		3c Administrator's telephone number <u>937-393-1993</u>			
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN, and the plan number from the last return/report. Sponsor's name	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">4b EIN</td> <td style="width:40%;"></td> </tr> <tr> <td>4c PN</td> <td></td> </tr> </table>	4b EIN		4c PN			
4b EIN							
4c PN							
5a Total number of participants at the beginning of the plan year	5a <u>91</u>						
b Total number of participants at the end of the plan year	5b <u>90</u>						
c Total number of participants with account balances as of the end of the plan year (defined benefit plans do not complete this item).....	5c						
6a Were all of the plan's assets during the plan year invested in eligible assets? (See instructions.)	☒ Yes ☐ No						
b Are you claiming a waiver of the annual examination and report of an independent qualified public accountant (IQPA) under 29 CFR 2520.104-46? (See instructions on waiver eligibility and conditions.).....	☒ Yes ☐ No						
If you answered "No" to either 6a or 6b, the plan cannot use Form 5500-SF and must instead use Form 5500.							

Part III	Financial Information																																										
7 Plan Assets and Liabilities	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th></th> <th style="width:20%; text-align: center;">(a) Beginning of Year</th> <th style="width:20%; text-align: center;">(b) End of Year</th> </tr> <tr> <td>a Total plan assets</td> <td style="text-align: right;"><u>2434026</u></td> <td style="text-align: right;"><u>4169583</u></td> </tr> <tr> <td>b Total plan liabilities</td> <td></td> <td></td> </tr> <tr> <td>c Net plan assets (subtract line 7b from line 7a).....</td> <td style="text-align: right;"><u>2434026</u></td> <td style="text-align: right;"><u>4169583</u></td> </tr> </table>		(a) Beginning of Year	(b) End of Year	a Total plan assets	<u>2434026</u>	<u>4169583</u>	b Total plan liabilities			c Net plan assets (subtract line 7b from line 7a).....	<u>2434026</u>	<u>4169583</u>																														
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Part IV Plan Characteristics**9a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

1A 1G 3D

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:**Part V Compliance Questions**

	Yes	No	Amount
10 During the plan year:			
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? (See instructions and DOL's Voluntary Fiduciary Correction Program)		X	
b Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 10a.)		X	
c Was the plan covered by a fidelity bond?	X		500000
d Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
e Were any fees or commissions paid to any brokers, agents, or other persons by an insurance carrier, insurance service or other organization that provides some or all of the benefits under the plan? (See instructions.)		X	
f Has the plan failed to provide any benefit when due under the plan?		X	
g Did the plan have any participant loans? (If "Yes," enter amount as of year end.)		X	
h If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
i If 10h was answered "Yes," check the box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3			

Part VI Pension Funding Compliance**11** Is this a defined benefit plan subject to minimum funding requirements? (If "Yes," see instructions and complete Schedule SB (Form 5500))..... ☒ Yes ☐ No**12** Is this a defined contribution plan subject to the minimum funding requirements of section 412 of the Code or section 302 of ERISA? .. ☐ Yes ☒ No
(If "Yes," complete 12a or 12b, 12c, 12d, and 12e below, as applicable.)**a** If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions, and enter the date of the letter ruling granting the waiver. Month _____ Day _____ Year _____**If you completed line 12a, complete lines 3, 9, and 10 of Schedule MB (Form 5500), and skip to line 13.**

b Enter the minimum required contribution for this plan year.....	12b	
c Enter the amount contributed by the employer to the plan for this plan year.....	12c	
d Subtract the amount in line 12c from the amount in line 12b. Enter the result (enter a minus sign to the left of a negative amount)	12d	
e Will the minimum funding amount reported on line 12d be met by the funding deadline?.....	☐ Yes ☐ No ☐ N/A	

Part VII Plan Terminations and Transfers of Assets**13a** Has a resolution to terminate the plan been adopted during the plan year or any prior year? ☐ Yes ☒ NoIf "Yes," enter the amount of any plan assets that reverted to the employer this year..... **13a** **b** Were all the plan assets distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? ☐ Yes ☒ No**c** If during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

13c(1) Name of plan(s):	13c(2) EIN(s)	13c(3) PN(s)

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including, if applicable, a Schedule SB or Schedule MB completed and signed by an enrolled actuary, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2011	PAUL PENCE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2010 This Form is Open to Public Inspection
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>THE MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>MERCHANTS NATIONAL BANK</u>	D Employer Identification Number (EIN) <u>31-0373340</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☒ 100 or fewer ☐ 101-500 ☐ More than 500

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2010</u>	
2 Assets:	
a Market value	2a <u>2429537</u>
b Actuarial value	2b <u>2469320</u>
3 Funding target/participant count breakdown	
	(1) Number of participants (2) Funding Target
a For retired participants and beneficiaries receiving payment	3a <u>0</u> <u>0</u>
b For terminated vested participants	3b <u>4</u> <u>33211</u>
c For active participants:	
(1) Non-vested benefits	3c(1) <u>111724</u>
(2) Vested benefits	3c(2) <u>2860760</u>
(3) Total active	3c(3) <u>92</u> <u>2972484</u>
d Total	3d <u>96</u> <u>3005695</u>
4 If the plan is at-risk, check the box and complete items (a) and (b)	☐
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 <u>6.37</u> %
6 Target normal cost	6 <u>319056</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>10/12/2011</u>
Signature of actuary <u>DONALD BUNGENSTOCK</u>	Date <u>11-05702</u>
Type or print name of actuary <u>BUCK CONSULTANTS, LLC</u>	Most recent enrollment number <u>513-784-0005</u>
Firm name <u>720 E. PETE ROSE WAY, SUITE 300</u> <u>CINCINNATI, OH 45202</u>	Telephone number (including area code)
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2010
v.092308.1

Part II	Beginning of year carryover and prefunding balances	(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9	Amount remaining (Item 7 minus item 8)	0	0
10	Interest on item 9 using prior year's actual return of <u>30.73</u> %		
11	Prior year's excess contributions to be added to prefunding balance:		
a	Excess contributions (Item 38 from prior year)		554
b	Interest on (a) using prior year's effective rate of <u>8.35</u> %		46
c	Total available at beginning of current plan year to add to prefunding balance		600
d	Portion of (c) to be added to prefunding balance		0
12	Reduction in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12)	0	0

Part III	Funding percentages		
14	Funding target attainment percentage	14	82.15 %
15	Adjusted funding target attainment percentage	15	82.15 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	91.28 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV	Contributions and liquidity shortfalls				
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2010	76000				
07/13/2010	76000				
10/15/2010	76000				
12/08/2010	176000				
03/25/2011	1100000				
			Totals ►	18(b)	1504000
				18(c)	

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contribution from prior years	19a	
b Contributions made to avoid restrictions adjusted to valuation date	19b	
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	1406469

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No

c If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 5.03 %	2nd segment: 6.73 %	3rd segment: 6.82 %	☐ N/A, full yield curve used
b Applicable month (enter code)	21b			4
22 Weighted average retirement age	22			63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a).....	29	
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions).....	31	319056
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	416147	71189
b Waiver amortization installment		
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33).....	34	390245
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	0	0
36 Additional cash requirement (item 34 minus item 35).....	36	390245
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....	37	1406469
38 Interest-adjusted excess contributions for current year (see instructions).....	38	1016224
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....	39	0
40 Unpaid minimum required contribution for all years	40	0

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, LINE 22 — WEIGHTED AVERAGE RETIREMENT AGE

The retirement age shown is based on an employee who fulfilled the retirement for early eligibility who is assumed to have entered the Plan at the average entry age of the population and is calculated in accordance with the following formula which generally assumes employees terminate at the middle of the year.

$$\frac{\sum_{t=0}^{FRA-ERA} ({}_t p_{ERA}) * (q_{ERA+t}^r) * (ERA + t + \frac{1}{2})}{\sum_{t=0}^{FRA-ERA} ({}_t p_{ERA}) * (q_{ERA+t}^r)} \quad \text{note (1)}$$

note (1) the $\frac{1}{2}$ in the formula shown above is not used for $t = FRA-ERA$.

In the formula shown above, ${}_t p_{ERA}$ is calculated using all of the decrements, and the q_{ERA+t}^r represents the sum of the applicable retirement decrements.

Also, ERA represents the earliest retirement age and FRA represents the age at which everyone is assumed to retire.

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, LINE 25 — CHANGE IN METHOD

- The interest rate basis for computing funding liabilities was changed from the full yield curve as of October 2008 to segment rates with a four month lookback.

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN**EIN/PN: 31-0373340/001****PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010****SCHEDULE SB, LINE 26 — SCHEDULE OF ACTIVE PARTICIPANT DATA**

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
15-19	0	0	0	0	0	0	0	0	0	0
20-24	2	2	0	0	0	0	0	0	0	4
25-29	6	2	0	0	0	0	0	0	0	8
30-34	5	3	0	0	0	0	0	0	0	8
35-39	4	6	1	2	0	0	0	0	0	13
40-44	2	2	4	0	0	0	0	0	0	8
45-49	2	1	3	1	1	0	1	0	0	9
50-54	3	1	3	3	1	1	0	0	0	12
55-59	1	7	3	1	1	0	2	2	0	17
60-64	3	0	1	1	2	0	2	0	0	9
65-69	2	1	0	1	0	0	0	0	0	4
70+	0	0	0	0	0	0	0	0	0	0
TOTAL	30	25	15	9	5	1	5	2	0	92

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, LINE 32 — SCHEDULE OF AMORTIZATION BASES

<u>Date Established</u>	<u>Initial Amount</u>	<u>Type</u>	<u>Remaining Installments</u>	<u>Amortization Installment</u>	<u>Present Value of Remaining Installments as of January 1, 2010</u>
January 1, 2009	\$ 57,152	Shortfall	6	\$ 10,142	\$ 53,403
January 1, 2010	\$ 362,744	Shortfall	7	\$ <u>61,047</u>	\$ <u>362,744</u>
Total				\$ 71,189	\$ 416,147

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, PART V — STATEMENT OF ACTUARIAL ASSUMPTIONS/METHODS

Prescribed Funding/PBGC Assumptions and Methods

Funding discount rates

Current Year: Basis: Segment Rates with four month look back
First Segment Rate 5.03%
Second Segment Rate 6.73%
Third Segment Rate 6.82%
Effective Interest Rate 6.37%

Prior Year: Basis: October 2008 Yield Curve
Effective Rate: 8.35%
Sample Spot Rates:

<u>Maturity</u>	<u>Yield</u>
5	8.18%
10	8.85%
15	8.70%
20	8.16%

PBGC variable premium

Current Year: Same as for funding

Prior Year: Same as for funding

Mortality

	Current Year	Prior Year
Annuitant	IRS 2010 Static Mortality Table	IRS 2009 Static Mortality Table
Non-annuitant	IRS 2010 Static Mortality Table	IRS 2009 Static Mortality Table

Actuarial cost method

Unit Credit Method. The Funding Target is the present value of accrued benefits and based on compensation and service to date. The Target Normal Cost is the present value of benefits expected to be accrued during the current plan year, reflecting the effect of expected compensation increases during the year and including expected expenses to be paid from plan assets during the year.

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, PART V — STATEMENT OF ACTUARIAL ASSUMPTIONS/METHODS

Salary increase assumption 4.0% per annum.

Current Age	Specimen Salary Growth To Normal Retirement Date
25	480%
40	267%
55	148%

Social Security 3.0% per annum.

Frequency of optional payment forms

100% of Participants take a lump sum payment at termination.

Marital percentage

85% of Participants are assumed to be married at benefit commencement. Husbands are assumed to be 3 years older than their wives.

Expenses

The normal cost was loaded \$20,000 for expenses.

Mortality table

The mortality table is applied on a static basis. Separate annuitant and non-annuitant tables were used.

Maximum benefit \$195,000 per year at Social Security Normal Retirement Age.

Salary limitations \$245,000 in current and future years.

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, PART V — STATEMENT OF ACTUARIAL ASSUMPTIONS/METHODS

Retirement rates Retirement rates are as follows:

Age	Assumption
55	2%
56	2%
57	2%
58	2%
59	2%
60	10%
61	15%
62	25%
63	15%
64	20%
65 and older	100%

Withdrawal rates Society of Actuaries Small Plan Age Table. Sample rates as follows:

<u>Attained Age</u>	<u>Withdrawal Rate</u>
25	19.5%
40	9.4%
55	4.2%

Asset valuation method

The Valuation Assets are determined using a method that spreads asset gains/(losses) over 2 years. The gain/(loss) for each period is determined as the actual return during the period less the expected return based on an assumed earnings rate chosen by the actuary but required by PPA to be not greater than the applicable third segment rate. The resulting value is constrained to be within a corridor of 90% to 110% of market value. The discounted value of accrued contributions, if any, is included in the Valuation Assets.

The expected return on plan assets is limited by PPA to the applicable Third Segment Rate as follows:

2009 measurement period: 6.69%
2008 measurement period: 6.43%

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, PART V — SUMMARY OF PLAN PROVISIONS

Effective Date	Latest Restatement: January 1, 1997
Plan Year	Prior to April 30, 1992, the plan year was the 12-month period ending April 30 th . There was a short plan year from May 1, 1992 to December 31, 1992. Effective January 1, 1993, the plan year is the 12-month period ending December 31 st .
Participation Requirements	<p>An Employee shall become a Participant on the Entry Date following completion of 1,000 hours of service during an Anniversary Year, measured from his date of hire, provided he has attained age 21.</p> <p>No employee hired on or after August 26, 2008 shall enter the Plan after December 31, 2008.</p>
Entry Date	Effective January 1, 1993: January 1 st or July 1 st .
Normal Retirement Date	The later of a Participant's 65 th birthday, or the 5 th anniversary of plan participation.
Monthly Retirement Income	<p>A monthly benefit at Normal Retirement Date, payable in the Normal Form, equal to the greater of (a) or (b) where:</p> <p>(a) is 0.90% of Monthly Plan Compensation plus 0.65% of Monthly Plan Compensation in excess of Social Security Covered Compensation, all multiplied by years of Credited Service at Normal Retirement Date, maximum 35 years;</p> <p>And</p> <p>(b) is the accrued benefit at April 30, 1989 under the plan as it existed at that time, converted to an payable under a life only actuarial equivalent basis.</p>
Normal Form of Benefit	Monthly income commencing on a Participant's retirement date and payable for life.
Automatic Form of Benefit	For married participants, the actuarially equivalent reduced Joint and 50% to Surviving Spouse if married at commencement of benefits, unless other election is made.
Monthly Plan Compensation	Highest average of gross monthly earnings for five consecutive calendar years. Gross earnings mean W-2 compensation including bonuses, overtime payments, commissions, and extra compensation paid during a calendar year.

MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN

EIN/PN: 31-0373340/001

PLAN YEAR: JANUARY 1, 2010 TO DECEMBER 31, 2010

SCHEDULE SB, PART V — SUMMARY OF PLAN PROVISIONS

Credited Service One year of Benefit Accrual and Vesting Service for each plan year during which an Employee completes 1,000 hours of service.

Social Security Covered Compensation

For each Participant, the average of the Social Security Taxable Wage Base in effect for each calendar year (the amount of earnings subject to Social Security taxes each year) during the 35-year period ending with the year during which such Participant will reach Social Security Retirement Age. Social Security Covered Compensation is expressed on a monthly basis.

Accrued Benefit The projected Monthly Retirement Income at Normal Retirement Date, based on Monthly Plan Compensation and Credited Service at the date of computation.

Vesting A percentage of accrued benefits:

<u>Years of Vesting Service</u>	<u>Vesting Percentage</u>
Less than 5	0%
5 or More	100%

Deferred Retirement Benefit

Monthly income equal to the greater of:

- (a) the Participant's Accrued Benefit at actual retirement, or
- (b) the actuarial equivalent of the actuarial reserve of the Monthly Retirement Benefit to which he or she was entitled as of the later of his Normal Retirement Date or the close of the prior plan year plus interest compounded annually.

Eligibility for Early Retirement

Age 55 and 15 years of vesting service.

Early Retirement Benefit Accrued benefit payable at age 65, reduced for immediate commencement by 1/180 for each of the first 60 months prior to age 65 and 1/360 for each of the next 60 months that payments begin early.

Eligibility for Pre-Retirement Death Benefit

2 years of vesting service.

Pre-Retirement Death Benefit

A Participant's spouse shall receive 50% of the monthly benefit the deceased would have received under the Joint and 50% Survivor Annuity as of the date of his death, with this benefit commencing on the earliest date the deceased could have retired.

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ File as an attachment to Form 5500 or 5500-SF.

OMB No. 1210-0110

2010**This Form is Open to Public
Inspection**

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

▶ Round off amounts to nearest dollar.

▶ Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

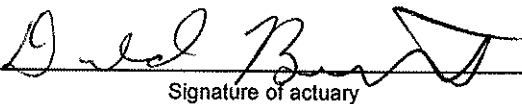
A Name of plan THE MERCHANTS NATIONAL BANK DEFINED BENEFIT RETIREMENT PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF MERCHANTS NATIONAL BANK	D Employer Identification Number (EIN) 31-0373340
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☒ 100 or fewer ☐ 101-500 ☐ More than 500

Part I Basic Information

1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2010</u>		
2 Assets:		
a Market value	2a	2,429,537
b Actuarial value	2b	2,469,320
3 Funding target/participant count breakdown	(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment	3a	0
b For terminated vested participants	3b	4
c For active participants:		
(1) Non-vested benefits	3c(1)	111,724
(2) Vested benefits	3c(2)	2,860,760
(3) Total active	3c(3)	2,972,484
d Total	3d	96
4 If the plan is at-risk, check the box and complete items (a) and (b)		
a Funding target disregarding prescribed at-risk assumptions	4a	
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	4b	
5 Effective interest rate	5	6.37 %
6 Target normal cost	6	319,056

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE**
Signature of actuary

October 12, 2011

Date

Donald Bungenstock

11-05702

Type or print name of actuary

Most recent enrollment number

Buck Consultants, LLC

(513) 784-0005

Firm name

Telephone number (including area code)

720 E. Pete Rose Way, Suite 300

Cincinnati

OH 45202

Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2010
v.092308.1

Part II Beginning of year carryover and prefunding balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8 Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9 Amount remaining (Item 7 minus item 8)	0	0
10 Interest on item 9 using prior year's actual return of <u>30.73</u> %		
11 Prior year's excess contributions to be added to prefunding balance:		
a Excess contributions (Item 38 from prior year)		554
b Interest on (a) using prior year's effective rate of <u>8.35</u> %		46
c Total available at beginning of current plan year to add to prefunding balance		600
d Portion of (c) to be added to prefunding balance		0
12 Reduction in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	0	0

Part III Funding percentages

14 Funding target attainment percentage	14	82.15 %
15 Adjusted funding target attainment percentage	15	82.15 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	91.28 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2010	76,000				
07/13/2010	76,000				
10/15/2010	76,000				
12/08/2010	176,000				
03/25/2011	1,100,000				
			Totals ▶	18(b)	18(c)
				1,504,000	0

19 Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contribution from prior years.	19a	
b Contributions made to avoid restrictions adjusted to valuation date	19b	
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	1,406,469

20 Quarterly contributions and liquidity shortfalls:

- a** Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No
- b** If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☒ Yes ☐ No
- c** If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:			
a Segment rates:	1st segment: 5.03 %	2nd segment: 6.73 %	3rd segment: 6.82 %
			☐ N/A, full yield curve used
b Applicable month (enter code)			21b 4
22 Weighted average retirement age			22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute			

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.		☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.		☒ Yes ☐ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.		☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.		27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	29	
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	31	319,056
32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	416,147	71,189
b Waiver amortization installment		
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)	34	390,245
	Carryover balance	Prefunding balance
35 Balances used to offset funding requirement	0	0
36 Additional cash requirement (item 34 minus item 35)	36	390,245
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	37	1,406,469
38 Interest-adjusted excess contributions for current year (see instructions)	38	1,016,224
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	39	0
40 Unpaid minimum required contribution for all years	40	0