

OFFERING CIRCULAR

Phoenix Bancorp, Inc. Dividend Reinvestment and Stock Purchase Plan

2,000 Shares of Common Stock
par value \$10.00 per share

Available Only to Bona Fide Residents of Pennsylvania

Phoenix Bancorp, Inc. (the “Corporation”) is offering up to 2,000 shares of common stock, par value \$10.00 per share, for sale under its Dividend Reinvestment and Stock Purchase Plan only to shareholders who reside in Pennsylvania and whose shares are registered in their name. Participation in the plan by eligible shareholders is entirely voluntary.

Under the plan, participants have the opportunity to purchase additional shares of the Corporation’s common stock using their cash dividends on their registered shares. Shares purchased by the plan directly from the Corporation using cash dividends will be purchased at 95% of the fair market value of the shares. The plan does not permit shareholders to make optional cash payments to purchase additional shares under the plan so that the plan may qualify for an exemption from registration for the sale of common stock under the Pennsylvania Securities Act of 1972 (the “1972 Act”).

Participation in the plan is limited to registered shareholders who own at least 10 shares of the Corporation’s common stock and who are bona fide Pennsylvania residents. If shares are held jointly, all registered joint owners must be bona fide Pennsylvania residents. This restriction is necessary to qualify for an exemption from registration for the sale of common stock to the plan directly by the Corporation pursuant to Section 3(a)(11) of the Securities Act of 1933 (“1933 Act”) and Rule 147 adopted thereunder by the U.S. Securities and Exchange Commission (the “SEC”).

The Corporation has appointed Registrar and Transfer Company, P.O. Box 664, Cranford, NJ 07016 (1-800-368-5948) to administer the plan. Under the plan, the administrator may purchase shares in the open market, in privately negotiated transactions, directly from the Corporation either as original issue shares or shares that it has reacquired and holds as treasury shares, or using a combination of these methods.

Investing in the Corporation’s common stock involves risk. Please see “Risk Factors” on page 3.

A condition of the availability of the Section 3(a)(11) and SEC Rule 147 exemption is that shares purchased directly from the Corporation by the plan on behalf of plan participants cannot be transferred to persons who are not residents of Pennsylvania for a period of nine months after the date of the last sale by the Corporation of its common stock under the plan. Since the Corporation anticipates that it will maintain the plan indefinitely, this resale restriction has the practical effect of indefinitely prohibiting plan participants whose shares are purchased by the plan directly from the Corporation from selling those shares to a non-Pennsylvania resident. To ease recordkeeping, the Corporation also has determined that, as a condition to participation in the plan, a participant must agree not to resell any shares purchased for his or her plan account in privately negotiated transactions or in the open market to the same extent as the resale restriction applies to shares purchased for plan accounts directly from the Corporation. If you do not agree to these restrictions on the transfer of plan shares, do not enroll in the plan.

To comply with the resale restrictions contained in SEC Rule 147 and the contractual restrictions imposed by the plan, any stock certificate which represents shares purchased by the plan will contain a restrictive legend describing the restrictions on resale and the Corporation will issue stop transfer instructions to the plan administrator to ensure that any transfer of those shares does not contravene these resale restrictions.

If the administrator purchases shares directly from the Corporation, the purchase price will be 95% of the fair market value, as defined in the plan, of a share of the Corporation's common stock on the date of purchase. The Corporation will receive all of the proceeds from the purchase of shares by the plan directly from the Corporation. If the administrator purchases shares in the open market or in privately negotiated transactions, the purchase price will be the administrator's actual cost (excluding trading expenses which the Corporation will pay). The Corporation will not receive any of the proceeds from these sales.

The Corporation's common stock is traded, on a limited basis, in the local over-the-counter market.

The shares being offered are not savings accounts, deposits or other obligations of a bank or depository institution and are not insured by the Federal Deposit Insurance Corporation ("FDIC") or any other governmental agency, and are subject to investment risk, including the possible loss of the entire investment.

These shares are being offered under an exemption from the 1933 Act and 1972 Act and have not been registered with the SEC or the Pennsylvania Securities Commission (the "PSC"). Neither the Pennsylvania Department of Banking, the FDIC, the SEC, the PSC, nor any other governmental entity has passed upon the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense.

The date of this offering circular is October 31, 2011

Important Considerations

You should rely only on the information contained in this offering circular or the information to which we have referred you. We have not authorized anyone to provide any information or to make any representation otherwise. This offering circular only may be used where it is legal to sell these securities. The information in this offering circular is only accurate as of the date of this offering circular.

The purpose of the plan is to provide a convenient and useful service for registered shareholders of the Corporation who reside in Pennsylvania to acquire additional shares of the Corporation's common stock. Nothing in this offering circular represents a recommendation by the Corporation or anyone else to buy or sell the Corporation's common stock. We urge you to read this offering circular thoroughly before you make your independent investment decision regarding participation in the plan.

Each participant in the plan should recognize that neither the Corporation nor Registrar and Transfer Company, the plan administrator, can provide any assurance that shares of common stock purchased under the plan will, at any time, be worth more or less than their purchase price.

Special Note Regarding Forward-Looking Statements

This offering circular contains or incorporates statements that we believe are "forward-looking statements." These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as "will likely result," "may," "are expected to," "is anticipated," "estimate," "forecast," "projected," "intends to" or other similar words. You should not place undue reliance on these forward-looking statements, as they are subject to risks and uncertainties, including but not limited to, those described in this offering circular. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, and any other cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

These forward-looking statements are based on current expectations, estimates and projections about the Corporation's business and management's beliefs and assumptions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, all of which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed in these forward-looking statements. Please refer to "Risk Factors" beginning on page 3.

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Enrollment Form

Certification of Residence

Summary

The Corporation is a bank holding company incorporated under the laws of the Commonwealth of Pennsylvania. Our corporate headquarters is located at Route 901, Pottsville/Minersville Highway, Minersville, PA 17954, and our telephone number is (570) 544-4787. The Corporation is the holding company for Miners Bank, a Pennsylvania state-chartered commercial bank whose deposits are insured to the maximum extent possible by the FDIC.

The Corporation has adopted a Dividend Reinvestment and Stock Purchase Plan to provide registered shareholders with an opportunity to purchase additional shares of the Corporation's common stock through the reinvestment of cash dividends and has reserved 2,000 shares of common stock for issuance under the plan.

If you (1) are a Pennsylvania resident, (2) own at least ten (10) shares of the Corporation's common stock, and (3) have the stock registered in your name, you are eligible to participate in the plan. Participation in the plan is entirely voluntary. However, if you decide to participate in the plan, you must enroll all your shares in the plan. Furthermore, you may not make optional cash payments to purchase additional shares of the Corporation's common stock. If shares are jointly held, all registered joint owners must be bona fide Pennsylvania residents. The plan administrator will purchase the Corporation's common stock under the plan with cash dividends on all of your shares of the Corporation's common stock.

Registrar and Transfer Company, Cranford, NJ administers the plan. The Corporation will pay all costs of administering the plan. The administrator serves as the Corporation's transfer agent, registrar and dividend-paying agent. In addition, the administrator receives and invests all cash dividends, maintains participants' plan account records, issues periodic account statements, and performs other duties related to the plan. If you have questions regarding the plan, you may contact the administrator at the toll-free telephone listed below or at the following address:

Registrar and Transfer Company
Attn: Investor Relations
P.O. Box 664
Cranford, NJ 07016
Phone Toll Free 1- 800-368-5948

You may enroll in the plan by completing an enrollment form and returning it to:

Registrar and Transfer Company
Attn: Investor Relations
P.O. Box 664
Cranford, NJ 07016

If you enroll in the plan, the administrator will use the cash dividends on all of your shares to purchase additional shares of the Corporation's common stock in accordance with the terms and conditions of the plan.

Historically, we have paid cash dividends on a quarterly basis. However, if we do not pay a cash dividend, there will be no investment of cash dividends under the plan.

Under the plan, the administrator may purchase shares in the open market, in privately negotiated transactions, directly from the Corporation either as original issue shares or shares that it has reacquired and holds as treasury shares, or using a combination of these methods. ***To ease recordkeeping, the Corporation also has determined that, as a condition to participation in the plan, a participant must agree not to resell any shares purchased for his or her plan account in privately negotiated transactions or in the open market to the same extent as the resale restriction applies to shares purchased for plan accounts directly from the Corporation.***

If the administrator purchases shares directly from the Corporation, the purchase price will be 95% of the fair market value, as defined in the plan, of a share of the Corporation's common stock on the date of purchase. The Corporation will receive all of the proceeds from the purchase of shares by the plan directly from the Corporation which will be used for general corporate purposes including, but not limited to, advances to Miners Bank.

If the administrator purchases shares in the open market or in privately negotiated transactions, the purchase price will be the administrator's actual cost (excluding trading expenses which the Corporation will pay). The Corporation will not receive any of the proceeds from these sales.

If you choose not to enroll in the plan, the Corporation will continue to send you cash dividends by check or by automatic deposit to a bank account you designate, as and when declared.

Pursuant to SEC Rule 147 and the contractual restrictions imposed by the plan, all shares purchased by the plan on behalf of plan participants cannot be transferred to persons who are not residents of Pennsylvania for a period of nine (9) months after the date of the last sale by the Corporation of its common stock under the plan. Since the Corporation anticipates that it will maintain the plan indefinitely, this resale restriction has the practical effect of indefinitely prohibiting plan participants from selling shares purchased by the Plan to a non-Pennsylvania resident.

Stock certificates which represent shares purchased by the plan will contain a restrictive legend describing these restrictions on resale and the Corporation will issue stop transfer instructions to the plan administrator to ensure that any transfer of those shares does not contravene these resale restrictions.

With respect to shareholders who reside outside of Pennsylvania (who are ineligible to participate in the plan), the Corporation will continue to send their cash dividends by check or by automatic deposit to a bank account they designate, as and when declared.

Risk Factors

The business of the Corporation and its banking subsidiary, Miners Bank, involves significant risks as described below. Additional risks may arise in the future or risks that are currently not considered significant also may impact the operations of the Corporation and Miners Bank. Management's ability to analyze and manage these and other risks could affect the future financial results of the Corporation. If any of the events or circumstances described in the following risks occurs, the financial condition or results of operations of the Corporation could suffer and the market price of the Corporation's common stock could decline. You should carefully read and consider these risks factors, together with all the other information contained in this offering circular, before you decide to invest in the Corporation's common stock.

The Corporation's common stock is not insured and you could lose the value of your entire investment.

An investment in shares of the Corporation's common stock is not a savings account, deposit or other obligation of a bank or depository institution and is not insured by the FDIC or any other governmental agency and is subject to investment risk, including the possible loss of the entire investment.

Shares purchased by the administrator on behalf of the plan participants will not be freely tradable except to residents of Pennsylvania.

Pursuant to SEC Rule 147 and contractual restrictions imposed by the plan, all shares purchased by the administrator on behalf of plan participants cannot be transferred to persons who are not residents of Pennsylvania for a period of nine (9) months after the date of the last sale by the Corporation of its common stock to the plan. Since the Corporation anticipates that it will maintain the plan indefinitely, this resale restriction has the practical effect of indefinitely prohibiting plan participants from selling shares purchased by the Plan to a non-Pennsylvania resident.

Stock certificates which represent shares purchased by the plan directly from the Corporation will contain a restrictive legend describing these restrictions on resale and the Corporation will issue stop transfer instructions to the plan administrator to ensure that any transfer of those shares will not contravene the resale restriction.

Participants in the plan are at risk for market fluctuations between the time the administrator receives their cash dividends and the purchase of the shares.

Participants in the plan do not have control over or authority to direct the price or time at which common stock is purchased for plan accounts. Therefore, participants bear the market risk associated with fluctuations in the price of the Corporation's common stock between the time the administrator receives their cash dividends and the purchase of the shares. The administrator will allocate shares purchased to four decimal places.

The price paid for shares purchased in the open market or in privately negotiated transactions may be more or less than the fair market value per share as defined in the plan.

The price paid for shares purchased by the plan in the open market or in privately negotiated transactions is determined in an arm's length transaction and may be more or less than the price which might be paid by the plan if the shares were purchased directly from the Corporation. There is no assurance that the price paid per share in open market or privately negotiated transactions bears any relationship to assets, earnings, book value, or any other established criteria of value.

Given the infrequent trading of the Corporation's common stock, the fair market value of the shares purchased directly from the Corporation may experience significant volatility.

The "fair market value" of the common stock purchased directly from the Corporation under the plan is the weighted average sales price of the last ten sales of the Corporation's common stock excluding any sales made pursuant to employee or director stock option or similar benefit plans.

Given that the Corporation's common stock trades on a limited basis, the fair market value of the common stock may fluctuate greatly based on the influence of isolated sales. Furthermore, the fair market value is not necessarily an indicator of the price at which a person could buy or sell the Corporation's stock on the open market.

You will be liable for federal income tax on cash dividends as well as on the discount on the fair market value of shares purchased by the plan directly from the Corporation.

If you reinvest cash dividends under the plan, you will be treated for federal income tax purposes as having received dividend income on the related dividend payment date. This may give rise to a tax payment obligation without providing you with immediate cash to pay such tax when it becomes due. Shares purchased by the plan directly from the Corporation using cash dividends will be purchased at 95% of the fair market value of the shares on the date of purchase. In this regard, you must report as dividend income the difference between the cash dividends you reinvested and the fair market value of the stock purchased by the plan on your behalf. See "*Federal Income Tax Consequences.*"

The plan does not represent a change in the Corporation's dividend policy, and there is no assurance that the Corporation will continue to pay cash dividends.

The plan does not represent a change in the Corporation's dividend policy. Historically, we have paid quarterly cash dividends on our common stock at the discretion of the board of directors. Our future dividend policy will depend on a number of factors including, among other things, statutory and regulatory restrictions, business conditions, earnings, financial condition, regulatory requirements, and the discretion of the board of directors. Further, our ability to pay cash dividends is dependent upon the ability of Miners Bank to pay dividends to the Corporation. Therefore, there is no assurance whether, or at what rate, the Corporation will continue to pay cash dividends. See "*Dividends.*"

The Corporation has issued preferred stock, which ranks senior to its common stock.

The Corporation has issued 3,500 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A, to the United States Department of the Treasury (the “U.S. Treasury”) under the Small Business Lending Fund (the “SBLF Preferred Stock”). As a result, no dividend or distribution may be declared or paid on the Corporation’s common stock (other than dividends payable solely in shares of common stock), and no common stock, may be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or Miners Bank, unless dividends on all outstanding shares of SBLF Preferred Stock have been or are contemporaneously declared and paid in full. Furthermore, in the event of the Corporation’s bankruptcy, dissolution or liquidation, the holders the preferred stock must be satisfied before any distributions may be made to holders of common stock.

Furthermore, cash dividends on common stock may only be paid if, after giving effect to the SBLF Preferred Stock dividends and common stock dividends, the Corporation’s Tier 1 capital would be at least equal to the Corporation’s Tier 1 Dividend Threshold. This threshold is calculated as 90% of the Signing Date Tier 1 Capital Amount. The Corporation’s Tier 1 Dividend Threshold is \$8,719,200, and the Corporation’s Tier 1 capital is \$13,166,000, as of September 30, 2011. Furthermore, no dividends on common stock may be paid if the SBLF Preferred Stock remains outstanding after July 19, 2021.

The payment of the SBLF Preferred Stock dividend will reduce the income available to pay cash dividends to holders of common stock.

Dividends declared on the SBLF Preferred Stock will reduce any net income available to declare a cash dividend to holders of common stock. The dividend rate of the SBLF Preferred Stock adjusts quarterly through September 30, 2013 between 1% and 5% based the amount of Miners Bank’s qualified small business lending. After that time, the dividend rate freezes as of the most recent rate unless the bank’s qualified small business lending has not increased at least 2.5% from its levels as of June 30, 2010, in which case the dividend rate increases to 7%. Regardless of the amount of the Corporation’s small business lending, the dividend rate increases to 9% on December 31, 2015. See “*Description of Capital Stock – Preferred Stock.*”

The Corporation may issue additional common stock or preferred stock in the future which could dilute the ownership interest of existing holders of common stock or may establish new classes of preferred stock.

The Corporation currently is authorized to issue 1,000,000 shares of common stock, of which 30,942 shares were issued and outstanding as of September 30, 2011, and 40,000 shares of preferred stock, of which 3,500 shares of SBLF Preferred Stock were issued and outstanding as of September 30, 2011. The Corporation’s board of directors may decide from time to time, without any action by or a vote of our shareholders, to issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of our common stock, to meet its capital needs including to maintain our capital at desired levels or required regulatory levels, to fund future growth, and to redeem the SBLF Preferred Stock. Investors in other equity securities issued by us in the future may also have rights, preferences and privileges senior to the holders of the Corporation’s common stock.

The terms governing the issuance of the SBLF Preferred Stock may be changed, the effect of which may have an adverse effect on our operations.

The terms of the Securities Purchase Agreement in which the Corporation entered into with the U.S. Treasury pursuant to the Small Business Lending Fund provides that the U.S. Treasury may unilaterally amend any provision of the Securities Purchase Agreement to the extent required to comply with any changes in applicable federal law that may occur in the future. We have no assurances that changes in the terms of the transaction will not occur in the future. Such changes may place restrictions on our business or results of operation, which may adversely affect the market price of our common stock.

We may not be able to raise sufficient capital or capital on terms acceptable to us to redeem the SBLF Preferred Stock.

In order to redeem the SBLF Preferred Stock, the Corporation likely will need to raise private capital in the amount of \$3,500,000. Current market conditions make it difficult to raise capital or raise capital on terms favorable to the Corporation and its holders of common stock. There can be no assurance that conditions in these markets will improve in the near future. If the Corporation is unable to redeem the SBLF Preferred Stock prior to December 31, 2015, the dividend rate will increase to 9%. Furthermore, no dividends on common stock may be paid if the SBLF Preferred Stock remains outstanding after July 19, 2021.

Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We operate in an extremely competitive banking environment. In Pennsylvania, larger banks dominate the commercial banking industry. In addition, future competitors, including new commercial banks, may enter our market area. In recent years, there has been a trend toward fewer banks controlling a greater market share. Many of our competitors offer services which we do not, and many have substantially greater resources, name recognition and market presence that benefit them in attracting business.

In addition, larger competitors may be able to price loans and deposits more aggressively than we can. We compete with other financial institutions, including savings and loan associations, credit unions, money market funds, stock brokerage firms, insurance companies, and others in obtaining lendable funds and in making loans. The non-bank financial institutions and financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on banks. As a result, these non-bank competitors have an advantage over us in providing certain services.

Our strategy is to attract customers by providing personalized services while remaining local and independent. There can be no assurance that this strategy will lead to success.

A continuing downturn in the economic conditions in our market areas may adversely affect our business.

Currently, our lending and deposit-gathering activities are concentrated primarily in Schuylkill County, Pennsylvania and surrounding counties. Therefore, our success depends

in large part on general economic conditions in this region. Adverse changes in the local economy could reduce our growth rate, impair our ability to collect loans, and generally adversely affect our financial condition and results of operations.

We may be unable to retain or replace members of senior management, or of the board of directors, or to hire and retain other skilled personnel.

Our business success depends to a great extent upon the services of our officers and directors. The loss of key personnel would have a material adverse effect upon our future prospects. Competition for qualified personnel in the banking industry is intense, and there can be no assurance that we will continue to be successful in attracting, recruiting, and retaining skilled managerial, marketing, and technical personnel necessary for the successful operation of existing lending, operations, accounting, and administrative functions or to support the expansion of the functions necessary for our future growth. Our inability to hire or retain key personnel could have a material adverse effect on our results of operations.

Interest rate movements may impact our earnings.

Through the operations of our banking subsidiary, Miners Bank, the Corporation is exposed to interest rate risk since substantially all of its assets and liabilities are monetary in nature. Interest rate risk arises from market driven fluctuations in interest rates that affect cash flows, income, expense and value of financial instruments. Miners Bank's earnings, like that of most financial institutions, largely depend on net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and investments, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings.

In an increasing interest rate environment, the cost of funds is expected to increase more rapidly than the interest earned on the loans and securities because the primary source of funds are deposits with generally shorter maturities than the maturities on loans and investment securities. This causes the net interest rate spread to compress and negatively impact profitability. Changes in interest rates also may adversely affect the bank's loan and deposit growth and the quality of its loan portfolio. The Corporation actively manages its interest rate sensitivity positions. The objectives of interest rate risk management are to control exposure of net interest income to risks associated with interest rate movements and to achieve consistent growth in net interest income.

Although the Federal Reserve Board has indicated publicly that it intends to maintain a low interest rate environment through 2013, there is no assurance that it will remain low as unforeseen circumstances may cause the Federal Reserve Board to revise its interest rate policy.

If Miners Bank experiences loan losses in excess of its loan loss allowance, earnings will decrease.

Lending money is a substantial part of the business of Miners Bank. However, every loan the bank makes carries a certain risk of non-payment. There is no assurance that the bank's allowance for loan losses will be sufficient to absorb actual loan losses or that it will not experience significant losses in its loan portfolios that may require significant increases to the allowance for loan losses in the future.

Although the bank evaluates every loan that it makes against its underwriting criteria, the bank may experience losses by reasons of facts beyond its control. Some of these factors include changes in market conditions affecting the value of real estate and unexpected problems affecting the creditworthiness of the bank's borrowers.

The bank determines the adequacy of its allowance of loan losses by considering various factors, including:

- An analysis of the risk characteristics of various classifications of loans;
- Previous loan loss experience;
- Specific loans that would have loan loss potential;
- Delinquency trends;
- Estimated fair value of the underlying collateral;
- Current economic conditions;
- The views of the bank's regulators; and
- Geographic and industry loan concentration.

Changes in real estate values may adversely impact loans made by Miners Bank that are secured by real estate.

A significant portion of the bank's loan portfolio consists of residential and commercial mortgages secured by real estate. These properties are concentrated in Schuylkill County, Pennsylvania and surrounding counties. Real estate values and real estate markets generally are affected by, among other things, changes in national, regional, or local economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in the tax laws and other statutes, regulations and policies, and acts of nature. If real estate prices decline, particularly in the bank's market area, the value of the real estate collateral securing the bank's loans could be reduced. This reduction in the value of the collateral could increase the number of non-performing loans and could have a material negative impact on our financial condition and results of operation.

If we conclude that the decline in value of any of our investment securities is other than temporary, we are required to write down the value of that investment security through a charge to earnings.

We review our investment securities portfolio at each quarter-end reporting period to determine whether the fair value is below the current carrying value. When the fair value of any of our investment securities has declined below its carrying value, we are required to assess whether the decline is other than temporary. If we conclude that the decline is other than temporary, we are required to write down the value of that security through a charge to earnings. Changes in the expected cash flows of these securities and/or prolonged price declines have resulted and may result in our concluding in future periods that there is additional impairment of these securities that is other than temporary, which would require a charge to earnings to write down these securities to their fair value. Due to the complexity of the calculations and assumptions used in determining whether an asset is impaired, the impairment disclosed may not accurately reflect the actual impairment in the future.

We may be adversely affected by the practices of other financial institutions.

Financial institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. These transactions may expose us to credit risk in the event of a default by a counterparty or client. This credit risk could be exacerbated if the collateral held by us cannot be realized upon or is liquidated at prices insufficient to recover the full amount of our credit exposure. Such losses could have a material adverse effect on our financial condition and results of operations.

Federal and state government agencies extensively regulate and supervise our operations and those of Miners Bank.

The Corporation and Miners Bank are subject to extensive governmental supervision, regulation and control. The objective of much of this regulation is to ensure the safety and soundness of the banking system. However, such regulation comes at a cost and may adversely affect our profitability.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). This act will result in sweeping financial regulatory reform aimed at strengthening the nation’s financial services sector.

The provisions of Dodd-Frank that have received the most public attention generally have been those applying to larger institutions or institutions that engage in practices in which Miners Bank does not engage. These provisions include growth restrictions, credit exposure limits, higher prudential standards, prohibitions on proprietary trading, and prohibitions on sponsoring and investing in hedge funds and private equity funds.

However, Dodd-Frank contains numerous other provisions that likely will directly impact Miners Bank. These include increased fees payable by banks to regulatory agencies, new capital guidelines for banks and bank holding companies, permanently increasing the FDIC insurance coverage from \$100,000 to \$250,000 per depositor, new liquidation procedures for banks, new regulations affecting consumer financial products, new corporate governance disclosures and requirements, and the increased cost of supervision and compliance generally.

Many aspects of Dodd-Frank are subject to rulemaking by various government agencies that will take effect over several years. This time table, combined with Dodd-Frank’s significant deference to future rulemaking by various regulatory agencies, makes it difficult for us to anticipate its overall financial, competitive and regulatory impact on our business, financial condition, and results of operation. However, the increased cost of compliance with subsequent regulations may have an adverse effect on future results of operations.

The Corporation may become subject to the reporting requirements of the Securities Exchange Act of 1934.

The Corporation must register its securities under Section 12 of the Securities Exchange Act of 1934 if, at any fiscal year-end, it has assets of at least \$10 million and 500 or more shareholders of record. The Corporation would then become subject to the General Rules and Regulations of the SEC relating to: (i) periodic financial reporting, (ii) reporting to its shareholders, (iii) proxy solicitation, and (iv) reporting of trades in common stock by insiders. The Corporation also would be required to file periodic financial reports and other information with the SEC. This additional layer of regulation would increase our operating costs. The Corporation had unaudited assets of \$122.7 million and 168 shareholders of record as of September 30, 2011.

Changes in the law and regulations, including higher FDIC assessments and insurance premiums, may affect our ability to do business, our costs and our profits.

The Corporation and its banking subsidiary are strictly regulated and supervised by a variety of state and federal regulatory bodies in accordance with applicable statutes and regulations. Prospective investors should be aware that the statutes and regulations governing financial institutions in general, and the commercial banking industry in particular, are in a state of continuous change and have been modified substantially during recent years. Such governing laws can be anticipated to continue to be the subject of modification and we cannot predict what effect any such future modifications will have on our operations.

Due to an increasing number of bank failures in 2009, the FDIC imposed a special assessment on its member banks and increased insurance premiums generally. It is possible that premiums for FDIC insurance may rise in future and such increases may be substantial. Future rises in FDIC insurance premiums and special assessments on member banks could have a material adverse effect on our financial condition and results of operations.

Our bylaws provide for the indemnification of directors, officers, and employees and limit the liability of directors.

Our bylaws contain provisions limiting the liability of our directors, officers, and other employees or agents of the Corporation in connection with any actions taken while serving in such capacity. Such provisions can have, as one significant effect, the loss to the Corporation and its shareholders of a cause of action against the directors for monetary damages. Causes of action for self-dealing, willful misconduct or recklessness and claims for non-monetary relief, however, generally are unaffected by such provisions. The restriction on monetary liability can discourage derivative litigation seeking such relief and, in the case of claims having merit, could reduce the recovery by the Corporation of monetary damages.

One of the significant effects of the indemnification provisions in the bylaws is to authorize indemnification against judgments and settlements in a derivative suit. As a result, damages assessed against an indemnified person that would be paid to the Corporation would be at least reduced by the indemnification amounts owed by the Corporation to such person. Accordingly, the Corporation will not receive any net benefit from such awards or

settlement amounts and could incur a loss after indemnification payments are made. Management believes, however, that these provisions are appropriate because any such possible economic loss to the Corporation could be offset by a possible reduction in the cost to the Corporation of defending baseless litigation, which also could be discouraged by the same provisions of the articles.

The market for our common stock is very limited.

Our common stock is not listed on any national securities exchange and is traded, on a limited basis, in the local over-the-counter market. Furthermore, it is not quoted on the Over-the-Counter Bulletin Board (www.otcbb.com). We do not expect to list our common stock on any national securities exchange for the foreseeable future.

Upon the dissolution or winding up of the Corporation, the claims of creditors or preferred shareholders may limit your ability to recover your investment.

In the event of a dissolution and termination of the Corporation, the proceeds, if any, realized from the liquidation of our assets will be used first to satisfy all claims of creditors, including depositors, and the Corporation's preferred stock shareholders. Accordingly, your ability as a shareholder to recover all or any portion of your investment under these circumstances will depend on the amount of funds realized, the claims of creditors, depositors and others to be satisfied.

Historically, our management and significant shareholders have controlled a substantial percentage of our common stock and therefore have the ability to exercise substantial control over the Corporation and Miners Bank.

As of September 30, 2011, our directors and executive officers beneficially owned 11,278 shares or approximately 47.45% of the common stock issued and outstanding. It is possible that our directors and executive officers may continue to collectively own a substantial percentage of our issued and outstanding common stock. Ownership of a substantial percentage of the outstanding common stock by a limited number of shareholders with a common interest, particularly those within management, may result in their ability to substantially control the Corporation. This group may be able to determine, consistently, the outcome of votes in matters submitted to a vote of shareholders. It may be difficult for another shareholder group to defeat a proposal favored by our directors and executive officers, or to approve a proposal opposed by our directors and officers.

In addition, ownership of a relatively large percentage of shares by our executive officers and directors may assist the directors and officers in retaining control of the Corporation, even if other shareholders are dissatisfied with their performance. The anti-takeover provisions in our articles and bylaws make it more difficult for shareholders to approve a takeover of the Corporation. See "*Description of the Capital Stock - Anti-Takeover Provisions.*"

Substantial ownership of the Corporation's common stock by our directors and executive officers may reduce the liquidity our common stock.

Ownership of a substantial number of shares of common stock by a limited number of persons also may adversely affect the liquidity of the market for our common stock

because only a limited number of shares are widely dispersed and likely to change hands. Stock prices in an illiquid market tend to increase and decrease in a more volatile manner than stock prices in a liquid market because prices for a relatively small number of shares can have a significant impact on the price quoted for the common stock. We are unable to estimate the number of shares of common stock that our shareholders may sell in the future. Sales will depend upon a number of factors, including the market price for the shares of common stock and the circumstances applicable to each shareholder. The sale of a substantial block of shares of common stock in the public market is likely to have an adverse impact on the market price of the shares. This could have a significant impact on the price paid by the plan for shares purchased directly from the Corporation.

Our articles of incorporation and bylaws contain anti-takeover defenses that could delay or prevent an acquisition and could adversely affect the price of the common stock.

Our articles of incorporation and bylaws contain provisions that may be deemed “anti-takeover” in nature. These provisions enhance the ability of the board of directors to resist takeover attempts that the board does not favor. Anti-takeover provisions constitute a risk to shareholders because shareholders may disagree with the board’s opposition to a takeover. In addition, these anti-takeover provisions generally give the board of directors increased power and control of the Corporation. One effect may be to deter a takeover offer that a majority of the shareholders views to be in their best interests because the offer includes a substantial premium over the market price of the Corporation’s common stock. In addition, these provisions may assist the current board of directors in retaining its position and enabling it to resist changes that the shareholders may want to make if dissatisfied with the conduct of the business. See “*Description of the Capital Stock - Anti-Takeover Provisions.*”

Use of Proceeds

The Corporation plans to use the net proceeds from the sale of the common stock purchased by the plan directly from the Corporation for general corporate purposes including, without limitation, investments in, and advances to the Corporation’s subsidiaries, including Miners Bank. The amount and timing of the application of proceeds is dependent upon the funding requirements of the Corporation and its subsidiaries and upon the availability of other funds. Based upon the anticipated growth of subsidiaries and the financial needs of the Corporation, management anticipates that it, from time to time, will engage in additional financing of a character and in amounts that have yet to be determined.

Determination of Offering Price

The purchase price of each share of common stock purchased by the plan on behalf of a participant directly from the Corporation (either as original issue or treasury shares) using cash dividends will be 95% of its fair market value, as defined in the plan, of a share of the Corporation’s common stock on the date of purchase.

The “fair market value” is the weighted average sales price of the last ten sales of the Corporation’s common stock excluding any sales made pursuant to employee or director stock option or similar benefit plans.

The purchase price of each share of common stock purchased by the plan on behalf of a participant through purchases in the open market or in privately negotiated transactions will be the actual cost of the shares to the administrator (excluding trading expenses which the Corporation will pay).

Historically, the Corporation has paid cash dividends four times per year. The day that the cash dividends are paid is known as the “dividend payment date”. Each day that the administrator purchases shares of the Corporation’s common stock with cash dividends is known as a “dividend investment date.” No interest is paid on cash dividends which the administrator may hold pending the purchase of common stock.

Once enrolled in the plan, the administrator will begin reinvesting a participant’s cash dividends in shares of the Corporation’s common stock on the next dividend payment date if the participant’s enrollment is received by the administrator by the record date for that dividend. If not, the administrator will begin reinvesting the participant’s cash dividends on the next dividend payment date. With respect to cash dividends, the administrator will purchase the Corporation’s common stock as promptly as possible after the applicable dividend payment date and, in no event, more than thirty (30) calendar days after the applicable dividend payment date. The administrator may pool cash dividends to purchase shares of common stock.

Dividends

The Corporation historically has paid quarterly cash dividends on its common stock at the discretion of the board of directors. However, any decision to pay a cash dividend in the future depends upon earnings, financial condition, regulatory requirements, appropriate legal restrictions, and other factors relevant at the time the board of directors considers its dividend policy. Cash available for dividend distribution to shareholders initially must come from dividends paid by Miners Bank to the Corporation. Therefore, the restrictions on the bank’s dividend payments are directly applicable to the Corporation. See “*Supervision and Regulation of Miners Bank.*”

Under the Pennsylvania Business Corporation Law of 1988, the Corporation may not pay a dividend if, after giving effect thereto: (1) it would be unable to pay its debts as they become due or (2) its total assets would be less than its total liabilities plus an amount needed to satisfy any preferential rights of shareholders. Total assets and liabilities shall be determined by the board of directors, which may base its determination on such factors as it considers relevant, including without limitation: (i) the book value of the assets and liabilities of the Corporation, as reflected on its books and records; and (ii) unrealized appreciation and depreciation of our assets.

Market for Common Stock

An active market for our common stock has not yet developed and none is expected to develop for the foreseeable future. Our common stock has traded and we anticipate that it will continue to trade on a very limited basis in the local over-the-counter market. There is no assurance that an active or liquid trading market will develop. Our common stock is not quoted on the Over-the-Counter-Bulletin Board, and we presently have no intention to list our common stock on a national securities exchange.

Enrollment in the Plan and Plan of Distribution

You are eligible to participate in the Plan if you (1) are a Pennsylvania resident, (2) own at least ten (10) shares of the Corporation's common stock, and (3) have the common stock registered in your name. Participation in the plan is entirely voluntary. However, if you decide to participate in the plan, you must enroll all your shares in the plan. Furthermore, you may not make optional cash payments to purchase additional shares of the Corporation's common stock. If shares are jointly held, all registered joint owners must be bona fide Pennsylvania residents. The plan administrator will purchase the Corporation's common stock under the plan with cash dividends on all of your shares of the Corporation's common stock.

Registrar and Transfer Company, Cranford, NJ administers the plan. The Corporation will pay all costs of administering the plan. The administrator serves as the Corporation's transfer agent, registrar and dividend-paying agent. In addition, the administrator receives and invests all cash dividends, maintains participants' plan account records, issues periodic account statements, and performs other duties related to the plan. You may enroll in the plan by completing an enrollment form and returning it to:

Registrar and Transfer Company
Attn: Investor Relations
P.O. Box 664
Cranford, NJ 07016

If you have questions regarding the plan, you may contact the administrator at the toll-free telephone number listed below or at the following address:

Registrar and Transfer Company
Attn: Investor Relations
P.O. Box 664
Cranford, NJ 07016
Phone Toll Free 1- 800-368-5948

If you enroll in the plan, the administrator will use the cash dividends on all your shares to purchase additional shares of the Corporation's common stock in accordance with the terms and conditions of the plan.

No person will receive any compensation, either directly or indirectly, in connection with the offer and sale of the Corporation's common stock under the plan.

Management

Principal Officers of the Corporation

The following are the principal officers of the Corporation as of September 30, 2011:

Name	Age	Position Held with the Corporation and Miners Bank
Vincent J. Land, Colonel U.S. Army (Retired), Chairman	78	Chairman of the Corporation and Miners Bank
George H. Groves, President, Chief Executive Officer, and Secretary	67	President, Chief Executive Officer, and Secretary of the Corporation and Miners Bank
Leo G. Blecker	47	Chief Financial Officer of the Corporation and Miners Bank

Board of Directors

The Corporation has five directors who are divided into three classes with each class consisting of four directors. Each director holds office for a three year term. The terms of the classes are staggered so that the term of office of one class expires each year. All of the directors of the Corporation also are directors of Miners Bank.

Name	Age as of September 30, 2011	Principal occupation for the past five years	Director since
Class 1 Directors (to serve until 2013)			
Vincent J. Land, Colonel U.S. Army (Retired)	78	Retired, U.S. Army; Chairman of the Corporation and Miners Bank	1989
Noble C. Quandel, Jr.	64	President and CEO - The Quandel Group, Inc.	2005
Class 2 Directors (to serve until 2014)			
Ronald T. Derenzo, Esq.	72	Attorney	2007
George H. Groves	67	President, Chief Executive Officer & Secretary of the Corporation; President, & Chief Executive Officer of the Bank	2009
Class 3 Director (to serve until 2012)			
Dolores P. Land	77	Retired Registered Nurse	2004

Compensation

In 2010, directors of the Corporation were paid a \$12,000 annual retainer. Directors who are also bank executives do not receive director fees. In the aggregate, the Board of Directors received \$71,200 for all Board of Directors' meetings and committee meetings attended in 2010.

Limitation of Liability and Indemnification

Our bylaws provide that a director is not personally liable for monetary damages as such for any act taken, or any failure to take action, unless the director engaged in self-dealing, willful misconduct or recklessness. This provision does not eliminate the personal monetary liability of a director where the director is responsible or liable pursuant to any criminal statute or for the payment of taxes pursuant to local, state, or federal law.

Indemnification provisions in our bylaws provide for the indemnification of our directors and authorize, to the extent permitted by law, the payment of certain expenses incurred by or in satisfaction of a judgment or a fine rendered or levied against such person in connection with any personal legal liability incurred by that individual while acting on behalf of the Corporation. Indemnification provisions also apply to officers and employees and authorize the indemnification of settlement amounts and expenses in connection with shareholders' derivative suits and other proceedings involving the Corporation as long as the person acted in good faith and in a manner he reasonably believed to be in the best interests of the Corporation, unless the officer or employee was adjudged liable for misconduct in the performance of their duty to the Corporation. In this regard, management anticipates purchasing liability insurance, if available, covering our directors, officers and employees.

[Remainder of this page intentionally left blank.]

Stock Owned by Directors, Principal Executive Officers, and Principal Shareholders

This table indicates the number of shares of common stock owned by our directors and principal executive officers as of September 30, 2011. Other than Dolores P. Land, Vincent J. Land, and Noble C. Quandel, Jr., the Corporation knows of no other person who owns, either directly or beneficially, more than 10% of the Corporation's outstanding common stock.

Name	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class (%)
Ronald T. Derenzo	1,001 ⁽²⁾	4.21
George H. Groves	804	3.38
Dolores P. Land	2,388 ⁽³⁾	10.05
Vincent J. Land	4,010 ⁽⁴⁾	12.62
Noble C. Quandel, Jr.	3,910 ⁽⁵⁾	16.87
Leo G. Blecker	75	.32
All Executive Officers and Directors of the Corporation as a group	11,278	47.45

(5 Directors, 2 Officers, and 6 persons in total)

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- (1) The securities "beneficially owned" by an individual are determined in accordance with the definitions of "beneficial ownership" set forth in the General Rules and Regulations of the Securities and Exchange Commission and may include securities owned by or for the individual's spouse and minor children and any other relative who has the same home, as well as securities to which the individual has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days after September 30, 2011. Beneficial ownership may be disclaimed as to certain of the securities.
 - (2) Includes shares held by Ronald T. Derenzo, his wife and his cousin.
 - (3) Shares are held individually. Mrs. Land disclaims any beneficial ownership in 3,000 shares owned by her husband.
 - (4) Shares are held individually. Mr. Land disclaims any beneficial ownership in 2,388 shares owned by his wife.
 - (5) Includes shares owned by Noble C. Quandel, Jr. and his wife.

This table indicates the principal shareholders of the Corporation's preferred stock as of September 30, 2011. The Corporation has no other shares of preferred stock outstanding other than the shares identified below.

Name	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class (%)
United States Department of the Treasury	3,500	100

Transactions With Directors and Executive Officers

There have not been any material transactions, proposed or consummated, between the Corporation and Miners Bank with any director or executive officer of the Corporation and Miners Bank, or any associate of the foregoing persons. The Corporation and Miners Bank have engaged in and intend to continue to engage in banking and financial transactions in the ordinary course of business with directors and officers of the Corporation and Miners Bank, and their associates, on comparable terms and with similar interest rates as those prevailing from time to time for other customers of the Bank.

Total loans outstanding from the Corporation and Miners Bank at September 30, 2011, to the Corporation's and Miners Bank's officers and directors as a group and members of their immediate families and companies in which they had an ownership interest of 10% or more was \$2,035,608 or approximately 13.86% of the total equity capital accounts of the Corporation. Such loans do not involve more than the normal risk of collectibility or present other unfavorable features.

Description of Capital Stock

The authorized capital stock of the Corporation consists of 1,000,000 shares of common stock, par value \$10.00 per share, and 40,000 shares of preferred stock, par value \$100.00 per share.

Common Stock

Authorized, but unissued, shares of common stock may be issued by the board of directors without further shareholder approval. Issuance of additional shares will cause a dilution of the book value of the common stock and of the voting power of existing shareholders of the Corporation. The holders of the common stock are entitled to one vote per share on all matters presented to them.

Cumulative voting rights do not exist with respect to the election of directors pursuant to our articles of incorporation. Cumulative voting rights mean that each shareholder has the right, in person or by proxy, to multiply the number of votes to which he or she is entitled by the number of directors to be elected, and to cast the whole number of these votes for one candidate or to distribute all or fewer of them among two or more candidates. The board of directors did not provide for cumulative voting because it believes that each director should represent and act in the interest of all shareholders and not any special group of shareholders. However, the board of directors recognizes that the absence of cumulative voting may make it more difficult to gain representation on the board of directors.

The common stock carries with it no preemptive, subscription or conversion rights or redemption or repurchase provisions. These shares are non-assessable and require no sinking fund. After an investor purchases and pays for shares of common stock, we will not assess any additional costs or fees for the ownership of the shares. Each shareholder is entitled to receive dividends that may be declared by the board of directors and to share pro rata in the event of dissolution or liquidation, after the satisfaction of claims of creditors, including depositors, and of shareholders of our preferred stock.

Under the Federal Deposit Insurance Act and the Pennsylvania Banking Code of 1965, Miners Bank generally is prohibited from repurchasing or otherwise acquiring shares of its capital stock without prior regulatory approval.

Preferred Stock

Our articles of incorporation authorize the board of directors, by resolution, to issue 40,000 shares of preferred stock and to determine, with respect to each such series, the voting powers, if any, designations, preferences, participation, optional or other special rights, and the qualifications, limitations or restrictions applicable thereto. On July 19, 2011, the Corporation issued the 3,500 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A, (the “SBLF Preferred Stock”) to the U.S. Treasury. The Corporation has issued no other shares of preferred stock.

Dividends on SBLF Preferred Stock. The dividends on the SBLF Preferred Stock must be paid in full before any cash dividends on common stock may be paid. Furthermore, the SBLF Preferred Stock dividends are non-cumulative. This means that if the Corporation does not pay dividends for a given quarter, the dividends that would have been owed to holder of the SBLF Preferred Stock do not accumulate and do not have to be paid by the Corporation in the future.

The dividend rate of the SBLF Preferred Stock adjusts quarterly through September 30, 2013 based the amount of Miners Bank’s qualified small business lending. After that time, the dividend rate freezes as of the most recent rate unless the bank’s qualified small business lending has not increased at least 2.5% from its levels as of June 30, 2010, in which case the dividend rate increases to 7%. Regardless of the amount of the Corporation’s small business lending, the dividend rate increases to 9% on December 31, 2015.

Dividends on Common Stock. Cash dividends on common stock may only be paid if, after giving effect to the SBLF Preferred Stock dividends and common stock dividends, the Corporation’s Tier 1 capital would be at least equal to the Corporation’s Tier 1 Dividend Threshold. This threshold is calculated as 90% of the Signing Date Tier 1 Capital Amount. The Corporation’s Tier 1 Dividend Threshold is \$8,719,200, and the Corporation’s Tier 1 capital is \$13,166,000, as of September 30, 2011. Nonetheless, no dividends on common stock may be paid if the SBLF Preferred Stock remains outstanding after July 19, 2021.

Consequences of Not Paying SBLF Preferred Stock Dividends. If the Corporation does not pay full dividends for a given quarter on SBLF Preferred Stock, it may not pay cash dividends on common stock for the immediately following three dividend periods.

If the Corporation does not pay full dividends on SBLF Preferred Stock for four quarters (whether or not consecutive), the majority of the Board of Directors must submit to the U.S. Treasury a certification that it used its best efforts to declare and pay such dividends in a manner consistent with safe and sound banking practices and the directors’ fiduciary obligations.

If the Corporation does not pay full dividends on SBLF Preferred Stock for five quarters (whether or not consecutive), the holders of the SBLF Preferred Stock will have the right to send a representative to board meetings in a non-voting, observing capacity who will

be entitled to copies of all notices, minutes, consents, and other materials provided to the board of directors.

The rights triggered by the non-payment of dividends terminate upon the full payment of dividends over four consecutive quarters.

Voting Rights of the Preferred Stock. Generally, holders of the SBLF Preferred Stock do not have voting rights. Exceptions include the authorization of stock senior to the SBLF Preferred Stock; amendments to the terms of the SBLF Preferred Stock; the sale of a material portion of the assets of the Corporation; and share exchanges, reclassifications, mergers, and consolidations where the SBLF Preferred Stock would not remain outstanding or would not be exchanged for securities with similar preferences.

Redemption of the Preferred Stock. The Corporation may redeem the SBLF Preferred Stock with the approval of its federal banking regulator. Partial redemptions are permissible, but the minimum redemption is 25% of the initial investment made by Treasury, *i.e.*, \$875,000.

Redemption of Common Stock. Similar to restrictions on paying cash dividends, the Corporation may only redeem shares of its outstanding common stock if, after giving effect to the redemption and paying full dividends on the SBLF Preferred Stock, the Corporation's Tier 1 capital would be at least equal to the Corporation's Tier 1 Dividend Threshold.

Liquidation Preference. Upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, SBLF Preferred Stock holders are entitled to receive \$1,000 per share before holders of common stock may be paid, subject to any creditors' rights.

Anti-Takeover Provisions

Our articles of incorporation and bylaws contain several provisions that may be deemed to be "anti-takeover" in nature.

The ability to issue shares of common stock and the elimination of preemptive rights provide the board of directors with as much flexibility as possible to issue additional shares without further shareholder approval. The shares must be issued for proper corporate purposes, including financing, acquisitions, stock dividends, stock splits, employee incentive plans and other similar purposes. However, these additional shares also may be used by the board of directors, if consistent with its fiduciary responsibilities, to deter future attempts to gain control over the Corporation. This could be accomplished through the issuance of new shares to a management-friendly party.

Another provision that could be considered "anti-takeover" is the requirement in our articles of incorporation that the affirmative vote of the holders of at least 70% of the outstanding shares of common stock is required to approve any merger, consolidation, dissolution, or liquidation of the Corporation or the sale of all or substantially all of its assets. This supermajority clause ensures that any extraordinary corporate transaction could be effected only if it receives a clear mandate from the shareholders. Also, this provision could give the holders of a minority of our outstanding shares a veto power over any merger,

consolidation, dissolution or liquidation of the Corporation, and the sale of all or substantially all of its assets even if management and/or a majority of the shareholders believes the transaction to be desirable and beneficial. Absent these provisions, the affirmative vote of at least a majority of our shares outstanding and entitled to vote would be required to approve any merger, consolidation, dissolution, liquidation, or the sale of substantially all of our assets.

Another provision found in the articles of incorporation enables the board of directors to oppose a tender or other offer for the Corporation's securities on the basis of any relevant factor including factors other than economic benefits to shareholders. These factors might include:

- Whether the offer price is acceptable based on the historical and present operating results or financial condition of the offeror;
- Whether a more favorable price could be obtained for the Corporation's securities in the future;
- The social and economic effects of the offer or transaction on the Corporation and any of its subsidiaries, employees, depositors, loan and other customers, creditors, shareholders and other elements of the communities in which the Corporation and any of its subsidiaries operate or are located;
- The reputation and business practice of the offeror and its management and affiliates as they would affect the shareholders, employees, depositors, and customers of the Corporation and its subsidiaries and the future value of the Corporation's stock;
- The value of the securities (if any) which the offeror is offering in exchange for the Corporation's securities, based on an analysis of the worth of the offeror or other entity whose securities are being offered;
- The business and financial conditions and earnings prospects of the offeror, including but not limited to, debt service and other existing or likely financial obligations of the offeror, and the possible effect of such conditions upon the Corporation and any of its subsidiaries and the other elements of the communities in which the Corporation and any of its subsidiaries operate or are located; and
- Any antitrust or other legal and regulatory issues that are raised by the offer;

If the board of directors determines that an offer should be rejected, it may take any lawful action to accomplish this purpose.

The absence of cumulative voting in the election of directors, as described above under "*Common Stock*," also may be considered an anti-takeover strategy. Because cumulative voting may be used by an offeror or acquiror to more readily gain board representation and to gain power more rapidly over management, the denial of this right may serve as an anti-takeover defense. The absence of cumulative voting means that a majority of the outstanding shares can elect all the members of the board of directors.

Our articles also declare that control of the Corporation is an asset that belongs to all shareholders and that no shareholder should hold, either directly or indirectly, beneficial ownership of 40% or more of the outstanding shares of common stock of the Corporation ("Substantial Shareholder"). When the board of directors deems that a person beneficially owns, either directly or indirectly, 40% or more of the outstanding shares of common stock,

it may issue, in its sole discretion and without shareholder approval, on a pro rata basis, to those shareholders who are not the Substantial Shareholder or affiliates thereof, warrants to purchase additional shares of common stock at a purchase price equivalent to 50% of the average transaction price of all purchases and sales of common stock of the Corporation that occurred during the previous twelve (12) month period and that are known by the board of directors. These warrants shall be issued for no consideration, shall not be assignable and shall expire six months from the date of issuance. The board of directors shall have sole discretion to determine the number of shares of common stock that may be purchased upon the exercise of the warrants.

The overall effect of these provisions may be to deter a future offer to acquire the Corporation that a majority of the shareholders might view to be in their best interests as the offer could include a substantial premium over the market price of the Corporation's common stock at that time. In addition, these provisions may have the effect of assisting the Corporation's current management in retaining its position and placing it in a better position to resist changes that the shareholders may want to make if dissatisfied with the conduct of the business.

The board of directors has no present plans to adopt any other "anti-takeover" provisions. No other protection against takeover attempts exists other than the approval of the regulatory authorities that would prohibit an outside party from gaining control of the Corporation. However, these plans may change at the discretion of the board of directors if circumstances warrant.

Our bylaws provide for a classified or staggered board of directors. A classified board has the effect of moderating the pace of any change in control of the board of directors by extending the time required to elect a majority of the directors to at least two successive annual meetings. However, this extension of time also tends to discourage a tender offer or takeover bid.

In accordance with Article II, Section 11 of our bylaws, shareholders elect directors in three (3) separate classes, each for a term of three (3) years. Classes consist of approximately one-third of the total directors, and shareholders elect each class in a separate election. At each annual meeting of shareholders, shareholders will elect successors to the class of directors whose term is then expiring to hold office for a term of three (3) years. The board of directors will fill vacancies that occur during the year for the remainder of the full term. Presently, the Corporation's board of directors has five members.

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Supervision and Regulation of the Corporation

As a bank holding company, the Corporation is subject to the provisions of the Bank Holding Company Act of 1956, as amended, and to supervision by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”).

General Supervision by the Federal Reserve Board

The Corporation’s activities are limited to the business of banking and activities closely related or incidental to banking. Bank holding companies are required to file periodic reports with, and are subject to examination by, the Federal Reserve Board. The Federal Reserve Board has adopted a risk-focused supervision program for small shell bank holding companies that is tied to the examination results of the subsidiary bank. The Federal Reserve Board has issued regulations under the Bank Holding Company Act that require a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. As a result, the Federal Reserve Board may require that the Corporation stand ready to provide adequate capital funds to Miners Bank during periods of financial stress or adversity.

Restrictions on Acquiring Control of other Banks and Companies

A bank holding company may not: (1) acquire direct or indirect control of more than 5% of the outstanding shares of any class of voting stock, or substantially all of the assets of, any bank, or (2) merge or consolidate with another bank holding company, without prior approval of the Federal Reserve Board.

In addition, a bank holding company may not: (1) engage in a non-banking business, or (2) acquire ownership or control of more than 5% of the outstanding shares of any class of voting stock of any company engaged in a non-banking business, unless the business is determined by the Federal Reserve Board to be so closely related to banking as to be a proper incident to banking. In making this determination, the Federal Reserve Board considers whether these activities offer benefits to the public that outweigh any possible adverse effects.

Anti-Tie-In Provisions

A bank holding company and its subsidiaries may not engage in tie-in arrangements in connection with any extension of credit or provision of any property or services. These anti-tie-in provisions state generally that a bank may not: (1) extend credit, (2) lease or sell property, or (3) furnish any service to a customer on the condition that the customer provide additional credit or service to the bank or its affiliates, or on the condition that the customer not obtain other credit or service from a competitor of the bank.

Restrictions on Extensions of Credit by Banks to their Holding Companies

Subsidiary banks of a bank holding company are also subject to restrictions imposed by the Federal Reserve Act on: (1) any extensions of credit to the bank holding company or any of its subsidiaries, (2) investments in the stock or other securities of the bank holding company, and (3) taking these securities as collateral for loans to any borrower.

Risk-Based Capital Guidelines

Bank holding companies must comply with the Federal Reserve Board's risk-based capital guidelines. The required minimum ratio of total capital to risk-weighted assets, including some off-balance sheet activities, such as standby letters of credit, is 8%. At least half of the total capital is required to be Tier I Capital, consisting principally of common stockholders' equity, less certain intangible assets. The remainder, Tier II Capital, may consist of: (1) some types of preferred stock, (2) a limited amount of subordinated debt, (3) some hybrid capital instruments, (4) other debt securities, and (5) a limited amount of the general loan loss allowance.

The risk-based capital guidelines are required to take adequate account of interest rate risk, concentration of credit risk, and risks of non-traditional activities.

Capital Leverage Ratio Requirements

The Federal Reserve Board requires a bank holding company to maintain a leverage ratio of a minimum level of Tier I capital to total assets, as determined under the risk-based capital guidelines, equal to 3% of average total consolidated assets for those bank holding companies that have the highest regulatory examination rating and are not contemplating or experiencing significant growth or expansion. All other bank holding companies are required to maintain a ratio of at least 4%. As a Federal Reserve member bank, Miners Bank is subject to identical capital requirements.

Restrictions on Control Changes

The Change in Bank Control Act of 1978 requires persons seeking control of a bank or bank holding company to obtain approval from the appropriate federal banking agency before completing the transaction. The law contains a presumption that ownership or the power to vote 10% or more of voting stock confers control of the bank or bank holding company. The Federal Reserve Board is responsible for reviewing changes in control of bank holding companies. In doing so, the Federal Reserve Board reviews the financial position, experience, and integrity of the acquiring person and the effect on the financial condition of the bank holding company, relevant markets and federal deposit insurance funds.

The Pennsylvania Banking Code of 1965

As a Pennsylvania bank holding company, the Corporation also is subject to regulation and examination by the Pennsylvania Department of Banking. For example, we must obtain the Department of Banking's approval to acquire any additional banks located in Pennsylvania.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 represents a comprehensive revision of laws affecting corporate governance, accounting obligations and corporate reporting. The Sarbanes-Oxley Act is applicable to all companies with securities registered or that file reports under the Securities Exchange Act of 1934. In particular, the Sarbanes-Oxley Act establishes: (i) requirements for audit committees, including independence, expertise, and whistleblower responsibilities; (ii) additional responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) standards for auditors and regulation of audits; (iv) increased disclosure and reporting obligations for the reporting company and its directors and executive officers; and (v) increased civil and criminal penalties for violations of the securities laws. Many of the provisions were effective immediately while other provisions became effective over a period of time and were subject to rulemaking by the SEC. The Corporation's common stock is not registered with the SEC, and the Corporation currently is not subject to the Sarbanes-Oxley Act. Should the Corporation become subject to the Sarbanes-Oxley Act, we would incur additional expense in complying with the provisions of the Sarbanes-Oxley Act and the implementing regulations.

Permitted Activities for Holding Company

The Federal Reserve Board permits bank holding companies to engage in activities so closely related to banking or managing or controlling banks as to be a proper incident of banking. In 1997, the Federal Reserve Board significantly expanded its list of permissible non-banking activities to improve the competitiveness of bank holding companies. The following list includes activities that a holding company may engage in, subject to change by the Federal Reserve Board:

- (1) Making, acquiring or servicing loans and other extensions of credit for its own account or for the account of others.
- (2) Any activity used in connection with making, acquiring, brokering, or servicing loans or other extensions of credit, as determined by the Federal Reserve Board.
- (3) Making equity and debt investments in corporations or projects designed primarily to promote community welfare, and providing advisory services to these programs.
- (4) Subject to various limitations, providing others financially oriented data processing or bookkeeping services.
- (5) Issuing and selling money orders, travelers' checks, and United States savings bonds.
- (6) Providing consumer financial counseling that involves counseling, educational courses and distribution of instructional materials to individuals on consumer-oriented financial management matters, including debt consolidation, mortgage applications, bankruptcy, budget management, real estate tax shelters, tax planning, retirement and estate

planning, insurance and general investment management, so long as this activity does not include the sale of specific products or investments.

- (7) Providing tax planning and preparation advice.

Description of Miners Bank

Miners Bank was organized in 1935 as a Pennsylvania-chartered banking institution. Customer deposits held by the bank are insured by the FDIC to the maximum extent permitted by law. The bank headquarters is located at the same headquarters as the Corporation.

Miners Bank is a community-oriented financial services provider where consumers and small business customers can obtain a wide variety of products and services, including checking, savings, money market accounts as well as certificates of deposit, residential mortgage loans, home equity loans and lines of credit, personal lines of credit, working capital lines and other commercial loans. The bank also offers other services such as internet banking, cash management services, safe deposit boxes, telephone banking and automated teller services. The bank places an emphasis on serving customer needs by providing personal attention and service. The bank's primary market area is Schuylkill County, Pennsylvania and surrounding counties. The bank conducts business from its main office and three other retail offices located in Tremont, Frackville, and Gordon, Pennsylvania.

Lending Activities

The bank offers a variety of loan products to its customers, including loans secured by real estate, commercial and consumer loans. It is the bank's general policy to grant a majority of its loans in its primary market area. The bank's lending objectives are to: (1) establish a diversified loan portfolio composed of commercial loans, mortgage loans, consumer loans and all other loan types; (2) provide a satisfactory rate of return to its shareholders by properly pricing loans to include the cost of funds, administrative costs, bad debts, local economic conditions, competition, customer relationships, the term of the loan, credit risk, collateral quality and a reasonable profit margin; and (3) provide protection for its depositors by maintaining a predetermined level of loans to deposits to ensure liquidity. The bank recognizes that the lending of money is a community responsibility that involves a degree of credit risk and therefore manages such risk through portfolio diversification, underwriting policies and procedures, and loan monitoring practices.

The bank makes loans for its portfolio to both commercial entities and individual consumers. The types of loans offered include: (1) loans for businesses and individuals on a short term or seasonal basis; (2) loans to individuals for consumer purchases; (3) loans secured by marketable stocks and bonds providing adequate margins for market fluctuations; (4) short term working capital loans secured by the assignment of accounts receivable and inventory; (5) automobile loans; and (6) second liens on commercial and residential real estate. These types of loans will be considered desirable by the bank provided such loans meet the test of sound credit.

The bank has adopted the following loan-to-value ("LTV") ratios, in accordance with standards adopted by its bank supervisory agencies:

<u>Loan Category</u>	<u>Loan-to-Value Limit</u>
Commercial	60%-80%
Consumer	85%
Real estate - farmland	80%
Real estate - construction	85%
Real estate - residential	85%
Real estate - multifamily	80%
Real estate - commercial	80%

Concentrations of Credit Risk

The bank's loan portfolio represents loans principally made in Schuylkill County, Pennsylvania and surrounding counties that are secured by both residential and commercial real estate. Accordingly, the bank's primary concentration of credit risk is related to the real estate market in the Schuylkill County area. The ultimate collectability of this portion of the bank's portfolio is susceptible to changes in local market conditions, and therefore, dependent upon the local economic environment. In addition, loan concentrations are also considered to exist when there are amounts loaned or committed to be loaned to a multiple number of borrowers engaged in similar activities that would cause their ability to meet contractual obligations to be similarly impacted by economic or other conditions. Though many of the bank's loans are made to individuals or secured by residential real estate, the bank's loan portfolio contains many borrowers who are employed in various professions such as, the medical, dental, legal and real estate professions.

Supervision and Regulation of Miners Bank

Miners Bank is extensively regulated under federal and state laws. Generally, these laws are intended to protect depositors, not shareholders. The following is a summary of major laws affecting the regulation of banks.

As a FDIC-insured, Pennsylvania-chartered banking institution, Miners Bank is subject to supervision, regulation, and examination by the Pennsylvania Department of Banking and FDIC.

Pennsylvania Banking Law

The laws of Pennsylvania applicable to the bank include, among other things, provisions that:

- Limit the scope of the bank's business;
- Require the maintenance of reserves against loan and lease losses;
- Limit the type and amount of loans that may be made and the interest that may be made and charged on loans;
- Restrict investments and borrowings by the bank;
- Limit the payment of dividends; and
- Regulate branching activities and mergers and acquisitions.

Generally, the bank must obtain prior approval from the Pennsylvania Department of Banking for the acquisition of shares of stock. Pursuant to Pennsylvania law, the bank may purchase, sell, and hold investments in the form of bonds, notes, and debentures to the extent permitted by federal law.

Pennsylvania banking law also requires that a bank obtain the approval of the Pennsylvania Department of Banking for any merger where the surviving bank would be a Pennsylvania chartered bank. In reviewing the merger application, the Pennsylvania Department of Banking considers, among other things, whether the merger would be consistent with adequate and sound banking practices and is in the public interest on the basis of several factors, including the potential effect of the merger on competition and the convenience and needs of the affected communities.

Any person intending to acquire more than 10% of outstanding voting shares of stock in a financial institution located in Pennsylvania must obtain the prior approval of the Pennsylvania Department of Banking.

In addition, the Pennsylvania Department of Banking conducts regular examinations of the bank and coordinates these examinations with the Federal Reserve Board.

Federal Banking Law

As a subsidiary bank of a bank holding company, the bank is subject to certain restrictions imposed by the Federal Deposit Insurance Act on any extensions of credit to the bank holding company or its subsidiaries, on investments in the stock or other securities of the bank holding company or its subsidiaries, and on taking such stock or securities as collateral for loans. The FDIC regulations also place certain limitations and reporting requirements on extensions of credit by the bank to principal shareholders of its parent holding company, among others, and to related interests of such principal shareholders. In addition, such legislation and regulations may affect the terms upon which any person becoming a principal shareholder of a holding company may obtain credit from banks with which the subsidiary bank maintains a correspondent relationship.

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was signed into law. Dodd-Frank is intended to effect a fundamental restructuring of federal banking regulation. Among other things, Dodd-Frank creates a new Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. Dodd-Frank additionally creates a new independent federal regulator to administer federal consumer protection laws. Dodd-Frank is expected to have a significant impact on the bank's business operations as its provisions take effect. It is difficult to predict at this time what specific impact Dodd-Frank, and the yet to be written implementing rules and regulations, will have on community banks. However, it is expected that, at a minimum, they will increase the Corporation's operating and compliance costs and could increase Miners Bank's interest expense. Among the provisions that are likely to affect the Corporation and the bank are the following:

Holding Company Capital Requirements. Dodd-Frank requires the Federal Reserve to apply consolidated capital requirements to bank holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than \$15 billion in assets. Dodd-Frank additionally requires that bank regulators issue countercyclical capital requirements so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

Deposit Insurance. Dodd-Frank permanently increases the maximum deposit insurance amount for banks, savings institutions and credit unions to \$250,000 per depositor, and extends unlimited deposit insurance to non-interest bearing transaction accounts through December 31, 2012. Dodd-Frank also broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. Dodd-Frank requires the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020 and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. Effective one year from the date of enactment, Dodd-Frank eliminates the federal statutory prohibition against the payment of interest on business checking accounts.

Corporate Governance. Dodd-Frank requires publicly-traded companies to give stockholders a non-binding vote on executive compensation at least every three years, a non-binding vote regarding the frequency of the vote on executive compensation at least every six years, and a non-binding vote on “golden parachute” payments in connection with approvals of mergers and acquisitions unless previously voted on by stockholders. The SEC has finalized the rules implementing these requirements which took effect on January 21, 2011. Additionally, Dodd-Frank directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of \$1 billion, regardless of whether the company is publicly traded. Dodd-Frank also gives the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters.

Prohibition Against Charter Conversions of Troubled Institutions. Effective one year after enactment, Dodd-Frank prohibits a depository institution from converting from a state to a federal charter, or vice versa, while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution also must file a copy of the conversion application with its current federal regulator, which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating thereto.

Interstate Branching. Dodd-Frank authorizes national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted. Previously, banks could only establish branches in other states if the host state

expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks will be able to enter new markets more freely.

Limits on Interstate Acquisitions and Mergers. Dodd-Frank precludes a bank holding company from engaging in an interstate acquisition—the acquisition of a bank outside its home state—unless the bank holding company is both well capitalized and well managed. Furthermore, a bank may not engage in an interstate merger with another bank headquartered in another state unless the surviving institution will be well capitalized and well managed. The previous standard in both cases was adequately capitalized and adequately managed.

Limits on Interchange Fees. Dodd-Frank amends the Electronic Fund Transfer Act to, among other things, give the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over \$10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer.

Consumer Financial Protection Bureau. Dodd-Frank creates a new, independent federal agency called the Consumer Financial Protection Bureau (CFPB), which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act, and certain other statutes.

The CFPB will have examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets. Smaller institutions will be subject to rules promulgated by the CFPB, but will continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB will have authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. Dodd-Frank authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, Dodd-Frank will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB. Dodd-Frank permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

Small Business Jobs Act

The Small Business Jobs Act was signed into law on September 27, 2010, which creates a \$30 billion Small Business Lending Fund to provide community banks with capital to increase small business lending. Generally, bank holding companies with assets equal to or less than \$10 billion are eligible to apply for and receive a capital investment from the Fund in an amount equal to 3-5% of its risk-weighted assets.

On July 19, 2011, the Corporation received \$3,500,000 from the U.S. Treasury from the proceeds from the Small Business Lending Fund.

The capital investment through the Small Business Lending Fund takes the form of a purchase by the U.S. Treasury of preferred stock carrying a 5% annual dividend, which has the potential to decrease to as low as 1% if the participant sufficiently increases its small business lending within the first two and one-half years. If the participant does not increase its small business lending by at least 2.5% in the first two and one-half years, the dividend rate will increase to 7%. After four and one-half years, the dividend will increase to 9% regardless of the participant's small business lending.

On July 19, 2011, the U.S. Treasury, on behalf of the Small Business Lending Fund, purchased 3,500 shares of the Corporation's Senior Non-Cumulative Perpetual Preferred Stock, Series A, for \$3,500,000. See "*Description of the Capital Stock – Preferred Stock.*"

FDIC Insurance Assessments

The bank's deposits have the maximum insurance coverage provided by FDIC rules and regulations. The bank pays insurance premiums into the Bank Insurance Fund according to rates established by the FDIC. The FDIC has discretion to increase premiums in the future in response to changes in the economic climate of the banking industry. As a result, the future cost of deposit insurance for the bank is, in large part, dependent upon the extent of future bank failures and the amount of insurance coverage provided by the FDIC for each deposit account.

The FDIC has implemented a risk-related premium schedule for all insured depository institutions that results in the assessment of premiums based on capital and supervisory measures. Under the risk-related premium schedule, the FDIC assigns, on a semiannual basis, each depository institution to one of three capital groups, as follows:

- Well capitalized;
- Adequately capitalized; or
- Undercapitalized;

and further assigns such institutions to a subgroup within a capital group. The institution's subgroup assignment is based upon the FDIC's judgment of the institution's strength in light of supervisory evaluations, including examination reports, statistical analyses and other information relevant to measuring the risk posed by the institution.

Community Reinvestment Act Compliance

Pursuant to the Community Reinvestment Act of 1977 ("CRA"), the bank is evaluated regarding the extent to which it meets the credit needs of the community, including low and moderate-income neighborhoods that it serves. The federal banking regulatory agencies must take this CRA record into account in evaluating any application the bank files for, among other things, approval of a branch, office relocation, a merger, or an acquisition of bank shares. The bank's CRA rating of meeting the credit needs of its entire community is made publicly available by the respective federal banking regulatory agency.

This evaluation includes a descriptive rating of:

- Outstanding;
- Satisfactory;

- Needs to improve; or
- Substantial noncompliance.

Restrictions on Change of Control.

Under the Federal Change in Bank Control Act of 1978, no person may acquire control of the bank without giving at least 60 days prior written notice to the Federal Reserve Board. The law contains a presumption that ownership or the power to vote 10% or more of the voting stock of a bank confers control of the bank. The appropriate federal banking regulatory agency may disapprove any such acquisition of control.

Suspicious Activities Reports.

Under the Bank Secrecy Act, banks must report to federal authorities suspicious currency transactions.

Interstate Banking

The bank may engage in interstate banking, subject to certain limitations. Prior to the passage of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, also known as the Interstate Banking Act, a single bank generally could not engage in interstate branching, and bank holding companies could not acquire banks located in other states, unless authorized by that state's laws. The Interstate Banking Act permits an adequately capitalized and well-managed bank to engage in interstate expansion by merging with a bank in another state, unless the other state affirmatively opted out of the legislation before June 1, 1997, and subject to certain deposit concentration caps. Pennsylvania is among the many states that permit interstate expansion through mergers under the act. The Interstate Banking Act also permits the establishment of new branches in another state, but only if the law of the state where the new branch is located expressly permits it. Pennsylvania, Delaware, Maryland, New York and New Jersey, as well as other states, have adopted legislation that allows these transactions.

Likewise, the law permits an adequately capitalized and well-managed bank holding company to acquire a bank in another state whether or not the law of that other state permits the acquisition, subject to certain deposit concentration caps and approval by the Federal Reserve Board. The law permits states to require stricter concentration limitations or to require that the target be in existence for up to five (5) years before an out-of-state bank or bank holding company may acquire it. In contrast to interstate acquisitions and mergers, the Interstate Banking Act permits acquisitions of less than all branches of a bank only if the state's laws permit it.

A bank holding company or bank may not acquire a bank outside its home state primarily for the purpose of deposit production, and the transaction must not have a negative impact on the communities that the target bank serves. State laws regarding community reinvestment, consumer protection, fair lending, and establishment of intrastate branches apply to local branches of interstate organizations to the same extent they apply to a branch of a domestic state bank.

One effect of this legislation is to permit the bank to merge with banks located in any state and to permit qualified banking organizations located in any state to acquire banks and holding companies located in Pennsylvania, irrespective of state law.

In 1995, the Pennsylvania Banking Code was amended to authorize full interstate banking and branching. Overall, this federal and state legislation has the likely effect of increasing consolidation and competition and promoting geographic diversification in the banking industry.

Regulatory Restrictions on Dividends

The payment of dividends by Miners Bank is subject to the restrictions of the Pennsylvania Banking Code and the Federal Deposit Insurance Act. The Pennsylvania Banking Code provides that a bank may declare and pay dividends out of accumulated net earnings. In addition, prior to declaring the dividend, the bank must have made any required transfers of net earnings to surplus, in order to maintain surplus at least equal to the capital.

The FDIC has formal and informal policies that provide that insured banks should generally pay dividends only out of current operating earnings, with some exceptions. The Federal Deposit Insurance Act generally prohibits the payment of any dividend by an insured bank that is then in default of any assessment to the FDIC. Finally, no dividends may be paid until an appropriate allowance for loan and lease losses has been established and overall capital is adequate.

Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 created opportunities for banks, other depository institutions, insurance companies, and securities firms to enter into business combinations that permit a single financial services organization to offer customers a complete array of financial products. The result is increased competition in the marketplace for banks and other financial institutions, tempered by an enhanced ability to compete in this new market. Banks, insurance companies and securities firms now may affiliate through a financial holding company and engage in a broad range of activities authorized by the Federal Reserve Board and the Department of Treasury. Specifically, under the Gramm-Leach-Bliley Act:

- Bank holding companies meeting management, capital and CRA standards may engage in a broader range of financial activities, namely, those that are financial in nature or incidental to financial activities, including insurance underwriting, investment banking, investment advisory services, and securities brokerage services;
- Insurers and other financial services companies may acquire banks; and
- Bank holding companies may own securities firms and mutual fund advisory companies.

In addition, national banks are authorized to conduct these activities through operating subsidiaries, under the supervision of the Department of Treasury's Office of the Comptroller of the Currency, except that national bank subsidiaries may not engage in insurance underwriting, merchant banking, insurance company portfolio investment, or real estate investment and development. Under Pennsylvania's banking regulations, as well as

those of most other states, the types of activities that state-chartered banks can engage in parallel federal law. Therefore, state-chartered banks are likely to be authorized to conduct these activities to the same or greater extent as national banks.

Monetary Policy

The earnings of the bank are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. An important function of the Federal Reserve Board is to regulate the money supply and interest rates. Among the instruments used to implement those objectives are open market operations in United States government securities and changes in reserve requirements against member bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect rates charged on loans or paid for deposits.

Questions and Answers About the Corporation's Dividend Reinvestment and Stock Purchase Plan

The following is a question and answer statement of the terms of the Corporation's Dividend Reinvestment and Stock Purchase Plan.

Purpose and Advantages

1. What is the purpose of the plan?

The plan provides registered shareholders who reside in Pennsylvania with a simple and convenient way to acquire additional shares of common stock without paying any trading fees or service charges. To be eligible to enroll in the plan, the Corporation's shareholders must (1) own at least ten (10) shares of common stock, (2) be a bona fide resident of the Commonwealth of Pennsylvania and (3) have the shares registered in the shareholder's name.

Participation in the plan is entirely voluntary. However, if you decide to participate in the plan, you must enroll all your shares in the plan. Furthermore, you may not make optional cash payments to purchase additional shares of the Corporation's common stock. If shares are jointly held, all registered joint owners must be bona fide Pennsylvania residents. The plan administrator will purchase the Corporation's common stock under the plan with cash dividends on all of your shares of the Corporation's common stock. *See Question 5.*

Under the plan, the administrator may purchase shares in the open market, in privately negotiated transactions, directly from the Corporation either as original issue shares or shares that it has reacquired and holds as treasury shares, or using a combination of these methods.

If the administrator purchases shares directly from the Corporation with cash dividends, the purchase price will be 95% of the fair market value, as defined in the plan, of a share of the Corporation's common stock on the date of purchase. The Corporation will receive all of the proceeds from the purchase of shares by the plan directly from the Corporation.

If the administrator purchases shares in the open market or in privately negotiated transactions, the purchase price will be the administrator's actual cost (excluding trading expenses which the Corporation will pay). The Corporation will not receive any of the proceeds from these sales. The Corporation has reserved 2,000 shares of common stock for issuance under the plan.

Shares purchased by the plan are subject to substantial restrictions on resale. See Question 20.

2. What are the advantages of the plan?

The plan provides participants with a simple and convenient method of investing in our common stock by automatically reinvesting cash dividends paid on our common stock to purchase additional shares of our common stock without incurring any trading fees, service charges, or brokerage commissions on their purchases.

The plan allows participants to:

- Reinvest all of their common stock cash dividends in additional shares of the Corporation's common stock;
- Take advantage of dollar cost averaging; and
- Simplify their record keeping.

Administration

3. Who administers the plan?

Registrar and Transfer Company administers the plan and the Corporation will pay all the costs of administering the plan. The administrator serves as the Corporation's transfer agent, registrar, and dividend-paying agent. In addition, the administrator receives and invests cash dividends for participants, maintains participants' plan account records, issues periodic account statements, and performs other duties related to the plan.

You may contact the administrator at address and toll-free telephone listed below:

Registrar and Transfer Company
Attn: Investor Relations
P.O. Box 664
Cranford, NJ 07016
1-800-368-5948

Shareholders also can obtain information and perform certain transactions online at www.rtc.com. The web site contains instructions on how to establish an online account, create a password, and perform functions related to a plan account.

4. What are the duties of the administrator?

The administrator and its agents perform various administrative duties relating to the plan which include:

- Holding shares of the Corporation's common stock for plan accounts;
- Receiving cash dividend payments for participants;
- Using cash dividends to purchase shares of the Corporation's common stock;
- Maintaining records of each participant's account;
- Sending statements of account and other notices to participants; and
- Advising participants as to all transactions in, and the status of, their accounts.

Eligibility

5. Who is eligible to participate in the plan?

Persons who meet the following requirements may participate in the plan:

1. The person must own at least ten (10) shares of common stock of the Corporation;
2. The shares must be registered in the shareholder's name; and
3. The shareholder must be a bona fide resident of Pennsylvania. If the registered shares are owned jointly, all joint owners must be bona fide Pennsylvania residents.

The Corporation is relying upon a securities registration exemption under Section 3(a)(11) of the 1933 Act to issue shares directly to the plan. A condition of the availability of this exemption is that the offering of shares to be purchased by the plan be made solely to the residents of one state. As the Corporation is incorporated in Pennsylvania, derives substantially all of its revenues from conducting business in Pennsylvania and has the largest number of shareholders residing in Pennsylvania, the Corporation elected to make this plan available only to registered shareholders who are residents of Pennsylvania.

Therefore, all owners of the Corporation's common stock who are eligible to participate in the plan will be required to provide a written representation as to their status as bona fide Pennsylvania residents.

6. What happens if I change my state of residence after I enroll in the plan?

As a condition of participation in the plan, participants are required to notify the administrator immediately upon becoming a non-Pennsylvania resident. Changing your state of residence after you enroll in the plan automatically will terminate your participation in the plan.

If the registered shares are held jointly and one of the joint owners changes his or her residence to a state other than Pennsylvania, this will have the effect of terminating participation in the plan of such shares even if all the other joint owners remain residents of Pennsylvania.

Enrolling in the Plan

7. How do I enroll in the plan?

If you meet the eligibility requirements and wish to become a participant, simply complete and sign the enrollment form (which includes an affidavit confirming your Pennsylvania residency) attached to this offering circular and mail it to Registrar and Transfer Company, P.O. Box 664, Cranford, NJ 07016. If you enroll in the plan, you must enroll all of your shares. Partial enrollment is not permitted. *See Question 10.*

You also may obtain an enrollment form by writing to Miners Bank, Attn: Leo Blecker, CFO; PO Drawer L, Minersville, PA 17954 or by phone at (570) 544-6566.

If you are a Pennsylvania shareholder who owns at least ten (10) shares of the Corporation's common stock in "street name" through a custodial account at brokerage firm, bank or other nominee, you must become a registered shareholder by having shares transferred into your name before submitting an enrollment form (which includes an affidavit confirming your Pennsylvania residency) to the administrator.

8. When does participation in the plan begin?

Participation in the plan begins when the administrator receives a participant's completed enrollment form, including the affidavit of Pennsylvania residency.

9. When are my cash dividends invested?

Historically, the Corporation has paid cash dividends four times per year. The day that the cash dividends are paid is known as the "dividend payment date". Each day that the administrator purchases shares of the Corporation's common stock with cash dividends is known as a "dividend investment date." No interest is paid on cash dividends which the administrator may hold pending the purchase of common stock.

Once enrolled in the plan, the administrator will begin reinvesting a participant's cash dividends in shares of the Corporation's common stock on the next dividend payment date if the participant's enrollment is received by the administrator by the record date for that dividend. If not, the administrator will begin reinvesting the participant's cash dividends on the next dividend payment date. With respect to cash dividends, the administrator will purchase the Corporation's common stock as promptly as possible after the applicable dividend payment date and, in no event, more than 30 days after the applicable dividend payment date. The administrator may pool cash dividends to purchase shares of common stock.

There can be no assurance as to the declaration or payment of cash dividends, and nothing contained in this plan obligates the Corporation's to declare or pay any cash dividends. The plan does not represent a change in the Corporation's dividend policy or a guarantee of future cash dividends which will continue to be determined by the board of directors based upon the Corporation's earnings, results of operations, financial condition and other factors.

10. Must a shareholder enroll a minimum number of shares in the plan?

Yes. Eligible participants must enroll all of their shares of the Corporation's common stock in the plan. Partial enrollment is not permitted.

Purchases

11. How may participants purchase common stock under the plan?

Participants may have cash dividends on shares held in their name automatically reinvested in additional shares of the Corporation's common stock. Participants may not make optional cash payments to purchase additional shares of the Corporation's common stock under the plan.

12. What is the source of the common stock purchased under the plan?

Under the plan, the administrator may purchase shares in the open market, in privately negotiated transactions, directly from the Corporation either as original issue shares or shares that it has reacquired and holds as treasury shares, or using a combination of these methods.

13. What price will participants pay for common stock purchased through the plan?

The purchase price of each share of common stock purchased by the plan on behalf of a participant directly from the Corporation (either as original issue or treasury shares) using cash dividends will be 95% of the fair market value of a share of the Corporation's common stock on the date of purchase.

The "fair market value" is the weighted average sales price of the last ten sales of the Corporation's common stock excluding any sales made pursuant to employee or director benefit plans.

The purchase price of each share of common stock purchased by the plan on behalf of a participant through purchases in the open market or in privately negotiated transactions will be actual cost of the shares to the administrator (excluding trading expenses which the Corporation will pay).

14. How many shares will be purchased for participants?

The number of shares of common stock to be purchased for participants as of any respective investment date depends on the amount of their cash dividends and the applicable purchase price as determined in the manner described in the response to Question 13. Participants' accounts will be credited with that number of shares, including fractional shares computed to four decimal places, which will equal the total dollar amount to be invested, divided by the applicable purchase price.

The amount to be invested for any participant will be reduced by the amount of any required tax withholding, including any “backup withholding” and any withholding required on dividends received by foreign participants, as applicable.

Costs

15. Are there any expenses to participants in connection with purchases of common stock under the plan?

No. The Corporation will pay all brokerage commissions or other charges with respect to the purchase of the Corporation common stock under the plan.

16. Who pays the administrator for administration of the plan?

Except as provided herein, the Corporation pays all other costs of administration of the plan.

Reports to Plan Participants

17. What reports are sent to plan participants?

The administrator will send participants a quarterly statement showing the number of shares purchased, the purchase price, the date on which the shares were purchased and the number of shares held in their account. Participants should keep these statements for income tax purposes. In addition, you will receive the same communications sent to every common stock shareholder, including the Corporation’s quarterly reports, annual report, notice of annual meeting and proxy statement and income tax information for reporting dividends paid.

You also may view your plan account history online at www.rtco.com.

Stock Certificates

18. Are share certificates issued to participants for common stock purchased through the plan?

No. Shares of common stock purchased through the plan are registered in the name of the administrator (or its nominee), as agent for the plan participants. This is known as custodian, or “book entry” method of holding shares. This is a safekeeping feature that protects against loss, theft, or destruction of stock certificates. It also is a more economical way for the agent to administer the plan.

The number of shares of common stock credited to a participant’s plan account is shown on their account statement. Participants will not receive a certificate for these shares unless they specifically request a certificate.

19. May a participant request that a stock certificate be issued representing the common stock held under the plan?

Yes. Participants may obtain a certificate for any number of whole shares of common stock held in their plan account by making a written request to the administrator or submitting a request online at www.rtco.com. The administrator will send a certificate normally within two weeks after receiving such a request. Any remaining shares will continue to be held in the participant's account. There is a service fee of \$10.00 payable by the participant to process a request for issuance of a share certificate.

20. Is there any restriction on the transfer of plan shares held in my account?

Yes. Pursuant to Section 3(a)(11) of the 1933 Act and SEC Rule 147, shares purchased directly from the Corporation by the plan on behalf of plan participants cannot be transferred to persons who are not residents of Pennsylvania for a period of nine (9) months after the date of the last sale by the Corporation of its common stock to the plan. Since the Corporation anticipates that it will maintain the plan indefinitely, this resale restriction has the practical effect of indefinitely prohibiting plan participants whose shares are purchased by the plan directly from the Corporation from selling those shares to a non-Pennsylvania resident.

Under the plan, the administrator may purchase shares in the open market or in privately negotiated transactions. *To ease recordkeeping, the Corporation also has determined that, as a condition to participation in the plan, a participant must agree not to resell any shares purchased for his or her plan account in privately negotiated transactions or in the open market to the same extent as the resale restriction applies to shares purchased for plan accounts directly from the Corporation.*

Stock certificates which represent shares purchased by the plan will contain a restrictive legend describing these restrictions on resale and the Corporation will issue stop transfer instructions to the plan administrator to ensure that any transfer of those shares does not contravene these resale restrictions.

21. May a participant pledge shares held under the plan as collateral for a loan?

No. Shares of common stock held in a participant's plan account may not be pledged as collateral for a loan or any other obligation. In order to pledge shares held in a plan account, participants must first request that a certificate for whole shares be issued in their name.

Withdrawal from the Plan

22. May participants withdraw from the plan?

Yes. Participation by eligible shareholders in the plan is entirely voluntary. Participants may terminate their plan account at any time by directing the administrator to terminate participation in the plan at the address provided in the response to Question 3.

However, partial withdrawal is not permitted, and you must withdraw all of your shares from the plan, including shares purchased under the plan with cash dividends.

23. What happens when participants terminate their plan account?

If the administrator receives notice of termination at least three (3) business days before a dividend payment date, reinvestment of cash dividends will cease as of the date the notice of termination is received by the administrator.

If the administrator receives a notice of termination less than three (3) business days before a dividend payment date, the administrator will reinvest that cash dividend. However, cash will be paid out for all subsequent cash dividends on all balances.

When terminating a plan account, participants may request a stock certificate for all the whole shares held in the account. The stock certificate representing the shares purchased under the plan will contain a restrictive legend stating that the securities represented by the certificate are not registered under the 1933 Act and may only be sold or transferred to persons who are bona fide residents of Pennsylvania. As soon as practicable after receiving notice of termination, the administrator will send a stock certificate for all the whole shares of common stock held in the plan account. A check for any fractional share will be sent.

24. Who will purchase the fractional share and at what price?

When a shareholder elects to terminate their plan account, and requests a share certificate for shares held in the plan account and the plan account contains a fractional share, the Corporation will purchase from the administrator the fractional share remaining in the plan account in order that the participant will receive a share certificate only for whole shares.

The price which the Corporation will pay for the fractional share will be the fair market value as defined herein on the date which the purchase occurs.

25. May participants later re-elect to participate in the plan?

Generally, an eligible shareholder may elect to re-enroll in the plan at any time. However, the Corporation and the administrator reserve the right to reject any re-enrollment application on grounds of excessive joining and withdrawing. This reservation is intended to minimize unnecessary administrative expense and encourage use of the plan as a long-term shareholder investment service.

Sale of Plan Shares

26. May participants request that the administrator sell the shares purchased under the plan and held in their plan account?

No. The continued ability of the Corporation to issue shares directly to the plan on behalf of plan participants is dependent on its compliance with the conditions of the exemption contained in Section 3(a)(11) of the 1933 Act and SEC Rule 147 which prohibits resales of such shares to persons who are not residents of Pennsylvania.

Under the plan, the administrator may purchase shares in the open market or in privately negotiated transactions. *To ease recordkeeping, the Corporation also has*

determined that, as a condition to participation in the plan, a participant must agree not to resell any shares purchased for his or her plan account in privately negotiated transactions or in the open market to the same extent as the resale restriction applies to shares purchased for plan accounts directly from the Corporation.

In order to treat all plan shares equally and prevent an unintentional sale to a non-Pennsylvania resident which would violate the terms of the exemption and the Corporation's continued ability to issue shares directly to the plan, the Corporation has determined not to permit participants to request that shares held in their plan account be sold by the administrator.

Transfer or Gift of Plan Shares

27. May participants transfer shares or make a gift of shares held in the plan?

Shares held in the plan account are subject to very substantial restrictions on resale. Therefore, participants may transfer ownership of all or part of the shares held in their plan account as a gift, private sale or otherwise, only to bona fide residents of Pennsylvania.

To effect a transfer of shares in the plan account to another resident of Pennsylvania, participants must deliver to the administrator their written instructions, together with any signed documents the administrator may require, with "signature guaranteed." A commercial bank, trust company, securities broker-dealer, credit union or savings and loan association which is a member of the Medallion Signature Guarantee Program or other eligible guarantor institution may guarantee signatures. Verification by a notary public is not sufficient. Participants must pay any taxes applicable to the transfer. If participants wish to transfer any shares, they should contact the administrator by writing to Registrar and Transfer Company, P.O. Box 664, Cranford, NJ 07016, by calling toll free at 1-800-368-5948 or by logging on to www.rtc.com for specific requirements and instructions.

The Corporation, in its discretion, may request that the administrator transfer the shares through the Direct Registration System (DRS) in book entry form or the DWAC transaction system within seven (7) to ten (10) days after receipt of the written request and all other required documents. Upon request, the administrator will make the transfer by crediting the transferred shares to the plan account of another person.

To comply with the requirements of SEC Rule 147 and the contractual restrictions imposed by the plan, the Corporation will issue a stop transfer notice to the administrator with respect to the shares held in plan accounts. Upon receiving a transfer request for shares held in the plan, the administrator will take the appropriate steps to ensure the transfer complies with these resale restrictions. *See Question 20.*

In this regard, the administrator may require an opinion of counsel to the Corporation that the transfer complies with SEC Rule 147 and the contractual restrictions imposed by the plan. Should the administrator require such opinion, you may need to furnish such information as counsel deems necessary in order for counsel to opine that the transfer complies with SEC Rule 147 and the contractual restrictions imposed by the plan. There is no assurance that the administrator will effect the transfer with or without such opinion nor is there any assurance that the information provided will be sufficient to permit counsel to issue an opinion. Any risk of non-transfer by the administrator rests with the participant.

Other information

28. What happens if the Corporation declares a stock dividend or stock split?

If the Corporation declares any stock dividend or stock split, the stock dividend or stock split will be paid with respect to shares held in a plan account as well as shares held outside a plan account. Participants will not receive share certificates evidencing shares issued in connection with any stock dividend or stock split with respect to shares held in their plan account.

Transaction processing may either be curtailed or suspended until the completion of any stock dividend, stock split or corporate action.

29. What happens if the Corporation has a rights offering?

A rights offering is when a corporation issues rights to its existing shareholders to buy a proportional number of additional shares at a given price. A participant's entitlement in a rights offering is based upon his or her total holdings, including the shares held in the participant's plan account, in the same manner as dividends are computed currently.

If a plan participant wishes to exercise such rights, he or she, by written request received by the administrator prior to the record date for such rights, may obtain a certificate for the full shares in the participant's account so that such rights to purchase additional shares accruing to those certificates will flow directly to the participant.

30. How are a plan participant's shares voted at shareholder meetings?

Participants will have the power to vote the shares of the Corporation common stock held in their plan account. We will send participants a proxy statement and a proxy card for any annual or special meeting of shareholders. The proxy card will cover both those shares registered in their name and those held in their plan account.

31. To what extent are the Corporation and the administrator liable to plan participants?

In administering the plan, the Corporation and the administrator are not liable to participants for any act performed in good faith or any good faith failure to act. This includes any claim of liability:

1. Arising out of failure to terminate a plan participant's account upon the death of a participant or judicially determined incapacity before receipt of a written notice of death or incapacity;
2. With respect to the prices at which shares of the Corporation's common stock are bought or sold, the times the shares are bought or sold, and the parties from whom the shares are bought or to whom the shares are sold; and
3. Arising out of any delay or refusal to effect a transfer of shares in the plan which are subject to restrictions on resale.

Neither the Corporation nor the administrator, without limiting the foregoing, will be liable for any claim made more than thirty (30) calendar days after instructions to buy stock have been given.

32. Must participants notify the administrator if they change their address?

Yes. The administrator will send all notices to a participant's last known address in its records. Mailing of notices to such address will satisfy any obligation we have to give participants notice. Accordingly, participants should promptly notify the administrator of a change of address by writing to Registrar and Transfer Company, P.O. Box 664, Cranford, NJ 07016, by calling toll free at 1-800-368-5948 or by logging on to www.rtc.com. If a participant is no longer a Pennsylvania resident, he or she must inform the administrator immediately who, in accordance with the terms and conditions of the plan, will terminate their participation in the plan. *See Question 6.*

If participants elect to receive notices by electronic mail, they should promptly notify the administrator of any change in their designated e-mail address.

33. Could the administrator of the plan change?

Yes. It is possible that the administrator may resign as administrator of the plan at any time or discontinue offering its services as administrator. Further, the Corporation, in its sole discretion, may decide to replace the administrator. In any case, the Corporation would appoint a successor administrator to administer the plan.

34. May the plan be modified, amended, suspended or terminated?

Yes. Although we intend to continue the plan indefinitely, we reserve the right, in our sole discretion, to modify, amend, suspend, or terminate the plan at any time. We will give written notice of any modification, amendment, suspension or termination to each plan participant at the address which appears in the administrator's records and will issue a supplement to this offering circular.

35. May the Corporation terminate participation in the plan as to a specific participant?

Yes. The Corporation may terminate, for whatever reason and at any time, as it may determine in its sole discretion, participation in the plan as to a specific participant. This may be to minimize administrative expenses, prevent or stop misuse of the plan, or for other reasons.

36. What happens if the plan is terminated?

If the plan is terminated, the Corporation, in its discretion, may request that the administrator transfer the shares to participants by means of issuance of share certificates, the Direct Registration System (DRS) in book entry form or the DWAC transaction system.

37. Who interprets and regulates the plan?

The Corporation and the administrator are authorized to interpret the plan, adopt regulations and take any other action reasonably designed to implement the plan. Any action taken by the Corporation or its agents in the good faith exercise of its judgment will be binding on all plan participants.

38. Who bears the risk of market price fluctuations in the Corporation's common stock?

Participants bear the risk of market price fluctuations. Participants' investment in shares of the Corporation's common stock under the plan will be no different from an investment in directly-held shares of the Corporation's common stock. Participants will bear the risk of loss and may realize the benefits of gain from market price changes with respect to all the Corporation's shares held by participants in the plan or otherwise. The shares are not deposits and are not insured by the FDIC or any other government agency.

Federal Income Tax Consequences

This section discusses the federal income tax information connected with the plan based on current federal tax laws applicable to United States citizens or residents. If federal tax laws change in the future, the following may change and may no longer apply. State, local, foreign and other tax provisions vary and are not covered in this summary. In any event, you should consult your tax advisor about your particular transactions, especially if you may be covered by other tax rules.

For federal income tax purposes, a plan participant is treated as receiving, on the dividend payment date, the full amount of dividends allocable to the participant, regardless of whether the dividends are paid in cash, withheld for payment of taxes, or invested in additional shares of common stock under the plan. In addition, the participant is deemed to have received taxable income in the amount of commissions and other brokerage expenses paid by the Corporation in purchasing shares on the participant's behalf.

If participants reinvest cash dividends under the plan, they will be treated for federal income tax purposes as having received dividend income on the dividend payment date. This may give rise to a tax payment obligation without providing participants with immediate cash to pay such tax when it becomes due.

Shares purchased by the plan directly from the Corporation with cash dividends will be purchased at 95% of the fair market value of the shares (as defined herein) on the investment date. With respect to these shares, you must report as dividend income the difference between the cash dividends you reinvested and the fair market value of the stock purchased by the plan on your behalf.

The per share tax basis of shares acquired for a participant is the price per share reported on the periodic account statement provided by the administrator to each participant, adjusted to include the amount of brokerage commissions paid on behalf of the participant and any discount received on the purchase of shares by the plan directly from the Corporation with cash dividends, and as reported to the Internal Revenue Service.

While the matter is not free from doubt, the Corporation intends to take the position that the administrative expenses of the plan, to be paid by the Corporation, are not constructive dividends to plan participants. Each plan participant will receive from the transfer agent a Form 1099-DIV (mailed on or before January 31 of the following year), which will show the total dividend income to the plan participant.

The holding period for shares acquired under the plan begins on the day after the date the shares are acquired for a plan participant's account. If a participant is subject to federal income tax withholding on dividends or a foreign participant's taxable income under the plan is subject to federal income tax withholding, cash dividends are reinvested less federal tax withholding under applicable law.

For federal income tax purposes, participants will realize a gain or a loss whenever they sell shares purchased under the plan and whenever they receive a cash payment for a fractional share credited to their account. The amount of gain or loss will be the difference between the amount participants receive for their whole or fractional shares and the tax basis in the shares. The tax basis of a share acquired directly from the Corporation is the "fair

market value” on the dividend payment date. The tax basis of a share acquired in the open market or in privately negotiated transactions is the purchase price plus any trading expenses incurred in the transaction which are paid by the Corporation.

The 5% discount to fair market value applicable to shares purchased directly from the Corporation using cash dividends, however, will increase the basis of the shares in your account. For instance, if you purchase common stock under the plan with a fair market value of \$500, you will receive a 5% discount to the purchase price which would equal \$25. Although you would have paid \$475 for the shares of common stock, your account would be credited with \$500 worth of securities, you would realize \$25 of dividend income due to the discount, and the purchased securities would have a tax basis of \$500.

Dividends reinvested under the plan by corporate shareholders may be eligible for the 70% dividends-received deduction.

The foregoing assumes payment of cash dividends out of earnings and profits of the Corporation. It only summarizes the federal income tax consequences of the plan and does not include a discussion of state, local or foreign tax consequences of the plan. It does not address the particular circumstances of individual participants. Participants are urged to consult their own tax advisor for further information on the federal, state, local or foreign tax consequences of participation in the plan.

Litigation

Given the nature of our business, we expect to be engaged in litigation involving matters arising in the ordinary course of business. As of the date of this offering circular, it is the opinion of our directors that no pending legal proceedings exists which, if determined adversely to us, would materially affect either ours or Miners Bank’s undivided profits or financial condition. Neither are the directors, as of the date of this offering circular, aware of any situation likely to cause the Corporation to be a party to any material litigation. In addition, to the board of directors’ knowledge, no government authorities have initiated or contemplated any material legal proceedings against the Corporation.

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