

FIRST NATIONAL COMMUNITY BANCORP INC
Form DEF 14A
April 10, 2009
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-12

First National Community Bancorp, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration No.:

(3) Filing Party:

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FIRST NATIONAL COMMUNITY BANCORP, INC.

PROXY

FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD

MAY 20, 2009

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF FIRST NATIONAL COMMUNITY BANCORP, INC.

The undersigned hereby appoints Frank Caputo, Paul Latzanich and Leonard Verrastro, and each or any of them, proxies of the undersigned with full power of substitution to vote all of the shares of First National Community Bancorp, Inc. that the undersigned may be entitled to vote at First National Community Bancorp, Inc.'s Annual Meeting of Shareholders, to be held at the company's Exeter Office, 1625 Wyoming Avenue, Exeter, Pennsylvania 18643, on Wednesday, May 20, 2009, at 9:00 a.m., prevailing time, and at any adjournment or postponement of the meeting as follows:

1. ELECTION OF DIRECTORS: To elect three Class B Directors to serve for a three year term and until their successors are elected and qualified.

NOMINEES:

Michael G. Cestone

J. David Lombardi

Louis A. DeNaples, Jr.

_____ FOR all nominees (except as indicated to the contrary below)

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the following space.

_____ AGAINST all nominees

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THESE NOMINEES.

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2. RATIFICATION OF AUDITORS: To ratify the Audit Committee's selection of Demetrius & Company, L.L.C., Certified Public Accountants of Wayne, New Jersey as the auditors of the company for the year ending December 31, 2009.

_____ FOR

_____ AGAINST

_____ ABSTAIN

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 2.

3. In their discretion, the proxies are authorized to vote upon such other business properly presented at the annual meeting and any adjournment or other postponement of the meeting.

THIS PROXY, WHEN PROPERLY SIGNED AND DATED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS.

Dated: _____ 2009

Signed: _____

THIS PROXY MUST BE DATED, SIGNED BY THE SHAREHOLDER(S) AND RETURNED PROMPTLY TO REGISTRAR AND TRANSFER COMPANY IN THE ENCLOSED ENVELOPE. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE. IF MORE THAN ONE TRUSTEE, ALL SHOULD SIGN. IF STOCK IS HELD JOINTLY, EACH OWNER SHOULD SIGN.

I (We) do _____ do not _____ expect to attend the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 20, 2009. The proxy statement,

proxy card, and annual report to shareholders are available at

www.fnbc.com/proxy.asp.

PROXY VOTING INSTRUCTIONS

Shareholders of record have four ways to vote:

1. By Mail; or
2. By Telephone (using a Touch-Tone Phone); or
3. By Internet; or
4. By voting in person at the meeting.

A telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned this proxy. Please note telephone and Internet votes must be cast prior to 3 a.m., May 20, 2009. It is not necessary to return this proxy if you vote by telephone or Internet.

Vote by Telephone

Call Toll-Free on a Touch-Tone Phone anytime prior to

3 a.m., May 20, 2009:

1-866-776-5650

Vote by Internet

Anytime prior to

3 a.m., May 20, 2009 go to

<https://www.proxyvotenow.com/fncb>

Please note that the last vote received, whether by telephone, Internet or by mail, will be the vote counted.

FIRST NATIONAL COMMUNITY BANCORP, INC.

102 East Drinker Street

Dunmore, Pennsylvania 18512

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that, pursuant to its Bylaws and the call of its Board of Directors, the 2009 Annual Meeting of Shareholders of First National Community Bancorp, Inc. will be held at the company's Exeter Office, 1625 Wyoming Avenue, Exeter, Pennsylvania 18643, on Wednesday, May 20, 2009 at 9:00 a.m., prevailing time, to consider and vote upon the following matters:

1. To elect three (3) Class B Directors to serve for a three (3) -year term and until their successors are elected and qualified;
2. To ratify the Audit Committee's selection of Demetrius & Company, L.L.C., Certified Public Accountants of Wayne, New Jersey, as the auditors of the company for the year ending December 31, 2009; and
3. To transact any other business properly presented at the annual meeting and any adjournment or postponement of the meeting.

The Board of Directors fixed March 31, 2009, as the record date for determining shareholders entitled to notice of and to vote at the meeting.

Please refer to the attached proxy statement and the 2008 Annual Report to Shareholders. You may obtain a copy of the annual report to shareholders on Form 10-K including the financial statements and exhibits for the 2008 fiscal year at no cost by contacting William S. Lance, Treasurer, 102 East Drinker Street, Dunmore, Pennsylvania 18512. Copies of the company's first quarter 2009 financial information, as required to be filed on Form 10-Q, will also be available at no cost from William S. Lance on or after May 11, 2009.

PLEASE MARK, SIGN AND RETURN YOUR PROXY PROMPTLY IN THE ENCLOSED SELF-ADDRESSED, STAMPED ENVELOPE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU DO ATTEND THE MEETING, YOU MAY VOTE YOUR SHARES IN PERSON.

By Order of the Board of Directors,

J. David Lombardi, Acting Chairman of the Board, President and Chief Executive Officer

Dunmore, Pennsylvania

April 10, 2009

FIRST NATIONAL COMMUNITY BANCORP, INC.

102 EAST DRINKER STREET

DUNMORE, PENNSYLVANIA 18512

OTC BB TRADING SYMBOL: FNCB

PROXY STATEMENT

FOR THE

2009 ANNUAL MEETING OF SHAREHOLDERS

Mailed to Shareholders on or about April 10, 2009

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FREQUENTLY ASKED QUESTIONS AND ANSWERS

Q: WHO IS ENTITLED TO VOTE?

A: Shareholders as of March 31, 2009 (the record date). Each share of common stock is entitled to one vote.

Q: HOW DO I VOTE?

A: There are four methods. You may vote by completing and mailing your proxy or by attending the annual meeting and voting in person. (See page 2 of the proxy statement for more details). Internet voting and telephone voting are also available. (See instructions on the proxy card).

Q: HOW DOES DISCRETIONARY AUTHORITY APPLY?

A: If you sign your proxy but do not make any selections, you give authority to Frank Caputo, Paul Latzanich and Leonard Verrastro as proxy holders to vote on the proposal and any other matters that may arise at the meeting.

Q: IS MY VOTE CONFIDENTIAL?

A: Yes. Only the Judge of Election, the proxy holders and the transfer agent will have access to your proxy. All comments will remain confidential unless you ask that your name be disclosed.

Q: WHO WILL COUNT THE VOTES?

A: A representative of the company's transfer agent, Registrar and Transfer Company, will tabulate the votes and act as Judge of Election.

Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY?

A: Your shares are probably registered differently or are in more than one account. Vote all proxies to ensure that all your shares are voted.

I

Q: WHAT CONSTITUTES A QUORUM?

A: As of March 31, 2009, 16,154,176 shares of common stock were issued and outstanding. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast, constitutes a quorum for the transaction of business at the annual meeting. If you vote by proxy or in person, you will be considered part of the quorum.

Q: WHAT PERCENTAGE OF STOCK DO THE DIRECTORS AND OFFICERS OWN?

A: Approximately 29% of our common stock as of March 31, 2009. (See page 5 of the proxy statement for more details).

Q: WHAT ARE THE SOLICITATION EXPENSES?

A: First National Community Bancorp, Inc. has retained Registrar and Transfer Company of Cranford, New Jersey as its transfer agent. In its capacity as transfer agent, Registrar and Transfer Company will assist in the distribution of proxy materials and solicitation of votes, and will act as the Judge of Election. The estimated fee to provide these services is \$1,750 plus out-of-pocket expenses.

Q: WHO ARE THE LARGEST PRINCIPAL SHAREHOLDERS?

A: Louis A. DeNaples, as of March 31, 2009
Dominick L. DeNaples, as of March 31, 2009

(See page 4 of the proxy statement for more details).

Q: WHEN ARE THE 2010 SHAREHOLDER PROPOSALS DUE?

A: As a shareholder, you must submit your proposal in writing by December 14, 2009, to Michael J. Cestone, Jr., Secretary, First National Community Bancorp, Inc. at 102 East Drinker Street, Dunmore, PA 18512. (See page 6 with regard to director nomination procedures and page 10 for other shareholder proposals.)

II

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS OF

FIRST NATIONAL COMMUNITY BANCORP, INC.

TO BE HELD ON MAY 20, 2009

GENERAL INFORMATION

Date, Time and Place of Annual Meeting

This proxy statement is being furnished for the solicitation by the Board of Directors of First National Community Bancorp, Inc., a Pennsylvania business corporation and registered financial holding company, of proxies to be voted at the company's Annual Meeting of Shareholders. The annual meeting will be held at the company's Exeter Office, 1625 Wyoming Avenue, Exeter, Pennsylvania 18643 on Wednesday, May 20, 2009, at 9:00 a.m., prevailing time. All inquiries regarding the annual meeting should be directed to William S. Lance, Treasurer. This proxy statement and the enclosed form of proxy are first being sent to shareholders of the company on or about April 10, 2009.

Internet Availability of Proxy Materials

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 20, 2009. The proxy statement, proxy card, and annual report to shareholders are available at www.fnbc.com/proxy.asp.

Purpose of the Annual Meeting

At the annual meeting, shareholders will be requested:

- to elect three (3) Class B Directors to serve for a three (3)- year term and until their successors are duly elected and qualified;
- to ratify the selection of Demetrius & Company, L.L.C., Certified Public Accountants of Wayne, New Jersey, as the auditors of the company for the year ending December 31, 2009; and
- to transact any other business as may properly come before the annual meeting and any adjournment or postponement of the meeting.

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We have not authorized anyone to provide you with information about the company; therefore, you should rely only on the information contained in this document or on documents to which we refer you. Although we believe we have provided you with all the information helpful to you in your decision to vote, events may occur at First National Community Bancorp, Inc. subsequent to printing this proxy statement that might affect your decision or the value of your stock.

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Record Date, Quorum, Voting Rights

The company's Board of Directors fixed March 31, 2009 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting. On the record date, the company had 16,154,176 outstanding shares of common stock, par value \$1.25 per share, the only authorized class of stock, which was held by approximately 1,649 shareholders.

Under Pennsylvania law and the company's by-laws, the presence of a quorum, in person or by proxy, is required for each matter to be acted upon at the annual meeting. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast, constitutes a quorum for the transaction of business at the annual meeting. Votes withheld and abstentions will be counted in determining the presence of a quorum. Broker non-votes will not be counted in determining the presence of a quorum for the particular matter as to which the broker withheld authority.

Each holder of common stock is entitled to one vote, in person or by proxy, for each share of common stock held in his or her name in the company's books as of the record date. Assuming the presence of a quorum, the three (3) nominees for director receiving the highest number of votes will be elected at the annual meeting.

Solicitation of Proxies and Voting

The cost of preparing, assembling, printing, mailing and soliciting proxies, and any additional material that the company sends to its shareholders in connection with the annual meeting, will be paid by the company. In addition to solicitation by Registrar and Transfer Company, the directors, officers and employees of the company and First National Community Bank may solicit proxies from shareholders personally or by telephone, facsimile or other electronic means without additional compensation. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of the common stock held of record by these persons, and upon their request, the company will reimburse them for their reasonable forwarding expenses.

You can vote your shares by completing and returning a written proxy card. You may also vote your shares using the Internet. To do so, access www.proxyvotenow.com/fncb and follow the on screen instructions. Have your control number from your proxy card available when you access the web page. Telephone voting is also available, toll free, by calling 1-866-776-5650 from a touch tone phone.

You can also vote in person at the meeting. Submitting your voting instructions by returning a proxy card or by voting over the telephone or over the Internet will not affect your right to attend the meeting and vote. The method by which you vote will in no way limit your right to vote in person at the annual meeting, after giving notice to Michael J. Cestone, Jr., Secretary of the company.

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If your shares are registered directly in your name with First National Community Bancorp, Inc.'s transfer agent, Registrar and Transfer Company, you are considered, with respect to those shares, the shareholder of record, and these proxy materials are being sent directly to you by the company. As the shareholder of record, you have the right to grant your voting proxy directly to the proxy holder, to cast your vote electronically or to vote in person at the meeting. The company has enclosed a proxy card for your use.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the "beneficial owner" of the shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee which is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the

right to direct your broker how to vote and are also invited to attend the meeting. However, because you are not the shareholder of record, you may not vote these shares in person at the meeting. Your broker or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee how to vote your shares. Shares represented by a properly executed proxy, unless subsequently revoked, will be voted at the annual meeting in accordance with the instructions made by the shareholders. If a proxy is signed, executed and returned without indicating any voting instructions, the shares represented by the proxy will be voted in accordance with the recommendations of the Board of Directors.

Revocation of Proxies

A shareholder of the company who returns a proxy may revoke the proxy prior to the time it is voted in any one of the following ways:

- by giving written notice of revocation to Michael J. Cestone, Jr., Secretary of First National Community Bancorp, Inc., 102 East Drinker Street, Dunmore, Pennsylvania 18512-2491; or
- by executing a later-dated proxy and giving written notice to the Secretary of the company; or
- by voting in person after giving written notice to the Secretary of the company.

Attendance by a shareholder at the annual meeting will not itself constitute a revocation of the proxy.

You have the right to vote and, if desired, to revoke your proxy any time before the annual meeting. Should you have any questions, please contact William S. Lance, Treasurer at (570) 346-7667.

PRINCIPAL BENEFICIAL OWNERS OF THE COMPANY'S COMMON STOCK**Principal Owners**

The following table sets forth, as of March 31, 2009, the name and address of each person who owns of record or who is known by the Board of Directors to be the beneficial owner of more than 5% of the company's outstanding common stock, the number of shares beneficially owned by such person and the percentage of the company's outstanding common stock so owned. The footnote to the following table is set forth on page 5 under the section entitled "Beneficial Ownership by Directors, Executive Officers and Nominees."

<u>Name and Address</u>	<u>Shares Beneficially Owned (1)</u>	<u>Percent of Outstanding Common Stock Beneficially Owned</u>
Louis A. DeNaples 400 Mill Street Dunmore, PA 18512	1,657,031	10.26%
Dominick L. DeNaples 400 Mill Street Dunmore, PA 18512	1,461,582	9.05%

(1) All shares are owned individually or jointly with a spouse unless otherwise indicated. For additional details on the shares beneficially owned, see "Beneficial Ownership by Directors, Executive Officers and Nominees" on page 5.

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Beneficial Ownership by Directors, Executive Officers and Nominees

The following table sets forth, as of March 31, 2009 the amount and percentage of the company's common stock beneficially owned by each director, each nominee for director and all executive officers, directors and nominees of the company as a group. This information has been furnished by the reporting persons.

Name of Individual or Identity of Group	Amount and Nature of	Percent of Class
	Beneficial Ownership (1)	
Michael G. Cestone	65,145 (2)	.40%
Michael J. Cestone, Jr.	206,716 (3)	1.28%
Joseph Coccia	170,733 (4)	1.06%
William P. Conaboy	17,225 (5)	.11%
Dominick L. DeNaples	1,461,582 (6)	9.05%
Louis A. DeNaples	1,657,031 (7)	10.26%
Louis A. DeNaples, Jr.	40,181 (8)	.25%
Joseph J. Gentile	445,067 (9)	2.76%
Joseph O. Haggerty	36,024	.22%
J. David Lombardi	141,921 (10)	.88%
John P. Moses	84,052	.52%
All Directors and Executive Officers as a Group (18 persons)	4,706,495	29.13%

(1) The securities "beneficially owned" by an individual are determined in accordance with the definitions of "beneficial ownership" set forth in the 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 that the individual has or shares voting or investment power or has the right to acquire beneficial ownership within sixty (60) days after March 31, 2009 through the exercise of stock options. Beneficial ownership may be disclaimed as to certain of the securities. Unless otherwise indicated, all shares are beneficially owned by the reporting person individually or jointly with his spouse. All numbers here have been rounded to the nearest whole number.

(2) Includes 24,041 shares held in street name and 4,075 shares held jointly with his children.

(3) Includes 120,256 shares held in street name and 44,495 shares held individually by his spouse.

(4) Includes 9,075 shares held in street name.

(5) Includes 17,225 shares held in street name.

(6) Includes 190,085 shares held jointly with his children and 3,659 shares registered to DeNaples Equipment.

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- (7) Includes 22,382 shares held jointly with his children, 14,711 shares held individually by his spouse and 3,660 shares registered to DeNaples Equipment.
- (8) Includes 24,971 shares held jointly with his children and 1,623 shares held jointly with his father.
- (9) Includes 99,209 shares held individually by his spouse and 3,267 shares held in street name.
- (10) Includes 118,265 shares held in street name, 23,136 exercisable stock options and 516 shares held individually by a child in his residence.

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PROPOSAL 1:

ELECTION OF DIRECTORS

In accordance with Sections 9.2 and 9.3 of the company's by-laws, the company has a classified Board of Directors with staggered three-year terms of office. In a classified board, the directors are generally divided into separate classes of equal number. The terms of the separate classes expire in successive years. The company's Board of Directors is classified into three classes – Class A, Class B, and Class C. Thus, at each annual meeting of shareholders, successors to the class of directors whose term then expires are elected to hold office for a term of three years. Therefore, the term of office of one class of directors expires in each year. The Board of Directors is authorized to increase the number of directors that constitutes the whole Board of Directors provided that the total number of directors in each class remains relatively proportionate to the others.

Unless otherwise instructed, the proxy holder will vote the proxies received for the election of the three (3) nominees for Class B Director named below. If any nominee should become unavailable to serve for any reason, proxies will be voted in favor of a substitute nominee as designated by the Board of Directors. The Board of Directors currently believes that the nominees named will be able to serve, if elected. Any vacancy on the Board of Directors, including vacancies resulting from an increase in the number of directors, will be filled by a majority of the remaining members of the Board of Directors and each person so appointed will be a director until the expiration of the term of office of the class to which he or she was appointed. Assuming the presence of a quorum, the three (3) nominees for director receiving the highest number of votes will be elected at the annual meeting.

Cumulative voting rights do not exist with respect to the election of directors. Except as may otherwise be provided by statute or by the articles of incorporation, at every shareholders meeting, each shareholder entitled to vote has the right to one vote for each common share owned on the record date fixed for the meeting. For example, if a shareholder owns 100 shares of common stock, he or she may cast up to 100 votes for each of the nominees for director in the class to be elected.

Nomination of Directors

Pursuant to Section 9.1 of the company's by-laws, nominations for election to the Board of Directors may be made by the Board of Directors or any shareholder entitled to vote for the election of directors. Any shareholder who intends to nominate a candidate for election to the Board of Directors (other than a candidate proposed by the company's then existing Board of Directors) must notify the company's Secretary in writing not less than 60 days prior to the date of any shareholder meeting called for the election of directors. The notification must contain the following information to the extent known by the notifying shareholder:

- a) the name and address of each proposed nominee;
- b) the age of each proposed nominee;
- c) the principal occupation of each proposed nominee;

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- d) the number of shares of the company's common stock owned by each proposed nominee;
- e) the total number of shares that, to the knowledge of the notifying shareholder, will be voted for each proposed nominee;

- f) the name and residential address of the notifying shareholder; and

- g) the number of shares of the company's common stock owned by the notifying shareholder.

In compliance with the company's by-laws, shareholders wishing to nominate a candidate for election to the Board of Directors must notify the Secretary in writing not less than 60 days prior to the date of the meeting. Shareholders must deliver any proposals or nominations in writing to the Secretary of First National Community Bancorp, Inc. at its principal executive office, 102 E. Drinker Street, Dunmore, Pennsylvania 18512.

Any nomination for director not made in accordance with Section 9.1 will be disregarded by the presiding officer of the annual meeting, and votes cast for each such nominee will be disregarded by the judge of election. In the event that the same person is nominated by more than one shareholder, if at least one nomination for such person complies with Section 9.1, the nomination will be honored and all votes cast for the nominee will be counted.

You may obtain a copy of the full text of the by-law provision relating to nomination of directors by writing to Michael J. Cestone, Jr. Secretary, at 102 East Drinker St., Dunmore, PA 18512. A copy of our by-laws were filed with the Securities and Exchange Commission ("SEC") as exhibit 3.2 to the company's December 31, 2005 Annual Report on Form 10-K, filed March 15, 2006.

Information As To Nominees and Directors

The following table contains, as of March 31, 2009, certain information with respect to the nominees and the directors whose terms of office expire in 2009, 2010 and 2011, respectively. You will find information about their share ownership on page 5.

<u>Name</u>	<u>Age as of</u>	<u>Principal Occupation</u>	<u>Director Since</u>
	<u>March 31, 2009</u>	<u>For Past Five Years</u>	<u>Company/Bank</u>

CLASS B DIRECTORS WHOSE TERM WILL EXPIRE IN 2009 AND NOMINEES FOR CLASS B DIRECTORS WHOSE TERM WILL EXPIRE IN 2012

Michael G. Cestone ⁽²⁾	46	President, S.G. Mastriani Company (General Contractor)	1998/1988
J. David Lombardi	60	President and Chief Executive Officer of the Company since 1998 and of the	1998/1986

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Bank since 1988 (Acting Chairman of the Board
of the Company and the Bank since 2008)

Louis A. DeNaples, Jr. ⁽³⁾ 41

Physician

2008/2008

Medical Director, Community Medical

Center Emergency Department

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<u>Name</u>	<u>Age as of March 31, 2009</u>	<u>Principal Occupation For Past Five Years</u>	<u>Director Since Company/Bank</u>
CLASS C DIRECTORS WHOSE TERM WILL EXPIRE IN 2010			
Joseph Coccia	54	President, Coccia Ford, Inc; DBA Coccia Lincoln Mercury, Inc. President, Eastern Auto Exchange, Inc.	1998/1998
William P. Conaboy	50	President and Chief Operating Officer, Allied Services	1998/1998
Dominick L. DeNaples ⁽¹⁾	71	President, Rail Realty Corp.; Vice President, DeNaples Auto Parts Inc.; Vice President, Keystone Landfill, Inc.	1998/1987
John P. Moses	62	Chairman, BlueCross of Northeastern PA. Previously, CEO, ALSAC/ St. Jude Children's Research Hospital	1999/1999

<u>Name</u>	<u>Age as of March 31, 2009</u>	<u>Principal Occupation For Past Five Years</u>	<u>Director Since Company/Bank</u>
CLASS A DIRECTORS WHOSE TERM WILL EXPIRE IN 2011			
Michael J. Cestone, Jr. ⁽²⁾	77	President, M.R. Company (Real Estate Corporation); CEO, S.G. Mastriani Co.; Secretary of the Board of the Bank since 1971	1998/1969
Louis A. DeNaples ⁽¹⁾⁽³⁾	68	President, DeNaples Auto Parts, Inc.; President, Keystone Landfill Inc.; Vice President Rail Realty Corp; Chairman of the Board of the Company since 1998 (currently on a leave of absence)	1998/1972
Joseph J. Gentile	78	President, Dunmore Oil Co., Inc.	1998/1989
Joseph O. Haggerty	69	Retired Superintendent Dunmore School District	1998/1987

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Louis A. DeNaples is a director of the company but is currently not serving as an active director. On February 6, 2008, Mr. DeNaples took a leave of absence from involvement with the company and the bank following an indictment in Dauphin County, Pennsylvania on charges of alleged perjury. Shortly thereafter, the Federal Reserve Bank of Philadelphia and the Office of the Comptroller of the Currency suspended Mr. DeNaples from office and prohibited him from any participation in the affairs of the company or the bank, such suspension to remain in effect and enforceable (a) until final disposition of the criminal proceedings; or (b) until terminated by the Office of the Comptroller of the Currency.

- (1) Messrs. Louis A. DeNaples and Dominick L. DeNaples are brothers.
- (2) Michael G. Cestone is the son of Michael J. Cestone, Jr.
- (3) Louis A. DeNaples, Jr. is the son of Louis A. DeNaples.

GOVERNANCE OF THE COMPANY

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices which the Board and senior management believe promote this purpose, are sound and represent best practices. We continually review these governance practices, Pennsylvania law (the state in which we are incorporated), the rules and listing standards of NASDAQ, and SEC regulations, as well as best practices suggested by recognized governance authorities.

Currently, our Board of Directors has eleven (11) members. The company evaluates the independence of directors under the SEC and NASDAQ standards for independence.

Only independent directors serve on our Audit Committees and Stock Option Administration Committee. Independence will be reviewed annually to determine whether all existing and potential members are "independent of management". During 2008, Joseph Coccia, William P. Conaboy, Dominick L. DeNaples, Louis A. DeNaples, Jr., Joseph J. Gentile, Joseph O. Haggerty, and John P. Moses, met the standards for independence. This constitutes more than a majority of our Board of Directors.

In making its independence determinations, the Board considered that in the ordinary course of business the company and its subsidiaries may provide commercial banking and other services to some of the independent directors and to business organizations and to individuals associated with them. The Board also considered that in the ordinary course of business some business organizations with which an independent director is associated may provide products and services to the company and its subsidiaries. The Board has determined that, based on the information available to the Board, none of these relationships was material.

CODE OF ETHICS

In 2003, as required by law and regulation, we adopted our Code of Ethics to be applicable to our senior executive officers. The Code of Ethics is posted on our website at www.fnbc.com. We filed a copy of the Code of Ethics with the Securities and Exchange Commission as exhibit 14 to the company's December 31, 2005 Annual Report on Form 10-K, filed March 15, 2006.

Shareholder Communications

Any shareholder who wishes to communicate with the Board of Directors may send correspondence to Michael J. Cestone, Jr., Secretary, at 102 East Drinker St., Dunmore, PA 18512, or by sending an electronic message to www.fnbc.com. Mr. Cestone will submit your correspondence to the Board of Directors or the appropriate committee as applicable.

Submission of Shareholder Proposals

In order for a shareholder proposal to be considered for inclusion in First National Community Bancorp, Inc.'s proxy statement for next year's annual meeting, the written proposal must be received by the company no later than December 14, 2009. Any proposal must comply with Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials. If a shareholder proposal is submitted to the company after December 14, 2009, it is considered untimely; and, although the proposal may be considered at the annual meeting, the company is not obligated to include it in the 2010 proxy statement.

The Boards of Directors

During 2008, the company's Board of Directors held seven meetings. Each of the directors attended at least 75% of the meetings of the company's Board of Directors of the corporation and of the committees of which they were members except Joseph O. Haggerty who attended 18% of the meetings and Louis A. DeNaples who is suspended and prohibited from attending meetings. All of our directors attended the 2008 Annual Meeting of Shareholders except Joseph O. Haggerty. The company's attendance policy does not require attendance at the Annual Meeting of Shareholders.

The company's directors generally function as a full board, except that the company maintains an Audit Committee and a Stock Option Administration Committee. In lieu of a nominating committee, the full board nominates the slate for the election of the Board of Directors. In lieu of a compensation committee, the full board appoints and sets compensation of officers and directors. In this manner, all decisions made represent the view of the Board as a whole, rather than a select group of directors serving on the respective committees.

Members of the Stock Option Administration Committee are Louis A. DeNaples, Chairman, Joseph Coccia, William P. Conaboy, Dominick L. DeNaples, Acting Chairman, Louis A. DeNaples, Jr., Joseph J. Gentile, Joseph O. Haggerty and John P. Moses. The principal duties of the Committee are to make recommendations regarding the issuance of stock options granted under the 2000 Employee Stock Incentive Plan and the 2000 Independent Directors Stock Option Plan. The Committee has the authority and discretion to interpret the Plans; to establish, amend and rescind any rules and regulations relating to the Plans; and to determine what, to whom, when and under what facts and circumstances awards should be made. The Committee met once during 2008.

The bank maintains a Senior Loan Committee to meet on alternating weeks as deemed necessary. Membership on this committee consists of the bank's Chairman, President and Chief Executive Officer, Corporate Sales Division Manager and Retail/Commercial Sales Division Manager who are permanent members. Other members of the Board of Directors are appointed on a rotating basis, with a new director appointed monthly. In 2008, this committee held six meetings.

AUDIT COMMITTEE

Information about the Company's Audit Committee and its Charter

Members of the Audit Committee are Dominick L. DeNaples, Chairman, Joseph Coccia, William P. Conaboy, Louis A. DeNaples, Jr., Joseph J. Gentile, and John P. Moses. Each member of the Audit Committee is independent, as that term is defined by the SEC and in the NASDAQ listing standards relating to audit committees. The Audit Committee met four times during 2008. A copy of the Audit Committee charter was filed with the Securities and Exchange Commission as Appendix A to the Company's 2007 Proxy Statement filed April 13, 2007. The principal duties of the Audit Committee, as set forth in its charter, include reviewing significant audit and accounting principles, policies and practices, reviewing performance of internal auditing procedures, reviewing reports of examination received from regulatory authorities, and recommending, annually, to the Board of Directors the engagement of an independent certified public accountant. The company has identified William P. Conaboy and John P. Moses as the audit committee financial experts. Mr. Conaboy qualifies as the financial expert based on his knowledge of financial statements, internal controls, and audit committee functions resulting from his role as President and Chief Operating Officer of Allied Services. Mr. Moses qualifies as the financial expert based on his knowledge of financial statements, internal controls, and audit committee functions resulting from his prior role as Chief Executive Officer of ALSAC/St. Jude Children's Research Hospital and his current position as Chairman, BlueCross of Northeastern Pennsylvania.

Report of the Audit Committee

March 11, 2009

To the Shareholders of First National Community Bancorp, Inc.:

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2008.

We have discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the independent auditors as required by the Public Company Accounting Oversight Board, and have discussed with the auditors the auditors' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the company's Annual Report on Form 10-K for the year ended December 31, 2008, and filed with the Securities and Exchange Commission.

The Audit Committee appointed Demetrius & Company, LLC as the independent auditors for the company after reviewing the firm's performance and independence from management. This report of the Audit Committee shall not be deemed to be "soliciting material" or to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Audit Committee

Dominick L. DeNaples, Louis A. DeNaples, Jr.
Chairman

Joseph Coccia Joseph J. Gentile

William P. Conaboy John P. Moses

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Board of Directors' fundamental policy is to provide our executive officers with competitive compensation opportunities based upon their contribution to our development and financial success and their personal performance. The Board's objective is to have a portion of each executive officer's compensation contingent upon our performance as well as upon each executive officer's level of performance.

The compensation package for each Named Executive Officer is comprised of five different elements: base salary, cash bonuses, long-term stock-based incentive awards, health and welfare benefits and pension benefits.

Base salary

The bank has established salary ranges that are competitive with the banking industry in our local region. Each job classification has been evaluated based upon the required skills, knowledge, responsibility and experience. The program ensures that employees receive consistent consideration through salary increases. Salary increases are based upon merit, performance, quality of work, and other job related factors. Salary increases are not guaranteed and a performance review may not guarantee an increase. The base salary for each Named Executive Officer is determined based upon experience, personal performance, internal base salary comparability considerations and the responsibilities assumed by the Named Executive Officer. The weights given to these factors differ from individual to individual as the Board believes appropriate.

Cash Bonuses

Cash bonuses represent the variable component of the executive compensation program that is tied to our performance and individual achievement. Our policy is to base a significant portion of our executive officers' cash compensation on bonus. In determining bonuses, the Board of Directors considers factors such as relative performance of the company during the year (including the bank's gross revenue, net income and customer growth) and the individual's contribution to our performance, the need to attract, retain and motivate high quality executives as well as the degree to which the executive officer met or exceeded certain nonquantitative objectives established for him/her. Bonuses are not guaranteed or fixed by formula. The Board of Directors does not establish performance targets which when reached automatically provide a bonus, but uses its subjective business experience in reviewing the relevant information and determining whether and how much of a bonus is merited.

The amount of each individual bonus is not affected by nor does it affect any other form of compensation.

Long-term stock based incentive awards

The Stock Option Administration Committee is responsible for the administration of the long-term incentive plan. The long-term incentive plan is used to reward performance and drive an ownership culture. Long-term stock-based incentive awards strengthen the mutuality of interest between the executive officers and our shareholders. Long-term incentives are provided through grants of stock options. The grants are designed to align the interests of each Named Executive Officer with those of the shareholders and provide each individual with a significant incentive to manage the company from the perspective of an owner with an equity stake. Each option grant allows the individual to acquire shares of our common stock at a fixed price per share over a specified period of time up to ten years. The number of shares subject to each option grant is set at a level intended to create meaningful opportunity for appreciation based on the Named Executive Officer's current position with the company, the size of comparable awards made to individuals in similar positions within the industry and the individual's

personal performance in recent periods. The award of equity compensation is contingent upon the performance of the company. However, the company does not establish specific performance targets which must be met prior to making an award. The Board of Directors does not adhere to any specific guidelines as to the granting of options. Instead, the Board of Directors looks at all facets of company and individual performance and uses its business judgment in making awards.

Officers and other key management employees are eligible to participate. The plan permits the grant of qualified and non-qualified stock options, stock appreciation rights, and restricted stock. The grants are to be exercised at a fixed price of fair market value on the date of grant. The Plan has a term of 10 years and the grants are not exercisable for 6 months after grant date. The grant expires three months after employment termination or 12 months after death or disability.

The determination of the amount to award is premised upon the level of responsibility, the drivers of revenue generation (high performance), and levels of management.

The grant dates are based on the last company meeting of the year. The awards are not timed to the release of any information. The Stock Option Administration Committee approves grant levels based on the above criteria.

As incentive compensation, the granting of stock options are not taken into account when determining other factors of compensation for the Named Executive Officers.

There are no equity or other security ownership requirements or guidelines nor are there any policies regarding hedging the economic risk of ownership.

Health and Welfare Benefits

Group life insurance, group short term and long term disability, and health insurance are available to all eligible employees, including the Named Executive Officers. Such plans are standard in the industry and in the geographic area for all industries, as well as necessary to compete for talented employees at all levels of the company.

Named Executive Officers also participate in the company's supplemental executive life insurance plan which provides a split-dollar share of death benefits to the executive's beneficiary, depending upon the executive's eligibility to receive payments. The plan is funded with bank-owned life insurance (BOLI) and is used to provide an additional benefit to certain executives with a minimal cost to the company. Split-dollar life insurance plans are widely available in the banking industry, because the company will recover its plan costs upon the death of the executive, and the executive's beneficiary will receive a split of the insurance proceeds. This benefit provides further incentive for longevity with the company.

Named Executive Officers also are provided excess life insurance and additional disability income. These policies are commonplace in the industry and an expected benefit for top executives. They also encourage longevity. Health and welfare plans are not tied to company or individual performance. The costs of providing such benefits to all eligible employees are not taken into account when determining specific salaries of the Named Executives Officers and are seen as a cost of doing business which will help keep the employee productive and engaged.

Perquisites

The company provides a company-owned vehicle to several of the Named Executive Officers, as their positions require travel offsite frequently for bank business. The provision of a company vehicle to these individuals is viewed by the Board as a normal benefit in the highly competitive financial services industry.

Country Club Memberships are used as a vehicle to attract, retain and expand customer relationships. They are viewed as a necessity for certain Named Executive Officers to further the business of the bank.

Pension Benefits -Profit Sharing Plan

We currently provide retirement plans to our employees to provide long term financial security. The retirement plans are designed to assist our employees in providing for their own financial security in a manner that recognizes individual needs and preferences. The bank has adopted a Profit Sharing Plan and 401(k) plan whereby any employee who has attained the age of twenty-one is eligible to participate on the earlier of the first day of the seventh month or the first day of the plan year coinciding with or following the date on which he or she has met the eligibility requirements. By virtue of being employees, Named Executive Officers are eligible to participate in the plans once

they have met the eligibility requirements. The amount of money which the bank contributes to the Profit Sharing and 401(k) plan is not taken into account when determining the amounts of other forms of compensation.

Deferred Compensation

The Named Executive Officers are eligible to participate in the Officers' Deferred Compensation Plan which allows Named Executive Officers who have been employed by the bank for ten or more years to defer up to twenty-five percent of their compensation, including base salary and cash bonuses. All other Named Executive Officers may defer up to fifteen percent of their compensation. The interest earned on the deferrals is tied to the one-year Treasury Bill. The deferred compensation plan is designed to account for some of the limitations with traditional pension plans and is designed to provide a long-term incentive to remain in the employ of the bank.

Internal Revenue Code Limits on the Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally denies publicly-held corporations a federal income tax deduction for compensation exceeding \$1,000,000 paid to the Chief Executive Officer or any of the four other highest paid executive officers, excluding performance-based compensation. The Stock Option Incentive Plan has been designed and will be administered in a manner that will enable the company to deduct compensation attributable to options and without regard to such deduction limitation.

The Role of the Executive Officers in Setting Compensation

The Compensation Committee delegates to the President and Chief Executive Officer the responsibility of conducting annual reviews for the other executive officers. The President and Chief Executive Officer proposes increases based on his subjective analysis of the individual's contribution to the company's strategic goals and objectives. In determining whether strategic goals have been achieved, the President and Chief Executive Officer considers numerous factors, including the following: the company's performance as measured by earnings, return on assets, return on equity, asset and liability quality, and audit findings. Although the President and Chief Executive Officer measures the performance and increases in compensation in light of these factors, there are no pre-determined performance targets and no direct correlation exists between any specific criterion and the employees' compensation. The President and Chief Executive Officer makes a subjective determination after review of all relevant information, including the above.

The President and Chief Executive Officer does not set or participate in the determination process of his annual base salary.

The full board of directors advises the President and Chief Executive Officer on compensation matters, determines the compensation of the President and Chief Executive Officer, reviews and takes action on the recommendation of the President and Chief Executive Officer as to the appropriate compensation of other officers and key personnel and approves the grants of bonuses to officers and key personnel.

Independent Consultant

The Senior Management Committee engages L.R. Webber Associates, Inc., a Pennsylvania based Human Resources and Compensation firm, to provide the committee with an annual salary and benefits survey. The survey was utilized to review the current salary ranges. The committee chose this firm because it is within our market area and the surveys conducted provide information by region and asset size. L.R. Webber's sole role and specific contribution to the determination of compensation is providing the survey.

Benchmarking

The survey provided by L.R. Webber Associates benchmarked salary and benefits from Pennsylvania financial institutions who participated in the survey. Survey results are reported by bank asset size and geographic region. Specific salary levels are not provided; only salary ranges are provided. The Board of Directors also considers salary levels for comparable positions in industries other than the financial services industry. The Board of Directors does not specifically benchmark salary to any specific company. The Board of Directors uses the information as background information on current compensation practices.

Triggering Events in Contracts

The triggering events contained in the long term incentive plan and the officer's deferred compensation plan are disability, involuntary termination, retirement, and death. The Board of Directors believes that the triggering events in these agreements are appropriate as the balance in the deferred compensation plan is primarily the executives' deferred salary and bonus and the incentive plans triggering events are governed by the Internal Revenue Code.

Material Differences in Named Executive Officers' Compensation

The Named Executive Officers receive base salaries commensurate with their positions and responsibilities. In determining the appropriate types and amounts of compensation for the Chief Executive Officer each year, the Board of Directors evaluates both corporate and individual performance. The corporate factors include the financial performance of the company, including return on stockholders' equity, return on assets, asset quality and trends in the foregoing measures, the performance of the company's stock price, comparative results achieved by the company's peer group institutions, and progress in realizing the company's long-term business plan. The individual factors include initiation and implementation of successful business strategies, formation of an effective management team and various personal qualities, including leadership.

In determining the appropriate types and amounts of compensation for the Named Executive Officers, excluding the Chief Executive Officer, the Board of Directors takes into consideration the officer's experience, expected personal performance and salary levels for comparable positions.

Compensation Committee Report

The Board of Directors which functions as the Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on the review and discussions, the Board of Directors has directed that the Compensation Discussion and Analysis be included in the company's proxy statement.

BOARD OF DIRECTORS

J. David Lombardi, Acting Chairman

Michael G. Cestone

Michael J. Cestone, Jr.

Joseph Coccia

William P. Conaboy

Dominick L. DeNaples

Louis A. DeNaples, Jr.

Joseph J. Gentile

Joseph O. Haggerty

John P. Moses

Board of Directors Interlocks and Insider Participation

J. David Lombardi, President and Chief Executive Officer of the company and the bank, is a member of both Boards of Directors. Mr. Lombardi makes recommendations to the Board of Directors regarding employee compensation. Mr. Lombardi does not participate in conducting his own review. The entire Board of Directors votes to establish and approve compensation.

EXECUTIVE COMPENSATION

Shown below is information concerning the annual compensation for services in all capacities to the company and the bank for the fiscal years ended December 31, 2008, 2007, and 2006 of those persons who were, at December 31, 2008,

- the Principal Executive Officer;
- the Principal Financial Officer; and
- the three other most highly compensated executive officers of the company, to the extent such persons' total compensation exceeded \$100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and non-qualified deferred compensation earnings (\$)	All Other Compensation (\$)	Total (\$)
	2008	\$320,000 ⁽⁵⁾	\$420,000 ⁽⁶⁾	\$0	\$17,466	\$0	\$119,186	\$113,228 ⁽⁷⁾	\$989,880
J. David Lombardi, President and Principal Executive Officer of the Company and the Bank	2007	310,000 ⁽⁸⁾	420,000 ⁽⁹⁾	0	26,199	0	92,986	112,464 ⁽¹⁰⁾	961,649
	2006	302,500	375,000 ⁽¹¹⁾	0	30,360	0	117,933	96,915 ⁽¹²⁾	922,708
	2008	184,500	137,500 ⁽¹³⁾	0	11,928	0	16,140	41,446	391,514

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Thomas P. Tulaney,

Senior Executive Vice President of the Bank	2007	150,125	137,500 ⁽¹⁴⁾	0	17,892	0	12,658	41,634	359,809
	2006	147,125	125,000 ⁽¹⁵⁾	0	20,645	0	14,290	39,996	347,056
	2008	184,500	137,500 ⁽¹⁶⁾	0	11,928	0	9,874	30,602	374,404

Gerard A. Champi,

Senior Executive Vice President of the Bank	2007	150,125	137,500 ⁽¹⁷⁾	0	17,892	0	7,413	29,653	342,583
	2006	147,125	125,000 ⁽¹⁸⁾	0	20,645	0	8,599	28,042	329,411

William S. Lance, Principal Financial Officer of the Company and the Bank, Treasurer of the Company and Executive Vice President of the Bank	2008	121,250 ⁽¹⁹⁾	55,000	0	11,928	0	13,186	25,676	227,040
	2007	107,500 ⁽²⁰⁾	55,000 ⁽²¹⁾	0	17,892	0	10,758	22,316	213,466
	2006	104,500 ⁽²²⁾	50,000 ⁽²³⁾	0	20,645	0	13,159	28,449	216,753
	2008	116,500 ⁽²⁴⁾	55,000 ⁽²⁵⁾	0	11,928	0	12,328	18,989	214,745

Stephen J. Kavulich,

Executive Vice President of the Bank	2007	102,750 ⁽²⁶⁾	55,000 ⁽²⁷⁾	0	17,892	0	9,202	18,002	202,846
	2006	99,750 ⁽²⁸⁾	50,000 ⁽²⁹⁾	0	20,645	0	11,209	11,375	192,979

- (1) Cash bonuses are awarded at the conclusion of a fiscal year based upon the Board of Directors' subjective assessment of the company's performance as compared to both budget and prior fiscal year performance, and the individual contributions of the officers involved.

- (2) The amounts listed represent stock options granted to the persons listed in the form of qualified incentive stock options which were granted at the fair market value on the date of grant. All options granted in 2008 become exercisable on July 5, 2009, six months after the date of grant, and expire ten years after the date on which the award is granted. The amount shown represents the cost to the company. The option exercise price for all options granted in 2008 is \$10.81 per share.
- (3) The amounts listed represent interest earned in 2008 on the balances in the Named Executive Officers non-qualified deferred compensation plan accounts which exceeds 120% of the applicable federal long-term rate.
- (4) All other compensation;
- For Mr. Lombardi, 2008 includes \$24,588 contributed by the bank pursuant to the bank's 401(k) Profit Sharing Plan for 2008. Also included in Mr. Lombardi's total are director's fees of \$30,000, a director's bonus of \$25,000, premiums paid to purchase additional life insurance in the amount of \$15,000, country club dues in the amount of \$14,448, an auto allowance of \$2,767 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$231 and \$1,194, respectively.
 - For Mr. Lombardi, 2007 includes \$24,954 contributed by the bank pursuant to the bank's 401(k) Profit Sharing Plan for 2007. Also included in Mr. Lombardi's total are director's fees of \$30,000, a director's bonus of \$25,000, premiums paid to purchase additional life insurance in the amount of \$15,000, country club dues in the amount of \$13,544, an auto allowance of \$2,166 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$606 and \$1,194, respectively.
 - For Mr. Lombardi, 2006 includes \$23,474 contributed by the bank pursuant to the bank's 401(k) Profit Sharing Plan for 2006. Also included in Mr. Lombardi's total are director's fees of \$30,000, a director's bonus of \$20,000, premiums paid to purchase additional life insurance in the amount of \$7,500, country club dues in the amount of \$12,503, an auto allowance of \$1,680 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$564 and \$1,194, respectively.
 - For Mr. Tulaney, 2008 includes \$24,588 contributed to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$14,125, an auto allowance of \$2,207 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$91 and \$435, respectively.
 - For Mr. Tulaney, 2007 includes \$24,954 contributed to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$15,180, an auto allowance of \$852 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$213 and \$435, respectively.

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- For Mr. Tulaney, 2006 includes \$23,474 contributed to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$15,052, an auto allowance of \$838 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$197 and \$435, respectively.
- For Mr. Champi, 2008 includes a \$24,588 contribution to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$3,360, an auto allowance of \$2,203 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$80 and \$371, respectively.
- For Mr. Champi, 2007 includes a \$24,954 contribution to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$3,230, an auto allowance of \$915 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$183 and \$371, respectively.
- For Mr. Champi, 2006 includes a \$23,474 contribution to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$3,130, an auto allowance of \$900 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$167 and \$371, respectively.
- For Mr. Lance, 2008 includes \$18,590 contributed to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$6,717 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$91 and \$278, respectively.
- For Mr. Lance, 2007 includes \$17,145 contributed to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$4,680 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$213 and \$278, respectively.
- For Mr. Lance, 2006 includes \$23,474 contributed to the bank's 401(k) Profit Sharing Plan, country club dues in the amount of \$4,500 and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$197 and \$278, respectively.
- For Mr. Kavulich, 2008 includes \$18,060 contributed to the bank's 401(k) Profit Sharing Plan and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$319 and \$610, respectively.
- For Mr. Kavulich, 2007 includes \$16,596 contributed to the bank's 401(k) Profit Sharing Plan and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$796 and \$610, respectively.
- For Mr. Kavulich, 2006 includes \$10,056 contributed to the bank's 401(k) Profit Sharing Plan and premiums paid to purchase split-dollar life insurance and disability income insurance in the amounts of \$709 and \$610, respectively.

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- (5) In 2008, Mr. Lombardi deferred \$80,000, or 25%, of his salary to the bank's non-qualified deferred compensation plan.
- (6) In 2008, Mr. Lombardi deferred \$105,000, or 25%, of his officer bonus to the bank's non-qualified deferred compensation plan.
- (7) In 2008, Mr. Lombardi deferred \$15,000, or 50%, of his board fees and \$12,500, or 50% of his board bonus, to the bank's non-qualified deferred compensation plan.
- (8) In 2007, Mr. Lombardi deferred \$77,500, or 25%, of his salary to the bank's non-qualified deferred compensation plan.
- (9) In 2007, Mr. Lombardi deferred \$105,000, or 25%, of his officer bonus to the bank's non-qualified deferred compensation plan.
- (10) In 2007 Mr. Lombardi deferred \$15,000, or 50%, of his board fees and \$12,500, or 50%, of his board bonus, to the bank's non-qualified deferred compensation plan.
- (11) In 2006, Mr. Lombardi deferred \$93,750, or 25%, of his officer bonus to the bank's non-qualified deferred compensation plan.
- (12) In 2006, Mr. Lombardi deferred \$15,000, or 50%, of his board fees and \$10,000, or 50%, of his board bonus, to the bank's non-qualified deferred compensation plan.
- (13) In 2008, Mr. Tulaney deferred \$27,500, or 20%, of his bonus to the bank's non-qualified deferred compensation plan.
- (14) In 2007, Mr. Tulaney deferred \$68,750, or 50%, of his bonus to the bank's non-qualified deferred compensation plan.
- (15) In 2006, Mr. Tulaney deferred \$62,500, or 50%, of his bonus to the bank's non-qualified deferred compensation plan.
- (16) In 2008, Mr. Champi deferred \$27,500, or 20%, of his bonus to the bank's non-qualified deferred compensation plan.
- (17) In 2007, Mr. Champi deferred \$34,375, or 25%, of his bonus to the bank's non-qualified deferred compensation plan.
- (18) In 2006, Mr. Champi deferred \$25,000, or 20%, of his bonus to the bank's non-qualified deferred compensation plan.
- (19) In 2008, Mr. Lance deferred \$9,700, or 8%, of his salary to the bank's non-qualified deferred compensation plan.
- (20) In 2007, Mr. Lance deferred \$7,525, or 7%, of his salary to the bank's non-qualified deferred compensation plan.
- (21) In 2007, Mr. Lance deferred \$27,500, or 50%, of his bonus to the bank's non-qualified deferred compensation plan.

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- (22) In 2006, Mr. Lance deferred \$6,009, or 5.75%, of his salary to the bank's non-qualified deferred compensation plan.
- (23) In 2006, Mr. Lance deferred \$20,000, or 40%, of his bonus to the bank's non-qualified deferred compensation plan.
- (24) In 2008, Mr. Kavulich deferred \$8,155, or 7%, of his salary to the bank's non-qualified deferred compensation plan.
- (25) In 2008, Mr. Kavulich deferred \$27,500, or 50%, of his bonus to the bank's non-qualified deferred compensation plan.
- (26) In 2007, Mr. Kavulich deferred \$6,165, or 6%, of his salary to the bank's non-qualified deferred compensation plan.
- (27) In 2007, Mr. Kavulich deferred \$24,750, or 45%, of his bonus to the bank's non-qualified deferred compensation plan.
- (28) In 2006, Mr. Kavulich deferred \$5,985, or 6%, of his salary to the bank's non-qualified deferred compensation plan.
- (29) In 2006, Mr. Kavulich deferred \$20,000, or 40%, of his bonus to the bank's non-qualified deferred compensation plan.

Note: Not included in the above compensation totals are premiums paid for the named executive officers for family health and vision coverage under the same plan available to all eligible full-time employees as follows:

Mr. Lombardi	\$114
Mr. Tulaney	\$6,552
Mr. Champi	\$6,552
Mr. Lance	\$114
Mr. Kavulich	\$6,552

Option Grants in 2008

The following table shows the stock options granted to the company's named executive officers in 2008.

Grants of Plan Based Awards For the Fiscal Year Ended 2008

Name	Grant Date	All other stock awards: number of shares or units (#)	Exercise or base price of option awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
J. David Lombardi, President and Principal Executive Officer of the Company and the Bank	01/05/09	8,200	\$10.81	\$2.13
Thomas P. Tulaney, Senior Executive Vice President of the Bank	01/05/09	5,600	\$10.81	\$2.13
Gerard A. Champi, Senior Executive Vice President of the Bank	01/05/09	5,600	\$10.81	\$2.13
William S. Lance, Principal Financial Officer of the Company and the Bank, Treasurer of the Company and Executive Vice President of the Bank	01/05/09	5,600	\$10.81	\$2.13
Stephen J. Kavulich, Executive Vice President of the Bank	01/05/09	5,600	\$10.81	\$2.13

Under the company's 2000 Stock Incentive Plan, all options awarded for 2008 performance shall become exercisable six months after the grant date on July 5, 2009 and expire ten years after the grant date on January 5, 2019. When the grantee is no longer employed by the company, all options outstanding will expire (i) three months after cessation of employment except for reason of disability or death; (ii) six months after the employee's death during employment; and (iii) one year following any termination due to disability.

EQUITY COMPENSATION PLAN INFORMATION

Equity Awards Outstanding

The following table reflects the number of stock options held by the Named Executive Officers as of December 31, 2008, including the exercise price and the expiration date of the option terms.

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards		Equity incentive plan awards: number of securities underlying unexercised earned options (#)	Option exercise price (\$)	Option expiration date
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable			
	8,250			\$10.01	11/26/13
	2,887			16.71	11/24/14
	3,437			19.31	11/23/15
J. David Lombardi, President and Principal Executive Officer of the Company and the Bank	3,437			23.13	11/29/16
	<u>5,125</u>			16.90	11/13/17
	23,136 ⁽¹⁾				
		8,200 ⁽²⁾	--	10.81	01/05/19
	5,500			10.01	11/26/13
	1,925			16.71	11/24/14
	2,337			19.31	11/23/15
Thomas P. Tulaney, Senior Executive Vice President of the Bank	2,337			23.13	11/29/16
	<u>3,500</u>			16.90	11/13/17
	15,599 ⁽³⁾				
		5,600 ⁽²⁾	--	10.81	01/05/19
Gerard A. Champi,	11,000			5.81	08/28/12

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Senior Executive Vice President of the Bank	5,500			10.01	11/26/13
	1,925			16.71	11/24/14
	2,337			19.31	11/23/15
	2,337			23.13	11/29/16
	<u>3,500</u>			16.90	11/13/17
	26,599 ⁽⁴⁾				
				10.81	01/05/19
	2,500	5,600 ⁽²⁾	--	6.10	08/22/11
	3,750			5.81	08/28/12
	5,500			10.01	11/26/13
William S. Lance, Principal Financial Officer of the Company and the Bank, Treasurer of the Company and Executive Vice President of the Bank	1,925			16.71	11/24/14
	2,337			19.31	11/23/15
	2,337			23.13	11/29/16
	<u>3,500</u>			16.90	11/13/17
	21,849 ⁽⁵⁾				
				10.81	01/05/19
	8,937	5,600 ⁽²⁾	--	5.19	
	11,000			6.10	
	11,000				
	5,500				
Stephen J. Kavulich, Executive Vice President of the Bank	1,925				
	2,337				
	2,337				
	<u>3,500</u>				
	46,536 ⁽⁶⁾				
		5,600 ⁽²⁾	--		