



Dear Community Leaders:

As we make our way into 2010, it's important to look back at the many ups and downs that our economy faced throughout 2009. The Baxter County area was impacted in 2009 by more than just the economy; an unprecedented ice storm in January 2009 brought our area to a virtual standstill. It took weeks of dedicated service by many people to bring the area back to pre-ice storm condition. On top of that the area has had two years of high water levels that affected the lakes and rivers. Even with all that; the local tourism numbers increased in 2009. And thanks to the natural beauty of the region, Mountain Home has emerged as a nationally recognized tourism destination.

Baxter County offers a well-balanced economy with a variety of manufacturing and a good retail market. We can also boast of our exceptional school systems and a thriving community of health care providers. Add to that the fact that residents from several counties work, shop and play in the Mountain Home area, we have good reason to be cautiously optimistic for 2010. These are just a few reasons why the Twin Lakes area still remains a top rated retirement destination.

For over 103 years, First Security Bank has taken the steps to remain financially strong, resulting in a greater sense of security for our customers as we remain committed to continuing the growth of the communities we serve. If we may be of assistance, please feel free to contact us at (870) 425-2166.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Coleman", is written over a faint, larger version of the signature.

Tim Coleman
President and CEO
First Security Bank

2009 ECONOMIC REPORT FOR MOUNTAIN HOME AND BAXTER COUNTY

2009 SUMMARY

The 2000 census showed that the population in Baxter County was at 38,386, a 4.9% increase from the 1990 census. Baxter County grew from 31,186 people in 1990 because of more retirees settling in the area and jobs generated from the growing health care industry and an expanding Arkansas State University at Mountain Home. Baxter County was the 12th fastest-growing county in the state. Mountain Home's population was at 11,012, an 8.5% increase over 1990. Surpassing the 10,000-population mark is an economic milestone, since many businesses and industries planning new locations usually use that as their baseline figure. The next census will begin in March 2010 and Baxter County should show an increase according to predictions. The Census Bureau has an estimated the population for Mountain Home in 2009 to be over 12,000 and Baxter County to be over 42,115.

The assessed value of property in Baxter County increased .98% in 2009.

Real estate sales in 2009 (through the Multiple Listing Service) increased 20% over sales in 2008.

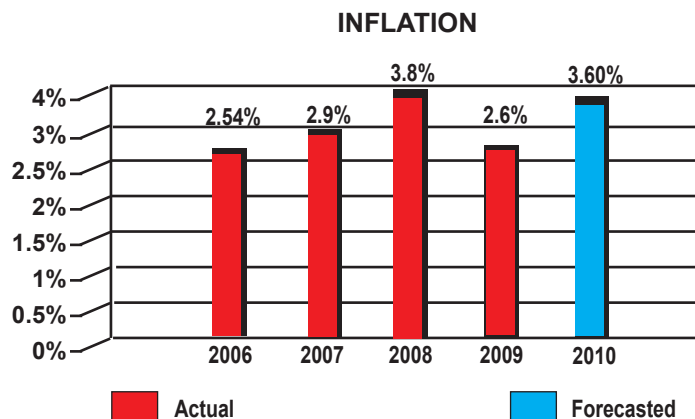
In 2009, motor vehicle registration in Baxter County was at 56,921 vehicles. This is an increase of 970 over 2008.

In December 2009, Baxter County had an unemployment rate of 9.3% with an average rate of 8.29% for the year. The Arkansas unemployment rate for 2009 was at 7.7%, while the national rate ended the year at 10%

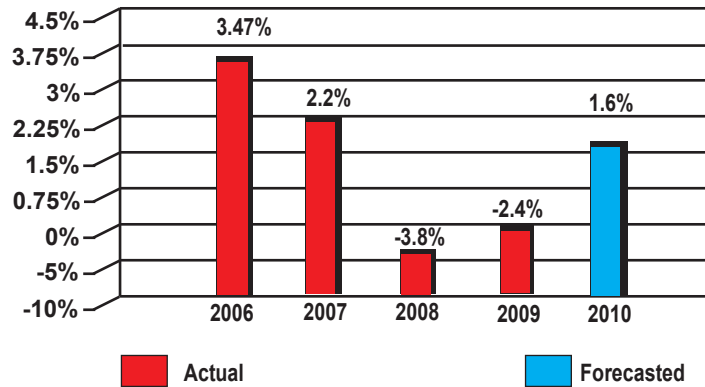
Local tax receipts generated by tourism in Baxter County are currently \$3.6 million.

NATIONAL ECONOMY

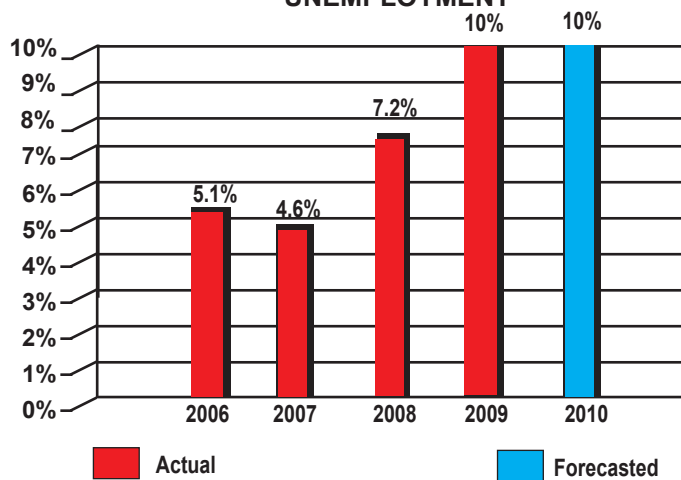
Set forth below are actual, estimated and forecasted data with respect to gross domestic product, inflation, and unemployment for the nation:



GROSS DOMESTIC PRODUCT



UNEMPLOYMENT



MOUNTAIN HOME AND BAXTER COUNTY ECONOMY

Mountain Home is located in Baxter County, which is in north central Arkansas in the Ozark Mountains. The city is located 150 miles north of Little Rock, Arkansas, and 110 miles south-east of Springfield, Missouri.

The following table sets forth the population trends for the city and county since 1980.

<u>Year</u>	<u>City</u>	<u>County</u>
1980	7,447	27,409
1990	9,027	31,186
1995	10,010	35,666
1997	10,150	36,578
2000	11,012	38,386

The Censuses Bureau estimate in 2009 for Mountain Home is over 12,000 and Baxter County over 42,115.

Mountain Home is served by U.S. Highway 62/412 and Arkansas State Highways 5 and 201. The city is served by Ozark Regional Airport, which sits on 338 acres on State Highway 126 near Midway. It features a paved, lighted 5,000-foot runway and a 6,800- square-foot terminal. The airport has 46 hangers on the grounds with all of them full. The local Chapter of the Civil Air Patrol has 50 volunteers and one on-site aircraft. It provides training for cadets and emergency assistance throughout northern Arkansas.

The city operates under the mayor-city council form of government. The Mayor serves a four-year term, while members of the City Council serve two-year terms. The City Council consists of eight aldermen whose current terms will expire December 31, 2009. The Mayor is David Osmon, and his current term will expire December 31, 2011. The current city budget is \$23.4 million.

Baxter County is served by Baxter Regional Medical Center. The hospital has a total of 268 beds and serves patients from 14 counties. The hospital has a staff of over 100 physicians representing 33 specialties, 9 dentists, over 1,300 employees and more than 500 active volunteers. The hospital provides services ranging from Home Health to Cardiac Rehabilitation. Baxter Regional Medical Center also has four Community houses; the Peitz Cancer Support House; the Schliemans Center for Women's Health Education; Mruk Family Center on Aging; and the Reppell Diabetes Learning Center. All of these houses provide outreach programs to the surrounding community with over 95% of the services provided for free.

Baxter County is served by three school districts; Cotter, Norfolk and Mountain Home schools.

The Cotter School District covers thirty-five square miles in Western Baxter County, including the cities of Cotter; Gassville and the outlying area. Cotter Schools provide a comprehensive academic educational program for students in grades kindergarten through twelve that complies with the Standards for Accreditation as established by the Arkansas State Board of Education. Its schools are also fully accredited by the North Central Association Commission on Accreditation and School Improvement. The enrollment for Cotter School District is approximately 650 students, 66% of which are eligible for free or reduced priced meals. An additional 40 students are enrolled in the ABC and Head Start pre-school programs at Cotter. Cotter Schools employs 80 certified staff, 39 support staff, and runs 8 bus routes. Student test scores have continued to improve over the recent years, specifically in elementary math, Jr. High math, algebra, and vocational education. Results of the Arkansas Benchmark Examination of the 2008-2009 school year showed Cotter students to be at or above the state average in all math, science, and literacy exams. Students who are not proficient on benchmark exams are provided remedial instruction. Cotter Public Schools offers an opportunity for a strong academic education with Advanced Placement offerings in all four of the core academic disciplines. The schools also offer a variety of extra-curricular and athletic programs that help develop well-rounded students.

The Norfolk school district is located in south Baxter County and serves the Norfolk and out lying areas. The Norfolk School is North Central Accredited. In 2009 it was the only school to be named "Most Improved" and "Top Performing" school in the state of Arkansas according to the Office for Education Policy, at the University of Arkansas. Norfolk high school won 1st place at the Math and Science Academic Day at Lyon College. The Arrie Goforth Elementary School

received a National Center for Educational Achievement Award. In the Higher Performing School in Literacy and College Preparedness test, the fourth grade class placed first in the state with a 100% score.

The Mountain Home School District is the largest in the area and is fully accredited by the North Central Association. Our schools must apply and meet rigorous standards to become a member of this association. The district strives to maintain the highest educational goals for the children of the community. There are six campuses in the system, including a separate kindergarten building, a high school, junior high, middle school, and two elementary sites. The high school's Career Academics program, which brings business leaders to the school and students out to the workplace, was selected as a leadership model for similar rural community programs nationwide. The Mountain Home test scores are above the state and national average and meets the adequate yearly progress as mandated by the states No Child Left Behind law. With the passage of the 2008 bond referendum, the school district is building a new intermediate school which will house grades three through five. The bond issue also provided funds for additions and or modifications to four existing buildings, with a completion date for all projects in 2011.

Arkansas State University-Mountain Home continues to experience growth in scholarship distributions, budget, and number of full-time employees. The school's budget for 2009-2010 is \$8,701,240. The fall enrollment of 2009 was at 1,517 students, up over 200 students from the fall of 2008. Through their affiliation with the main campus in Jonesboro, it is possible to earn a bachelor and master's degree at ASU Mountain Home. There are 41 associate degree students, 140 bachelor's degree students and 10 master's degree students enrolled in the Jonesboro program attending classes at the Mountain Home Campus.

The Mountain Home area enjoys a well-balanced economy consisting of six main components:

- " A diverse base of employers, including large manufacturers
- " A strong retail market attracting customers from seven surrounding counties
- " A nationally known tourism market
- " A stable, relatively affluent retiree/senior population
- " A regional provider of healthcare services
- " A progressive network of telecommunication and transportation services

The major employers within Baxter County are set forth below:

<u>Employer</u>	<u>Employees</u>
Tourism industry	2,269
Baxter Regional Medical Center	1,300
Baxter Healthcare Corp.	800
Mountain Home Public Schools	550
Wal-Mart	475
Long Term Health Care / Assisted living	410
Eaton/Aeroquip	325
Baxter County	235
City of Mountain Home	200

Epoxy	180
ASU Mountain Home	150
Lowes	136
Home Depot	107

There are currently eleven banks with offices in Mountain Home. They are: First Security Bank; First Federal Bank; First National Bank & Trust; Liberty Bank; Arvest Bank; Bank of America; US Bank; Bank of the Ozarks; Community First National Bank; First National Banking Company, and Twin Lakes Community Bank. These banks had the following combined deposits in Baxter County for the following years.

<u>Year</u>	<u>Total Deposits</u>	<u>Number of banks</u>
2005	735,735,000	9
2006	895,660,000	10
2007	939,132,000	10
2008	915,204,000	11
2009	965,543,000	11

Baxter County has a civilian labor force of 17,723. Of that population, 80.9% are high school graduates and 11.7% are college graduates. The most recent per capita personal income is \$21,185 with the median Family income currently at \$41,767, Baxter County ranks 28th in the state. In 2009, the percentage of population aged 65 and older was 26.6% of the total population for Baxter County.

In 2009 Mountain Home issued 1,160 business licenses. In 2009 there were 266 new business licenses issued in Mountain Home. In 2009 Baxter County's 1% sales tax brought in \$6,102,022.

Listed below are the number of parcels and the value of real estate sold through the MLS in Baxter County area for the last three year:

<u>Year</u>	<u>Number of Parcels</u>	<u>Value</u>
2007	987	132,290,977
2008	490	65,930,977
2009	607	75,680,876

The City of Mountain Home issued the following number of building permits in the last five years: (These figures do not include structures other than buildings. Additions, remodeling projects, garages and carports are not included)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Single-Family Residences	72	63	23	10	11
Multi-Family Units	14	8	11	0	0

<u>Non-Residential Building</u>	32	24	16	11	9
Totals	<u>118</u>	<u>95</u>	<u>50</u>	<u>20</u>	<u>20</u>
Value of All Building Permits	\$29,438,684	\$26,197,497	\$23,756,498	\$8,873,623	\$34,935,951

The assessed valuation of real and personal taxable property in Baxter County for the last five years is:

<u>Year</u>	<u>Amount</u>
2005	507,237,333
2006	569,386,247
2007	582,738,720
2008	617,930,171
2009	645,201,078

Below are the sales and use tax distributions breakdown for Baxter County's 1% tax for the last five years

<u>Year</u>	<u>MH share</u>	<u>Other cities</u>	<u>Baxter Co</u>	<u>Total</u>
2005	1,509,195	637,965	3,113,640	5,260,804
2006	1,627,667	688,046	3,385,061	5,673,776
2007	1,688,238	713,651	3,483,026	5,884,917
2008	1,755,982	742,287	3,622,790	6,121,063
2009	1,750,520	739,977	3,611,521	6,102,022

Below are the sales tax generated by the 1% Mountain Home sales tax for the last five years

<u>Year</u>	<u>Mountain Home</u>
2005	3,807,499
2006	3,975,918
2007	4,162,569
2008	4,341,603
2009	4,356,882

The current city budget for Mountain Home is \$23.4 million.

Set forth below are the unemployment percentage rates for Baxter County since 2004, based on fourth quarter figures:

<u>Year</u>	<u>Rate</u>
2005	4.4

2006	4.4
2007	5.4
2008	5.7
2009	8.3

Below are all the motor vehicle registrations in Baxter County for the past three years:

<u>Year</u>	<u>Vehicles Registered</u>
2007	54,414
2008	55,951
2009	56,921

Tourist travel expenditures in Baxter County for the past five years are as follows:

<u>Year</u>	<u>Amount</u>
2005	167,193,769
2006	185,367,768
2007	194,969,950
2008	191,865,672
2009	195,518,855

Travel generated local tax receipts in Baxter County from 2005 through 2009 are set forth below:

<u>Year</u>	<u>Amount</u>
2005	3,367,000
2006	3,735,069
2007	3,591,033
2008	3,539,212
2009	3,602,309

The number of tourists that visited Baxter County from 2005 through 2009 are set forth below:

<u>Year</u>	<u>Number of Visitors</u>
2005	859,302
2006	925,178
2007	949,557
2008	896,214
2009	907,407

Jobs generated by tourism in Baxter County from 2005 through 2009 are set forth below:

<u>Year</u>	<u>Number of Jobs</u>
2005	2,269
2006	2,357
2007	2,230
2008	2,170
2009	2,180