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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District Office  
1114 Avenue of the Americas, Suite 3900  
New York, N.Y. 10036

Licensing Division  
Telephone No.: 212.790.4055  
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**Corporate Decision #2005-07**  
**July 2005**

June 20, 2005

By facsimile: 717.763.7419  
and regular mail.

Mr. John K. Black, Banking Specialist  
Shumaker Williams, P.C.  
3425 Simpson Ferry Road  
Camp Hill, Pennsylvania 17011

Re: Permanent Capital Reduction Application by The Ephrata National Bank (the "Bank"),  
Ephrata, Pennsylvania.

Control No.: 2005 NE 12 0109

Charter No.: 2515

Dear Mr. Black:

This letter replaces our prior correspondence dated June 15, 2005.

On June 15, 2005, the Comptroller of the Currency (OCC) approved the referenced Bank's request to reduce its permanent capital by purchasing up to 140,000 shares of common stock on the open market from time to time, as outlined in your letter dated April 25, 2005, and subsequent correspondence. The shares will be held as treasury stock, to be reissued in the future under the Bank's Dividend Reinvestment and Stock Purchase Plan ("DRIP"). It is understood the dollar amount of the capital reduction will not exceed \$4,970,000.

This approval is granted based on a through review of all information available, including the representations and commitments in the application and by the Bank's representatives.

The purpose of the DRIP is to provide the shareholders of the Bank who are participants of the plan with a convenient method to re-invest cash dividends payable with respect to the common stock, to make limited voluntary cash payments for the purchase of additional shares of common stock, and to provide safekeeping of stock certificates when shares are distributable to plan participants.

Pursuant to 12 USC 59, a reduction in capital stock requires approval by the shareholders owning at least two-thirds of the Bank's capital stock, and if necessary, amendments to the Articles of Association. You provided certification that the Bank's shareholders gave the required approvals at a meeting on April 19, 2005. Also, following completion of the capital reduction, the Bank must advise the OCC of the effective date of the decrease pursuant to 12 CFR 5.46(i)(4).

The change in capital should be completed within one year of the approval date of this letter.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

If you have any questions, please contact Gabriel Butler, Licensing Analyst, at 212.790.4055

Sincerely,

**signed**

James A. Bundy  
Acting Director for District Licensing