

FARMERS NATIONAL BANC CORP /OH/
Form PRE 14A
March 10, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

(Rule 14a-101)

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

FARMERS NATIONAL BANC CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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:

(5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.

☐

Edgar Filing: FARMERS NATIONAL BANC CORP /OH/ - Form PRE 14A

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 Statement No.:

(3) Filing Party:

(4) Date Filed:

**20 South Broad Street
Canfield, Ohio 44406**

March [], 2011

To Our Shareholders:

You are cordially invited to attend the 2011 Annual Meeting of Shareholders of Farmers National Banc Corp. (the Company) to be held April 28, 2011, at 3:30 p.m., Eastern Time, at the St. Michael Family Life Center, 340 North Broad Street, Canfield, Ohio 44406.

At the Annual Meeting, you will be asked to: (i) elect three Class I directors whose terms will expire at the Annual Meeting in 2014; (ii) ratify the Audit Committee's appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011; (iii) consider an advisory vote on executive compensation; (iv) consider an advisory vote on the frequency of holding an advisory vote on executive compensation; (v) consider and approve an amendment to the Company's Articles of Incorporation, as amended; and (vi) consider and approve an amendment to the Company's Amended Code of Regulations.

Your vote on these matters is important, regardless of the number of shares you own, and all shareholders are cordially invited to attend the Annual Meeting in person. However, whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. In order to ensure that your shares are represented, I urge you to execute and return the enclosed proxy, or that you submit your proxy by telephone or Internet promptly.

Sincerely,

/s/ John S. Gulas

John S. Gulas

President and Chief Executive Officer

**Farmers National Banc Corp.
20 South Broad Street
Canfield, Ohio 44406**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, April 28, 2011

The Annual Meeting of Shareholders of Farmers National Banc Corp. (the Company) will be held at the St. Michael Family Life Center, 340 North Broad Street, Canfield, Ohio 44406, Thursday, April 28, 2011, at 3:30 p.m., Eastern Time, for the following purposes:

1. To elect three Class I directors;
2. To ratify the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011;
3. To hold an advisory vote on executive compensation;
4. To hold an advisory vote on the frequency of holding an advisory vote on executive compensation;
5. To consider and vote upon a proposal to amend Article XIII of the Company's Articles of Incorporation, as amended (the Articles), to eliminate pre-emptive rights;
6. To consider and vote upon a proposal to amend Article II, Section 6, of the Company's Amended Code of Regulations (the Regulations), to provide that a quorum for purposes of a shareholder meeting shall consist of not less than one-third of the Company's common shares entitled to vote at a meeting; and
7. To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on February 28, 2011 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. Your Board of Directors recommends that you vote: (i) **For** the election of each of the director nominees; (ii) **For** the ratification of the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011; (iii) **For** approval of the compensation of the Company's named executive officers; (iv) **For** a frequency of **1 Year** for holding an advisory vote on executive compensation; (v) **For** the amendment of Article XIII of the Articles, and (vi) **For** the amendment of Article II, Section 6, of the Regulations.

By Order of the Board of Directors,

/s/ Frank L. Paden
Frank L. Paden
Secretary

Canfield, Ohio

March [], 2011

Farmers National Banc Corp.

PROXY STATEMENT

March [], 2011

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Farmers National Banc Corp, an Ohio corporation (the Company), of the accompanying proxy to be voted at the 2011 Annual Meeting of Shareholders (the Annual Meeting) to be held Thursday, April 28, 2011, at 3:30 p.m., Eastern Time, and at any adjournment thereof. The mailing address of the principal executive offices of the Company is 20 South Broad Street, Canfield, Ohio 44406; telephone number (330) 533-3341. This proxy statement, together with the related proxy and the Company's 2011 Annual Report to Shareholders (the Annual Report), are being mailed to the shareholders of the Company on or about March [], 2011.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

When and Where will the Annual Meeting be Held?

The Annual Meeting will be held Thursday, April 28, 2011, at 3:30 p.m., Eastern Time, at the St. Michael Family Life Center, 340 North Broad Street, Canfield, Ohio 44406. To obtain directions to attend the Annual Meeting, please contact Shareholder Relations at (330) 533-5127.

Why did I Receive these Proxy Materials?

You have received these proxy materials because the Company's Board of Directors is soliciting a proxy to vote your shares at the Annual Meeting. This proxy statement contains information that the Company is required to provide to you under the rules of the Securities and Exchange Commission (the Commission) and is intended to assist you in voting your shares.

Who may Vote at the Annual Meeting?

The Company's Board of Directors has set February 28, 2011 as the record date for the Annual Meeting. This means that only shareholders of record at the close of business on that date are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. At the close of business on February 28, 2011, 18,646,035 of the Company's common shares, no par value, were outstanding. Each common share entitles the holder to one vote on each item to be voted upon at the Annual Meeting, and there is no cumulative voting.

What is the Difference between Holding Shares as a Shareholder of Record and as a Beneficial Owner ?

If your shares are registered directly in your name, you are considered the shareholder of record of those shares. The Company has sent these proxy materials directly to all shareholders of record. Alternatively, if your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, which is sometimes called street name, then you are the beneficial owner of those shares, and these proxy materials were forwarded to you by that organization. The organization holding your shares is the shareholder of record for purposes of voting the shares at the Annual Meeting. As the beneficial owner, you have the right to direct that organization how to vote the common shares held in your account by following the voting instructions the organization provides to you.

How do I Vote?

Shareholders of record may vote on matters that are properly presented at the Annual Meeting in four ways:

By completing the accompanying proxy and returning it in the envelope provided;

By submitting your vote telephonically;

By submitting your vote electronically via the Internet; or

By attending the Annual Meeting and casting your vote in person.

For the Annual Meeting, the Company is offering shareholders of record the opportunity to vote their common shares electronically through the Internet or by telephone. Instead of submitting the enclosed proxy by mail, shareholders of record may vote by telephone or via the Internet by following the procedures described on the enclosed proxy. In order to vote via telephone or the Internet, please have the enclosed proxy in hand, and call the number or go to the website listed on the proxy and follow the instructions. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers. The deadline for voting through the Internet or by telephone is 3:00 a.m. Eastern Time, on April 28, 2011.

If you hold your common shares in street name, you should follow the voting instructions provided to you by the organization that holds your common shares. If you plan to attend the Annual Meeting and vote in person, ballots will be available. If your common shares are held in the name of your broker, bank or other shareholder of record, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the shares on February 28, 2011 in order to vote in person.

How will My Shares be Voted?

If you vote by mail, through the Internet, by telephone or in person, your common shares will be voted as you direct. If you submit a valid proxy prior to the Annual Meeting, but do not complete the voting instructions, your common shares will be voted:

FOR the election of each of the three Class I director nominees listed under **PROPOSAL ONE ELECTION OF DIRECTORS;**

FOR the ratification of the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011 under **PROPOSAL TWO RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM;**

FOR the approval of the compensation of the Company's named executive officers under **PROPOSAL THREE ADVISORY VOTE ON EXECUTIVE COMPENSATION;**

FOR a frequency of **1 YEAR** on **PROPOSAL FOUR ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION;**

FOR the proposal to amend Article XIII of the Company's Articles of Incorporation, as amended (the "Articles"), under **PROPOSAL FIVE APPROVAL OF AMENDMENT TO ARTICLE XIII OF THE ARTICLES**

OF INCORPORATION, AS AMENDED; and

FOR the proposal to amend Article II, Section 6, of the Company's Amended Code of Regulations (the Regulations) under **PROPOSAL SIX APPROVAL OF AMENDMENT TO ARTICLE II, SECTION 6, OF THE AMENDED CODE OF REGULATIONS.**

Can Other Matters be Decided at the Annual Meeting?

On the date that this proxy statement was printed, the Company did not know of any matters to be raised at the Annual Meeting other than those included in this proxy statement. If you submit a valid proxy and other matters are properly presented for consideration at the Annual Meeting, then the individuals appointed as proxies will have the discretion to vote on those matters for you.

May I Revoke or Change My Vote?

Yes, proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation may be accomplished by:

the execution of a later dated proxy with regard to the same common shares;

the execution of a later casted Internet or telephone vote with regard to the same common shares;

giving notice in writing to the Secretary at 20 South Broad Street, Canfield, Ohio 44406; or

notifying the Secretary in person at the Annual Meeting.

If your common shares are held in street name and you wish to revoke your proxy, you should follow the instructions provided to you by the record holder of your shares. If you wish to revoke your proxy in person at the Annual Meeting, you must bring a legal proxy from the shareholder of record indicating that you were the beneficial owner of the common shares on February 28, 2011. Attending the Annual Meeting will not, by itself, revoke your proxy.

Who Pays the Cost of Proxy Solicitation?

The accompanying proxy is solicited by and on behalf of the Board of Directors of the Company, whose notice of meeting is attached to this proxy statement, and the entire cost of such solicitation will be borne by the Company. In addition to the use of the mail, proxies may be solicited by personal interview, telephone, facsimile and electronic mail by directors, officers and employees of the Company. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of common shares held of record by such persons, and the Company will reimburse them for reasonable out-of-pocket expenses incurred by them in connection therewith. The Company has engaged Morrow & Company to aid in the solicitation of proxies in order to assure a sufficient return of votes on the proposals to be presented at the Annual Meeting. The costs of such services are estimated at \$8,000, plus reasonable distribution and mailing costs.

How Many Common Shares Must be Represented at the Annual Meeting in Order to Constitute a Quorum?

The shareholders present in person or by proxy at the Annual Meeting for the election of directors will constitute a quorum. At least 9,323,018 common shares must be represented at the Annual Meeting in person or by proxy in order to constitute a quorum for the transaction of any other business. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. Street name holders generally cannot vote their common shares directly and must instead instruct the broker, bank or other shareholder of record how to vote their common shares using the voting instructions provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If a broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker

non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter.

What are the Voting Requirements to Elect the Directors and to Approve the Other Proposals Discussed in this Proxy Statement?

The vote required to approve each of the proposals that are scheduled to be presented at the Annual Meeting is as follows:

| Proposal | Vote Required |
|---|--|
| PROPOSAL ONE ELECTION OF DIRECTORS | Election of the three Class I director nominees requires the affirmative vote of the holders of a plurality of the common shares present, represented and entitled to vote at the Annual Meeting. Broker non-votes and proxies marked WITHHOLD AUTHORITY will not be counted toward the election of directors or toward the election of individual nominees and, thus, will have no effect other than that they will be counted for establishing a quorum. |
| PROPOSAL TWO RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | The proposal to ratify the appointment of the Company's independent registered public accounting firm requires the affirmative vote of the holders of a majority of the common shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote FOR, AGAINST or ABSTAIN from voting on Proposal Two. Broker non-votes will not be counted for the purpose of determining whether Proposal Two has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Two and, thus, will have the same effect as a vote against Proposal Two. |
| PROPOSAL THREE ADVISORY VOTE ON EXECUTIVE COMPENSATION | The proposal to approve the resolution regarding the compensation of the Company's named executive officers requires the affirmative vote of the holders of a majority of the common shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote FOR, AGAINST or ABSTAIN from voting on Proposal Three. Broker non-votes will not be counted for the purpose of determining whether Proposal Three has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Three and, thus, will have the same effect as a vote against Proposal Three. As this is an advisory vote, the outcome of the vote is not binding on the Compensation Committee or the Board of Directors with respect to future executive compensation decisions, including those relating to the Company's named executive officers, or otherwise. However, the Compensation Committee and the Board of Directors expect to take |

into account the outcome of the vote when considering
future executive compensation decisions.

Proposal

Vote Required

PROPOSAL FOUR ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION

The proposal to determine the frequency of holding an advisory vote on the Company's executive compensation requires the affirmative vote of the holders of a plurality of the common shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote for **1 YEAR, 2 YEARS, 3 YEARS, or ABSTAIN**. Broker non-votes and proxies marked **ABSTAIN** will not be counted toward the frequency of any specified time period and, thus, will have no effect other than that they will be counted for establishing a quorum. As this is an advisory vote, it is not binding on the Compensation Committee or the Board of Directors and the Board may decide that it is in the best interests of the Company and its shareholders to hold an advisory vote more or less frequently than the preference receiving the highest number of votes. However, the Compensation Committee and the Board of Directors expect to take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation.

PROPOSAL FIVE APPROVAL OF AMENDMENT TO ARTICLE XIII OF THE ARTICLES OF INCORPORATION, AS AMENDED

The proposal to amend Article XIII of the Articles requires the affirmative vote of the holders of common shares entitled to exercise at least two-thirds of the voting power of the Company. Shareholders may vote **FOR, AGAINST, or ABSTAIN** from voting on Proposal Five. Abstentions and broker non-votes will have the same effect as votes against Proposal Five.

PROPOSAL SIX APPROVAL OF AMENDMENT TO ARTICLE II, SECTION 6, OF THE AMENDED CODE OF REGULATIONS

The proposal to amend Article II, Section 6, of the Regulations requires the affirmative vote of the holders of a majority of the voting power of the Company. Shareholders may vote **FOR, AGAINST, or ABSTAIN** from voting on Proposal Six. Abstentions and broker non-votes will have the same effect as votes against Proposal Six.

Under Ohio law, the Articles, and the Regulations, the nominees for election as directors who receive the greatest number of votes cast will be elected directors. Each shareholder will be entitled to cast one vote for each common share owned, and shareholders may not cumulate votes in the election of directors. Common shares as to which the authority to vote is withheld are not counted toward the election of directors; however, in 2010, the Board of Directors adopted a Majority Vote Withheld Policy in the event that **WITHHOLD AUTHORITY** has been indicated by a majority of the votes cast with respect to any director in an uncontested election. A summary of this policy is set forth under the caption **CORPORATE GOVERNANCE Policies of the Board of Directors** beginning on page [] of this proxy statement.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON APRIL 28, 2011**

The proxy statement, Form 10-K for the year ended December 31, 2010 and the 2010 Annual Report to Shareholders are available at [].

CORPORATE GOVERNANCE

The Board of Directors Independence

The Board of Directors of the Company is currently comprised of nine members, two of whom are nominees for re-election at the Annual Meeting. Additional information regarding each director nominee is set forth in

PROPOSAL ONE ELECTION OF DIRECTORS beginning on page [] of this proxy statement. In 2010, the Board of Directors affirmatively determined that all of the directors listed below are independent directors under the rules of The NASDAQ Stock Market LLC (the "NASDAQ"):

Anne Frederick Crawford
Joseph D. Lane
David Z. Paull
Ronald V. Wertz

Lance J. Ciroli
Ralph D. Macali
Earl R. Scott

The only current directors of the Company who have not been deemed independent by the Board of Directors are John S. Gulas, the Company's President and Chief Executive Officer, and Frank L. Paden, the Company's Executive Chairman and Secretary. The Board of Directors also determined that former directors James R. Fisher and Benjamin R. Brown, each of whom served as a director of the Company during 2010, were independent under current NASDAQ listing standards.

During 2010, certain current directors and executive officers of the Company, and their associates, were customers of, and had banking transactions with, various subsidiaries of the Company, including the Company's subsidiary bank, The Farmers National Bank of Canfield ("Farmers Bank"). All relationships between any director or executive officer and the Company or any of its subsidiaries are conducted in the ordinary course of business. The Company encourages its directors and executive officers to maintain these relationships and expects that these transactions will continue in the future. All loans and loan commitments included in such transactions, including equipment leasing transactions, were made and will be made: (i) in the ordinary course of business; (ii) on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Company; and (iii) without more than the normal risk of collectability or present other unfavorable features. After reviewing the details of these relationships, the Board of Directors has determined that such relationships do not interfere with the exercise of a director's independent judgment in carrying out the responsibilities of any director.

Certain Relationships and Related Transactions

The Company's Audit Committee is responsible for reviewing and approving all related party transactions that are material to the Company's consolidated financial statements or otherwise require disclosure under Item 404 of Regulation S-K. Extensions of credit by the Company or any of its subsidiaries to insiders of the Company or its subsidiaries are also regulated by Regulation O adopted under the Federal Reserve Act and the Federal Deposit Insurance Corporation Improvement Act. It is the Company's policy that any transactions with persons whom Regulation O defines as insiders (*i.e.*, executive officers, directors, principal shareholders and their related interests) are engaged in the same manner as transactions conducted with all members of the public. Transactions are reviewed by the Audit Committee either on a case-by-case basis (such as loans made by the Farmers Bank to an insider) or, in the case of an ongoing relationship are approved at the outset of the relationship and periodically reviewed. All loans to insiders of the Company: (i) are made in the ordinary course of business; (ii) are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Company; and (iii) do not involve more than the normal risk of collectability or present other

unfavorable features.

Attendance at Meetings

The Board of Directors held 19 meetings during 2010. All incumbent directors, except for Lance J. Cirolì, attended at least 75% of the total of all meetings of the Board of Directors and any committees thereof on which such director served during the year. In accordance with the Company's Corporate Governance

Guidelines (the Corporate Governance Guidelines), directors are expected to attend all meetings of the Board of Directors, although it is understood that, on occasion, a director may not be able to attend a meeting. Directors are encouraged to attend the Annual Meeting. All of the then current members of the Board of Directors attended the 2010 Annual Meeting held on April 30, 2010, except for Ralph D. Macali.

Board Leadership and Lead Independent Director

Prior to 2010, Frank L. Paden served as the President and Chief Executive Officer of the Company. In 2010, John S. Gulas succeeded Mr. Paden as President and Chief Executive Officer, with Mr. Paden continuing to serve as Executive Chairman and Secretary. Consequently, the Company does not currently have one individual acting as both Chairman and Chief Executive Officer. However, as a result of Mr. Paden's non-independent status, the Board of Directors determined that in order to appropriately balance the Board's focus on strategic development with its management oversight responsibilities, it was desirable for the Board to have an independent lead director. Accordingly, the Board of Directors created the position of Lead Independent Director in 2010, and appointed Ronald V. Wertz to serve as Lead Independent Director. As Lead Independent Director, Mr. Wertz is responsible for presiding at all executive sessions of the Board and acts as an active liaison between management and the Company's non-employee directors, maintaining frequent contact both with Messrs. Gulas and Paden to advise them on the progress of Board committee meetings, and with individual non-employee directors concerning recent developments affecting the Company. Through the role of an active, engaged Lead Independent Director, it is the opinion of the Board of Directors that its leadership structure is appropriately balanced between promoting the Company's strategic development with the Board's management oversight function. The Board of Directors also believes that its leadership structure has created an environment of open, efficient communication between the Board of Directors and management, enabling the Board to maintain an active, informed role in risk management by being able to monitor and manage those matters that may present significant risks to the Company.

Committees of the Board of Directors

The Board of Directors conducts its business through meetings of the Board and the following committees: (i) Audit Committee; (ii) Board Loan Committee; (iii) Compensation Committee; (iv) Corporate Governance and Nominating Committee; and (v) Risk Management Committee. Each committee meets on a regular basis and reports their deliberations and actions to the full Board of Directors. Each of the committees has the authority to engage outside experts, advisors and counsel to the extent it considers appropriate to assist the committee in its work.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibility to oversee the accounting and financial reporting process of the Company. The Audit Committee also reviews, evaluates and approves all related party transactions. The Audit Committee members currently are Earl R. Scott (Chairman), Ralph D. Macali and David Z. Paull. The Board has determined that it has one audit committee financial expert serving on its Audit Committee. Specifically, Earl R. Scott has been determined to have the attributes listed in the definition of an audit committee financial expert set forth in the Instruction to Item 407(d)(5)(i) of Regulation S-K and in the NASDAQ listing requirements. Mr. Scott acquired these attributes through education and experience as a certified public accountant. All of the Audit Committee members are considered independent for purposes of NASDAQ listing requirements. The Audit Committee operates under a written charter, which is reviewed annually by the Audit Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. A copy of the current Audit Committee Charter is available on the Company's website at www.farmersbankgroup.com. The Audit Committee held five meetings during 2010.

Board Loan Committee

The Board Loan Committee establishes, monitors and reviews the lending policies, strategies and lending risk management procedures of Farmers Bank and reviews the quality and performance of Farmers Bank's

loan portfolio. All directors are members of the Board Loan Committee. The Board Loan Committee operates under a written charter, which is reviewed annually by the Board Loan Committee and the Board of Directors. A copy of the current Board Loan Committee Charter is available on the Company's website at www.farmersbankgroup.com. The Board Loan Committee meets on a regular basis with three members of Farmers Bank's executive loan committee. The Board Loan Committee held 24 meetings during 2010.

Compensation Committee

The Compensation Committee establishes policies and levels of reasonable compensation for the executive officers of the Company and generally administers the Company's incentive compensation programs. The members of the Compensation Committee are Anne Frederick Crawford (Chair), Lance J. Ciroli, David Z. Paull and Ronald V. Wertz. All members of the Compensation Committee are considered independent for purposes of NASDAQ listing requirements. The Compensation Committee operates under a written charter, which is reviewed annually by the Compensation Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. A copy of the current Compensation Committee Charter is available on the Company's website at www.farmersbankgroup.com. The Compensation Committee held six meetings during 2010.

Pursuant to the terms of its charter, the Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. In addition, the Compensation Committee may invite such members of management to its meetings, as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. In addition, the Compensation Committee may delegate to the Chief Executive Officer, or another executive designee, the authority to approve salary and other compensation for employees below the executive officer level in accordance with overall pools, policy guidelines and limits approved by the Committee. Pursuant to its charter, the Compensation Committee has the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. Additional information regarding the Compensation Committee's role is set forth in the **COMPENSATION DISCUSSION AND ANALYSIS** section of this proxy statement, beginning on page [].

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee's purpose is to: (i) identify and recommend individuals to the Board of Directors for nomination as members of the Board and its committees; (ii) promote effective corporate governance, including developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company; and (iii) lead the Board of Directors in its annual review of the Board's performance and the performance of each of its committees. The Corporate Governance and Nominating Committee consists of Ronald V. Wertz (Chair), Anne Frederick Crawford and Joseph D. Lane. All members of the Corporate Governance and Nominating Committee are independent for purposes of NASDAQ listing requirements. The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee and the Corporate Governance Guidelines, both of which are reviewed annually by the Corporate Governance and Nominating Committee and the Board of Directors to reflect current Commission and NASDAQ rules, requirements and best corporate practices. Copies of the Corporate Governance and Nominating Committee Charter and the Corporate Governance Guidelines are available on the Company's website at www.farmersbankgroup.com. The Corporate Governance and Nominating Committee held five meetings during 2010.

Risk Management Committee

The Risk Management Committee oversees management's implementation and enforcement of the Company's policies, procedures and practices relating to the management of enterprise-wide risk. The members of the Risk Management

Committee are Lance J. Ciroli (Chair), Ralph D. Macali and Earl R. Scott. The Risk Management Committee held three meetings during 2010. The Risk Management Committee operates under a written charter, which is reviewed annually by the Risk Management Committee and the

Board of Directors. A copy of the current Risk Management Committee Charter is available on the Company's website at www.farmersbankgroup.com. Additional information regarding the Risk Management Committee's role is set forth in the **COMPENSATION DISCUSSION AND ANALYSIS** section of this proxy statement, beginning on page [].

Policies of the Board of Directors

Majority Withheld Vote

The Board of Directors recognizes that, under Ohio law, director nominees who receive the greatest number of shareholder votes are automatically elected to the Board of Directors, regardless of whether the votes in favor of such nominees constitute a majority of the voting power of the Company. Nevertheless, it is the policy of the Board of Directors that, in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote), should promptly tender his or her resignation to the Chairman of the Board. Thereafter, the Corporate Governance and Nominating Committee will consider the resignation offer and recommend to the Board of Directors whether to accept it or reject it. In considering whether to recommend to the Board of Directors to accept or reject the tendered resignation, the Corporate Governance and Nominating Committee shall consider all information and factors deemed relevant, including, without limitation: (i) the reasons (if any) given by shareholders as to why they withheld their votes; and (ii) the qualifications and performance of the tendering director(s) and his or her contributions to the Board of Directors and the Company. The Board of Directors will act on any tendered resignation within 90 days following certification of the shareholder vote. Following the Board of Directors' determination, the Company will promptly disclose the Board's decision whether to accept or reject the director's resignation offer (and, if applicable, the reasons for rejecting the resignation offer) in a press release and in a Current Report on Form 8-K. Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance and Nominating Committee's consideration or action by the Board of Directors regarding whether to accept the resignation offer. If a majority of the Board of Directors receives a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote will consider the resignation offers and whether to accept or reject them.

Director Nominations

The Corporate Governance and Nominating Committee will consider candidates for directors of the Company, including those recommended by a shareholder who submits the person's name and qualifications in writing. The Corporate Governance and Nominating Committee has no specific minimum qualifications for a recommended candidate, and does not consider shareholder recommended candidates differently from other candidates. The Corporate Governance and Nominating Committee considers:

- personal qualities and characteristics, accomplishments and reputation in the business community, including high personal and professional values, ethics and integrity;

- current knowledge and contacts in the communities in which the Company does business;

- ability and willingness to commit adequate time to Board of Director and committee matters;

- the fit of the individual's skills with those of other directors and potential directors in building a Board that is effective and responsive to the needs of the Company;

- ability to think and act independently yet constructively in a mutually respectful environment;

- diversity of viewpoints, background, experience and other demographics; and

the ability of the nominee to satisfy the independence requirements of NASDAQ.

While the Board of Directors does not have a formal diversity policy, diversity of viewpoints, background, experience and other demographics is one criterion on which the Corporate Governance and Nominating Committee bases its evaluation of potential candidates for director positions. The inclusion of diversity in the

listed criteria reflects the Board of Directors' belief that diversity is an important component of an effective Board and the Corporate Governance and Nominating Committee evaluates each potential director candidate on their specific skills, expertise and background, as well as traditional diversity concepts.

In addition to recommendations presented by shareholders, the Board of Directors maintains a current list of potential director candidates that fit the characteristics and qualifications of the Corporate Governance and Nominating Committee, which it uses from time to time to fill director vacancies or for director nominations. During the course of 2010, Board of Directors identified Lance J. Ciroli and David Z. Paull from its internal list to fill vacancies on the Board of Directors.

Under the Corporate Governance Guidelines, a director is required to retire from the Board no later than the next annual meeting of shareholders following such director's 74th birthday. Additionally, directors who are also employees of the Company must tender their resignation from the Board of Directors upon retirement, resignation or removal from employment with the Company or upon a demotion in their job responsibilities. The Corporate Governance and Nominating Committee makes its recommendation to the Board of Directors, and nominees are selected by the Board of Directors.

Under the Regulations, a shareholder entitled to vote for the election of directors who intends to nominate a director for election must deliver written notice to the Secretary of the Company no later than 90 days and no earlier than 120 days in advance of such meeting; provided, however, that if less than 90 days' notice is given to shareholders, written notice to the Secretary of the Company must be delivered or mailed not later than the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. During 2010, the Board of Directors adopted the Corporate Governance Guidelines, which updated and formalized certain aspects of the Company's shareholder nomination process. Pursuant to the Regulations and/or the Corporate Governance Guidelines, each shareholder notice must include the following information regarding a director candidate:

1. The name, age, business address and residence address of the candidate;
2. The information required of director nominees under Item 401(a), (d), (e), and (f) of Regulation S-K (relating to the nature and existence of certain business, family, and/or legal relationships between the candidate and the Company, as well as the candidate's prior business and directorship experience);
3. The number and class of all shares of each class of stock of the Company owned of record and beneficially owned by the candidate, as reported to the nominating shareholder by the candidate;
4. The information required of nominees under Item 404(a) of Regulation S-K (relating to the nature and existence of current or potential related party transactions between the candidate and the Company);
5. A description of why the candidate meets the director criteria set forth in the Corporate Governance Guidelines;
6. A qualitative description of the specific talents and skills that the candidate would offer in service to the Company;
7. Any written or oral agreement or understanding with the nominating shareholder or any other person that relates in any way to the Company or how the candidate would vote or serve as a director;
8. A completed copy of the Company's Questionnaire for New Director Candidates;

9. All financial and business relationships of the candidate, or of any organization of which the candidate is an executive officer or principal shareholder or otherwise controls, with the Company, the nominating shareholder or, to the candidate's knowledge, any other shareholder of the Company that is acting in concert with the nominating shareholder; and
10. The consent of the candidate to serve as a director of the Company if so elected.

In addition, the shareholder notice must also include the following information regarding the shareholder making the nomination:

- A. The name and address of the shareholder making the nomination;
- B. The number and class of all shares of each class of stock of the Company owned of record and beneficially owned by the shareholder;
- C. A representation that the shareholder is a holder of record of common shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person specified in the notice;
- D. A description of any arrangements between the shareholder and the candidate pursuant to which the nominations are to be made;
- E. A description of any relationships, including business relationships, between the shareholder and the candidate;
- F. Whether the shareholder is acting in concert with any person with respect to the common shares;
- G. Whether the shareholder owns, holds or has the power to vote, individually or in concert with any other person, 5% or more of any class of voting stock of any other organization that competes with the Company;
- H. The information required by Item 401(f) of Regulation S-K (relating to the nature and existence of certain legal proceedings involving the Company and the nominating shareholder) and whether the shareholder has been or is currently subject to any enforcement action or penalty or, to the shareholder's knowledge, is currently under any investigation that could lead to such an enforcement action or penalty or criminal action;
- I. Whether the shareholder is acting on behalf of, or at the request of, any other shareholder; and
- J. If the shareholder is other than an individual: (i) the names of the shareholder's five most senior executive officers (or persons performing similar roles); (ii) the names and addresses of each person that has a 10% or more voting, ownership or economic interest in the shareholder and the respective amounts of such interests; (iii) the names and addresses of each person that would be deemed to control the shareholder; and (iv) the name and address of any advisor to the shareholder that has the principal responsibility for its investment or voting decisions.

In the case of any investment fund or similar organization that is a nominating shareholder, these shareholder disclosure obligations shall also apply to the principal advisor to the fund. Also, if the shareholder is other than an individual, these disclosure requirements apply to the shareholder's principal shareholders, executive officers and other controlling parties.

If a nominating shareholder or director candidate believes that information supplied in response to any of the above inquiries is confidential, the shareholder or nominee may request confidential treatment for such information. In such event, the information shall be maintained on a confidential basis unless the Corporate Governance and Nominating Committee is advised by counsel that disclosure is appropriate in connection with the solicitation of proxies relating to the director candidate.

In the event that it is subsequently determined that any of the information provided by the candidate or nominating shareholder is materially inaccurate, a director candidate who provided the materially inaccurate information or whose nominating shareholder provided the materially inaccurate information shall be required to resign from the Board of Directors, and, in the event of a refusal to resign, such a determination shall constitute grounds for removal from the Board, unless it is determined by the Corporate Governance and Nominating Committee that the inaccuracy was inadvertent.

Shareholder Proposals

Any proposals to be considered for inclusion in the proxy materials to be provided to shareholders of the Company for its next Annual Meeting of Shareholders to be held in 2012 may be made only by a qualified shareholder and must be received by the Company no later than November [], 2011.

If a shareholder intends to submit a proposal at the Company's 2012 Annual Meeting of Shareholders that is not eligible for inclusion in the proxy materials relating to the meeting, and the shareholder fails to give the Company notice in accordance with the requirements set forth in the Securities Exchange Act of 1934, as amended (the Exchange Act), by February [], 2012, then the proxy holders will be allowed to use their discretionary authority with respect to such proposal if the proposal is properly raised at the Company's Annual Meeting in 2012. The submission of such a notice does not ensure that a proposal can be raised at the Company's Annual Meeting.

Shareholder Communications with Directors

All written communications addressed to an individual director at the address of the Company or one of the offices of a subsidiary of the Company, except those clearly of a marketing nature, will be forwarded directly to the director. All written communications addressed to the Board of Directors at the address of the Company or one of the offices of a subsidiary of the Company will be presented to the full Board of Directors at a meeting of the Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, officers and persons who own beneficially more than ten percent of its common shares (Section 16 Filers) to file reports of ownership and transactions in the common shares with the Commission and to furnish the Company with copies of all such forms filed. The Company understands from the information provided to it by Section 16 Filers that no delinquent filings occurred during 2010.

PROPOSAL ONE ELECTION OF DIRECTORS

In accordance with the provisions of the Company's Regulations, the Board of Directors has currently fixed the number of directors at nine. Previously, the number of directors was fixed at eight, however, with the appointment of John S. Gulas as a Class I director, effective July 1, 2010, the Board was expanded to nine. The Board of Directors is currently divided into three classes, each with three year terms, and there are three directors currently serving in each class.

During 2010, James R. Fisher and Benjamin R. Brown each retired from their positions as members of the Board of Directors. Pursuant to the provisions of the Company's Regulations, vacancies in the Board of Directors may be filled by the affirmative vote of the remaining members of the Board of Directors. Consequently, during the course of 2010, the Board of Directors appointed each of Lance J. Cirola and David Z. Paull to fill the Class II director positions vacated by Messrs. Fisher and Brown. In addition, on February 8, 2011, Joseph D. Lane notified the Company that he would be retiring from service as a director at the completion of his current term at the Annual Meeting.

The Corporate Governance and Nominating Committee has recommended to the Board of Directors three Class I directors, and the Board has nominated such persons. In regards to Mr. Bestic, who is not currently a director of the Company, the Corporate Governance and Nominating Committee identified Mr. Bestic upon review of its current list of potential director candidates, and the Board of Directors believes that Mr. Bestic has the attributes, skills and qualifications necessary to be a successful and productive member of the Board of Directors.

Proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement. If any nominee should become unavailable to serve for any reason, it is intended that votes will be cast for a substitute nominee designated by the Corporate Governance and Nominating Committee and approved by the Board. The Corporate Governance and Nominating Committee has no reason to believe that any nominee named will be unable to serve if elected.

Set forth below for each nominee for election as a director and for each director whose term will continue after the Annual Meeting is a brief statement, including age, principal occupation and business experience during the past five years. In addition, the following information provides the Corporate Governance and Nominating Committee's evaluation regarding the nomination of each of the director nominees and the key attributes, skills, and qualifications presented by each director nominee and the continuing directors. The following information, as of February 28, 2011, with respect to the age, principal occupation or employment, other affiliations and business experience during the last five years of each director and director nominee, has been furnished to the Company by each director nominee and director.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

NOMINEES FOR ELECTION AS CLASS I DIRECTORS
(Term Expiring in 2014)

| Name | Age | Principal Occupation for Past Five Years and Other Information |
|-------------------|------------|---|
| Gregory C. Bestic | 56 | Mr. Bestic is a Managing Principal of Schroedel, Scullin & Bestic, LLC, a certified public accounting and strategic advisory firm located in Canfield, Ohio. Mr. Bestic is a Certified Public Accountant and a Certified Forensic Accountant, and has practiced with Schroedel, Scullin & Bestic, LLC and its predecessor firm since 1980. Mr. Bestic serves on a number of community and civic boards in the Mahoning Valley, including Salem Community Hospital, the Advisory Committee of the Accounting and Finance Department of Youngstown State University and the Regional Chamber. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Bestic has developed through his educational background in business and accounting, as well as his business and leadership experiences in the Mahoning Valley, will allow him to provide accounting, local business and corporate governance expertise to the Board of Directors and has nominated him for election. |
| John S. Gulas | 52 | Mr. Gulas is the President and Chief Executive Officer of the Company, a position he has held since July 2010. From July 2008 to July 2010, Mr. Gulas served as the Company's Chief Operating Officer. From 2005 to 2007, Mr. Gulas was President and Chief Executive Officer of Sky Trust Co., N.A. Mr. Gulas has over 26 years of banking experience, including executive roles with Wachovia and Key Bank. Mr. Gulas is a native of the Mahoning Valley and is on the board of the Regional Chamber as well as other community and civic boards. Mr. Gulas was appointed as a member of the Board of Directors in July 2010 and serves on the Board Loan Committee. The Corporate Governance and Nominating Committee believes that the attributes, skills and qualifications Mr. Gulas has developed through his education and experiences in the banking and financial services industries, as well as his significant leadership positions with the Company, allow him to provide continued business and leadership insight to the Board of Directors and has nominated him for election. |
| Ronald V. Wertz | 64 | Mr. Wertz has served as a director of the Company since 1989 and has served as the Company's Lead Independent Director since 2010. Mr. Wertz is a member of the Board Loan, Corporate Governance and Nominating and Compensation Committees. Mr. Wertz is currently retired and is an active member of the Mahoning Valley community. Formerly, Mr. Wertz was the President and Chief Executive Officer of Boyer Insurance, Inc., which was later acquired by Wells Fargo Insurance Services, as well as a risk management consultant for Wells Fargo Insurance Services. The Corporate Governance and |

Nominating Committee believes that the attributes, skills and qualifications Mr. Wertz has developed through his leadership and business experiences in the Mahoning Valley business market, as well as his exemplary service as a director of the Company, allow him to provide continued local business and corporate governance expertise to the Board of Directors and has nominated him for re-election.

CLASS II DIRECTORS CONTINUING IN OFFICE
(Term Expiring in 2012)