



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

The Freeport State Bank

Person to be contacted regarding this report:	Patrick A. Kerschen
CPP Funds Received:	\$301,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/6/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	180670
City:	Harper
State:	Kansas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	We were able to increase our lending due to higher lending limits and additional capital to move our branch from Freeport to Anthony where loan demand should be higher.
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<input checked="" type="checkbox"/> To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Main increases were in Agricultural loans for farm real estate and operating loans. We also were able to increase lending for 1-4 family housing.
<input type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	
<input checked="" type="checkbox"/> Make other investments	Additional funds were used to open a branch in Anthony Kansas
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	Allowed us to use capitol we already had to fund necessary additions to the loan loss reserve.

<input type="checkbox"/> Reduce borrowings	
<input type="checkbox"/> Increase charge-offs	
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/> Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

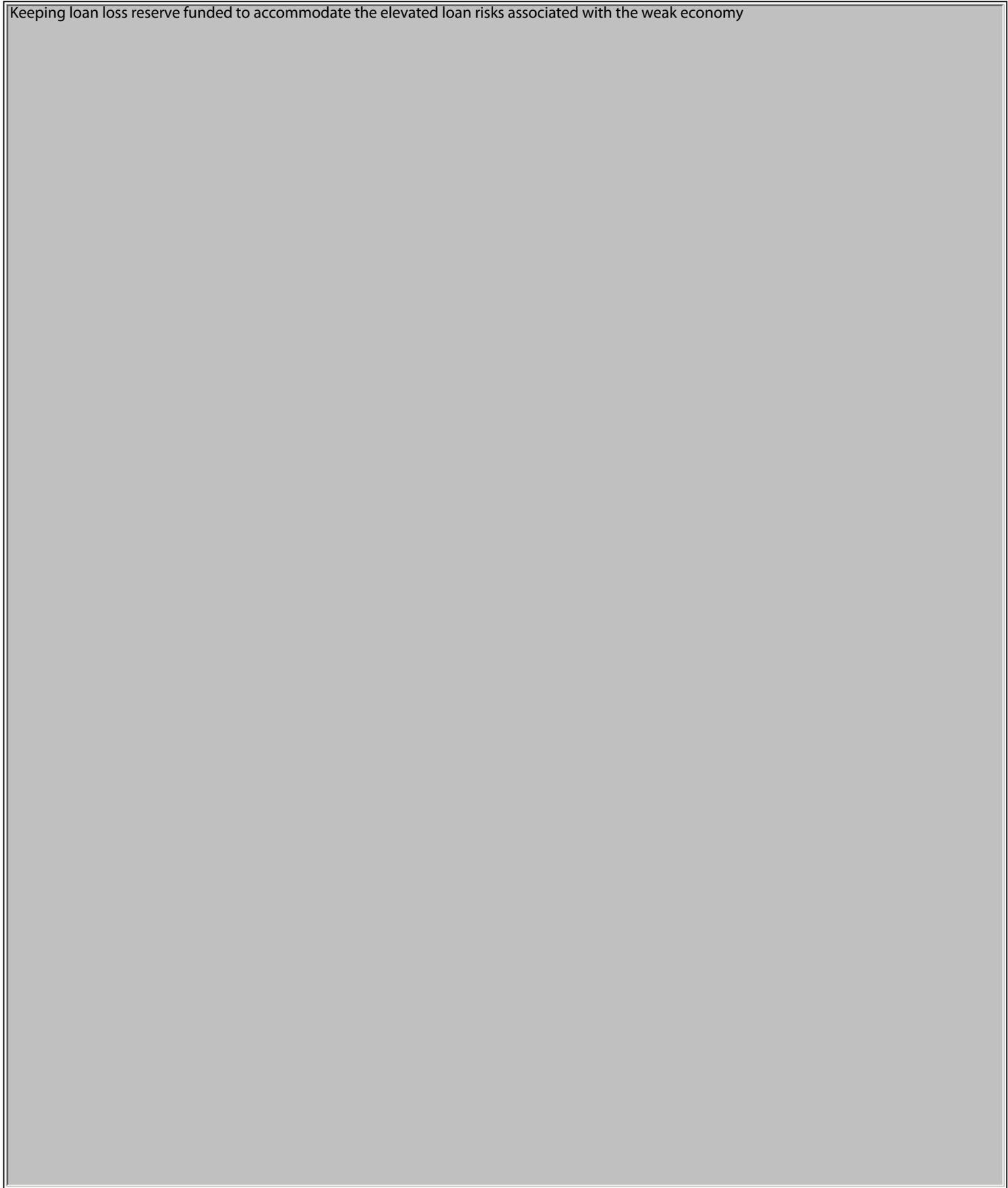
We were able to fund our loan loss reserves for 2009 without seeking any more additional capital for the bank. With the help of CPP Funds, our capital levels remained at adequate levels to keep from curtailing credit to loan customers

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We were able to open the branch location in Anthony, Kansas without taking our capital ratios below acceptable levels.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Keeping loan loss reserve funded to accommodate the elevated loan risks associated with the weak economy



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