

Horizon



WHAT DOES THE
INTERNET KNOW
ABOUT YOU?

SMALL BUSINESS
LOAN CHECKLIST





A LETTER FROM GARY HUDSON

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Finally the long, hot summer is over. Not only was it sweltering in temperature but things were also scorching in Washington on Capitol Hill. Maybe we have finally

reached some moderation in both, but it is probably too early to tell. All of us at Farmers and Merchants Bank hope that you have had a good summer as we look forward to a conclusion of an ample harvest and the approaching holiday season.

Business at Farmers and Merchants Bank has been growing this year thanks to wonderful customers like you. The bank has sustained more than \$600 million in assets. Our earnings for our more than 380 stockholders remain solid. In that we are diversified in the types of investments we make and in the geographic regions in which we make them, Farmers and Merchants Bank has been able to avoid some of the pitfalls that other institutions have encountered that are investment or location specific.

Agriculture as a whole has been a good business type to be involved in the past few years with good crop prices and land

values generally increasing. Although there are many apparent problems and disasters that have struck our customers, we still like this business type better than investment real estate in regions not close to our trade area.

I can never say "thank you" enough for your business. Without you we would not be needed or even exist. We at Farmers and Merchants remain steadfast in our quest to remain independent and locally owned. Serving you and the communities in which you reside is not only a goal but a necessity. We strive to meet your banking needs in a way that is competitive as well as convenient. We continue to offer new services when they become safely available and hope they meet your wishes. Also, our new website is accessible and easy to navigate.

Thanks again and have a safe and successful remainder of 2011.

Sincerely,

Gary Hudson
President and CEO
Farmers and Merchants Bank



Call us at 870.673.6911 or visit us online at www.mebanking.com.



WHAT THE INTERNET KNOWS ABOUT YOU

- *Angie just ordered a new fall coat from her favorite retailer.*
- *Sarah and Sam requested a car insurance quote to see if their current policy was competitive.*
- *Mark filled out a fun “what’s your favorite sport?” survey online.*

It wasn't long before unsolicited emails were showing up in their inboxes. Each had become targets of “data mining.”

What Is It?

Data mining, sometimes referred to as data or knowledge discovery, is the computer-assisted process of taking data from enormous databases and compiling it to detect consumer patterns. This profiling practice helps companies increase revenue, reduce costs and market to people most likely to buy their products.

For example, Angie's retailer data mines to analyze which products are selling best, when and where, and then sends targeted promotions based on an individual's purchase history. Sarah and Sam's insurance quote request did not go unnoticed by other providers once



the couple clicked “submit.” Mark began receiving promotional emails from professional football and basketball teams because of his sports survey preferences.

In addition to buying preferences, data mining has other applications, too. Governments use it for national security or law enforcement purposes.

Confidentiality Concerns

Data mining has the potential to uncover information or patterns that may compromise confidentiality and privacy obligations. The threat to an individual's privacy may occur when the compiled data enables the data miner (or anyone who has access to the data set) to identify specific individuals.

While it may be difficult to avoid data mining, the best defense for protecting your confidentiality is to be choosy about what you share online. Never give out personal financial information to anyone in an email, and when shopping online, make sure you trust the website and look for security encryption icons.

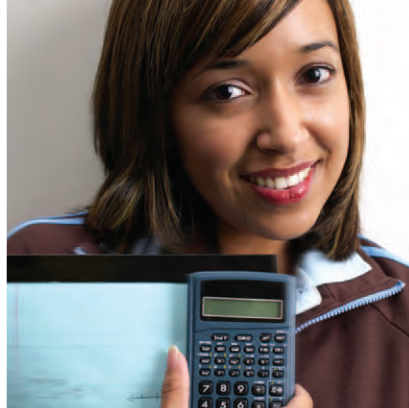
We respect the confidentiality of all our customers and believe in helping you protect your privacy and personal financial data. To learn more about how we keep you and your financial information safe, contact us at **870.673.6911** or visit www.mebanking.com.

LEGISLATION REGARDING PRIVACY

Data mining may end up mining much more than valuable consumer patterns. It could end up mining more legislation down the road.

The U.S. Senate Subcommittee on Communications, Technology and the Internet initiated hearings on corporate data mining and individual privacy in March.

The Health Insurance Portability and Accountability Act (HIPAA) is one step the U.S. government has already taken to help protect individual privacy.



MAXIMIZE YOUR TAX SAVINGS BEFORE YEAR-END

If you find doing your taxes about as much fun as, say, flossing, then welcome to the club! It's a club more than 182 million strong – the number of income tax returns filed in 2009, according to the Internal Revenue Service.

To make your “club membership” a bit more enjoyable, consider adopting any of the following tax tips before year-end.

Take advantage of the saver's credit. If you're a low- to moderate-income taxpayer, plan to take the saver's credit (known formally as the Retirement Savings Contribution Credit). It's based on your contributions to an employer-sponsored retirement plan, such as a 401(k), or an individual retirement account. The credit ranges up to \$1,000 for single taxpayers and up to \$2,000 for married couples. Eligibility is based on adjusted gross income: up to \$28,250 in 2011 for taxpayers who are single or filing separately; \$42,375 for those who file as head of household; and \$56,500 for couples filing jointly.

Make a tax-free charitable contribution. If you're age 70½ or older, you can make contributions to charitable organizations directly from your traditional individual retirement account (IRA) without paying any tax on your IRA withdrawal. In 2011, you may contribute up to \$100,000 from your IRA to charities, tax-free. Note that qualified charitable contributions count toward your required minimum distribution for the year.

Beware of a major rule change in flexible spending accounts (FSAs). The greatest change in FSAs in 2011 is that you'll now need a written order from your doctor to receive FSA reimbursement for over-the-counter medications, such as nonprescription cold tablets.

Buy a home. Despite distant Congressional rumblings about tweaking mortgage deductions, you may still be able to deduct your mortgage interest, property taxes and points paid to obtain a mortgage, as well as interest on home equity loans (up to \$100,000). Plus, if you live in your home at least two of the five years before you sell, you won't owe taxes on up to \$250,000 in profit (\$500,000 for a married couple filing jointly). With home prices and mortgage rates still relatively low, now may be a great time to buy!



Consider taking a deduction for state and local sales taxes. As of 2010, taxpayers can take an itemized deduction for state and local sales taxes instead of an itemized deduction for state and local income taxes. That's potentially a big help if you live somewhere without an income tax, or if you make a major purchase this year, such as a motor vehicle or boat.

Get Expert Help

Have a question (or two or three) for a qualified tax professional? Call now! You'll find tax pros much more available and amenable to your questions now than in mid-April. Plus, you'll feel better prepared come filing time!

This financial institution does not give tax advice. Consult your tax advisor for information specific to your situation.



BUSINESS GROWING PAINS

SMALL BUSINESS LOANS TO GROW

In 2008, when the economy dropped into the doldrums, consumers put away their wallets to wait out the lean years. But a slow, steady recovery has finally heralded consumers' return to confidence in 2010. Although it's not going gangbusters, people are more inclined to purchase again. According to the Bureau of Economic Analysis, in March 2011, personal consumption expenditures increased \$60.7 billion, or 0.6% over the previous month.

If your business is buoyed by this economic change and is experiencing growth, you want to meet the demands. But maybe you don't have the funds readily available. Whether you need to expand your space, hire more employees or upgrade your technology, a small business loan might be a good option.

Banking on Your Balance Sheet

Before you approach lenders, here's what you need to know that will help you land that loan. The first thing a lender will review is your balance sheet. A business with a debt-to-equity ratio (sometimes called leverage ratio) between 1-to-2 and 1-to-1 is generally considered in good standing (however, different thresholds may apply in different industries). For example, if your business has \$75,000 in total debt and \$125,000 in total assets, your debt-to-equity may make the grade. Next in line of importance is to measure current assets against current liabilities, called a current ratio. A 2-to-1 ratio, where assets are twice the liabilities, is generally considered good, but a 1-to-1 ratio may be acceptable, too. Satisfactory ratios vary by industry.

Lenders will also want to look at your balance sheet from either the previous quarter or for a full year. They will compare your balance sheet with a comparable business of similar size to see how you measure up. Finally, cash flow, defined as net income plus depreciation, will be scrutinized.

Let Us Help

If you're ready to expand your business, Farmers & Merchants Bank is ready to help you understand what you need to take the next steps. Contact a business loan officer to find out more about how to qualify for a business loan. We can help you find one that meets your needs.



BUSINESS LOAN CHECKLIST

Lenders need certain information to determine whether to loan money. You'll want to present your potential lender with everything necessary to get the ball rolling.

The documents you need include:

- ✓ A business plan that explains why you need the money and how you will spend it.
- ✓ Cash flow projections to show that you can repay the loan.
- ✓ Business and personal financial statements, including assets and expenditures, as well as past business tax returns.
- ✓ Credit rating reports to help determine your purchasing and payment history.
- ✓ Repayment plan that explains how you will repay the loan.

Low-risk businesses, whose documents prove their ability to profit and repay funds, generally will receive a loan before a high-risk company. Applicants that appear to be a high risk might get a loan, but they could pay higher interest with stricter loan terms.

MANAGING YOUR CHECKBOOK IN THE MODERN AGE

Your checkbook is like an old familiar friend – one you've known and trusted for years. But just as your relationships have evolved in recent years (as you chat with your grandchildren on Skype or connect with an old friend on Facebook), so should your relationship with your checkbook. Here are some reasons why you might want to turn to technology to manage your checking account.

- 1. It's greener.** Receiving e-statements instead of paper statements is a great way to save a few trees. Plus, you will receive e-statements faster than their paper counterparts, and you don't have to find the room to file them; they are already neatly organized and accessible via our online banking service.
- 2. It's more up-to-date.** Ever balance your checkbook, then compare your ledger to your statement and find you made a mathematical error? Log on to your Farmers & Merchants online bank account to double check your transactions. They usually appear within minutes, so you'll always be able to quickly reconcile your account.
- 3. You'll be more organized.** Take advantage of account alerts, which can notify you when a transaction posts to your account, when your balance goes above or below a certain amount or when payments are due. Visit www.mebanking.com to sign up. You can also use online bill pay to stay on top of your finances – schedule payments in advance and keep everything organized in one spot.

Ready to modernize your checking account? Give us a call at **870.673.6911** or visit www.mebanking.com to learn more and get started!

WHY ONLINE BANKING IS SAFER

Contrary to what you might believe, online banking is actually safer than doing things the old-fashioned way.

- Eliminating paper statements reduces the chance of someone stealing your identity from a piece of mail.
- Using online bill pay reduces the number of checks you write, so you may be less likely to have one lost or stolen in the mail stream.
- Your accounts are protected with multifactor authentication and a secure website.



TAKE A BREAK FROM SITTING

WHY SITTING TOO LONG CAN BE BAD FOR YOUR HEALTH

Modern mankind seems to have it easy – instead of running around all day hunting for food and protecting our families from danger, many of us get to sit at a desk to earn our living. But according to a recent study, sitting for long periods of time can raise the risk of obesity and heart attack. While regular exercise is also essential, just the simple act of taking a break from sitting in a chair may help improve your health.

The Risks from Sitting All Day

Even if you exercise for 30 minutes a day, if you spend prolonged periods of time engaged in sedentary activities (sitting at a computer, watching television, driving a car, etc.), you might be raising your risk of obesity. A study published in the *European Heart Journal* found a correlation between the length of time people spent sitting down without a break and larger waist circumference, lower levels of HDL (good cholesterol) and higher triglycerides. But those who did take breaks – even as short as one minute – saw improved waist circumference and cholesterol levels.

Sitting for long periods of time can cause other health problems as well – those who work in front of a computer for hours may experience eye strain as well as wrist, neck and shoulder problems from poor ergonomics. Those at risk of blood clots, such as those with a family history or who have recently had surgery, need to be especially careful when sitting for prolonged periods, such as long flights or car rides.



Sitting still can be dangerous business. So what can you do?

Tips to Get Moving

The participants in the study showed improved health outcomes with small, frequent breaks. Here are some tips to get out of your chair:

- Stand up when the phone rings.
- Walk over to a colleague's desk instead of emailing him or her.
- Take a short walk around your office building.
- Position your trash can just out of reach so you have to get up to throw things away.
- Grab a glass of water from the kitchen every couple of hours – you'll get your needed break and be on your way toward eight glasses a day!

- Do chores during TV commercial breaks.

- If you're taking a road trip, stop frequently to stretch your legs.
- On an airplane, take a bathroom break or two during the flight.

Stand Up for Your Health

Not much can be done to change our society. Many jobs require sitting at a desk, business transactions and social activities are increasingly conducted on the computer, and commutes aren't getting any shorter. Although sitting for a long time may be unavoidable, it's easy to reduce the risks by taking the time for quick walks and stretches. Discuss your lifestyle and risks for obesity, high cholesterol or cardiovascular disease with your doctor.



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New look, New Resources, New Website.



Welcome to Me Banking with a Fresh New Look,
Easy Navigation, and Better Online Resources. Plus, an
all new E-Pay product powered by CheckFree,
featuring ZashPaySM; pay anyone, anywhere, anytime!

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