

March of Dimes WalkAmerica

For the fifth consecutive year, Passumpsic Saving Bank has received the WalkAmerica top corporate team award in the Northeast Kingdom. Most importantly, since 1997 Passumpsic Savings Bank has raised over \$50,000 for the March of Dimes through sponsorship, an employee matching gift program, internal fund raisers like beanie baby sales and blue jeans for babies events, and through walker fundraising done by individual employees. Special thanks to Rebecca Emerson (not pictured), Operations Coordinator and Team Captain for the Bank's St. Johnsbury team, and Merrily Slawson (not pictured), Personal Banker in Newport and Team Captain for the Bank's Newport team.

In 2008, March of Dimes is launching its new March for Babies. Formerly known as WalkAmerica, this has become one of the most successful events of its kind in America. It is now the March of Dimes' biggest

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Roger Clapp, VT State Director for the March of Dimes (left) and Mary A. Cote, Cochair for the Northeast Kingdom March of Dimes Committee (center) presents Peter F. Crosby, President of Passumpsic Savings Bank (right) with the WalkAmerica Top Corporate Team award in the Northeast Kingdom.



Peter F. Crosby,
President & CEO

President's Message

To our Valued Customers,

We pride ourselves on keeping you aware of the latest trends in banking and finance. You may be reading and hearing a lot about the current sub prime mortgage crisis. Customers can rest assured that Passumpsic Savings Bank and our mortgage subsidiary, Northeast Home Loan, did not participate in writing any of the sub prime mortgage loans. Credit quality within our market area has remained strong with continued low levels of foreclosures.

For this reason, I would expect to see real estate values decline as much here as they may nationally. Since interest rates are reaching historic lows, refinancing may be an attractive option for some. Our Mortgage Specialists are available to discuss the variety of lending options available to meet borrower needs.

In December, we started construction on our new office in Newport. We anticipate this new building will be completed and open in June 2008. This facility will replace our two existing facilities and provide better ease of access and expanded service capabilities. We are excited about the future use of our Main Street location and adjacent building as Gilman Housing Trust plans to renovate these buildings, creating new commercial space on the ground floors and provide senior housing units on the upper floors. This project will help in the revitalization of Newport's downtown.

As the economy enters a period of uncertainty, I urge everyone to be mindful of those in need. Our Bank has made monetary donations to the heating assistance programs in northern Vermont and New Hampshire. Also, our staff recently donated over 1800 pounds of food to area food shelves. Working together, we can get through this period and ensure a stronger economy going forward.

Business Customers Receive Patriot Express Loan

In 2007, the Small Business Administration (SBA) introduced the Patriot Express pilot loan in an effort to help the military community start their own businesses or improve existing businesses. Passumpsic Savings Bank offers the loan program to veterans, service-disabled veterans, active duty service members, current spouses and widowed spouses of a service member or veteran. The loan program offers fast turnaround for loan approvals and SBA's lowest interest rates for business loans.

Two Passumpsic Saving Bank customers are among the first to participate in this loan program in Vermont and northern New Hampshire. Rick Hanks, owner of the Hi Boy in Lyndonville, Vermont borrowed funds from the loan program to remodel his restaurant. The Hi Boy, known for its pizzas, burgers, specialty sandwiches and chicken dinners, is celebrating 20 years

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Turning up the Heat

Representatives from Central Vermont Public Service *Shareheat* program of Vermont and Tri-County Community Action *Keep Your Neighbor Warm* program in New Hampshire accept donations from Passumpsic Savings Bank for emergency home heating assistance. Passumpsic Savings Bank donated a total of \$5,000 for heat assistance programs for this winter's heating season. Passumpsic Savings Bank's contributions to these programs, along with donations by others, will help over 1,000 families stay warm this winter.



Ann Warrell, Investor & Public Relations Specialist for Central Vermont Public Service meets with Peter F. Crosby, President & CEO to discuss the Bank's contribution to the Shareheat program.



Brandy Cassady (right) Lancaster Branch Manager, presents Amy Zanes, Community Contact Manager at the Lancaster office of Tri-County Community Action Program (CAP) with a donation for the *Keep Your Neighbor Warm* program.



Carmen Menard, Littleton Branch Manager, presents Karen Hoyt, Littleton Office Manager, Tri-County CAP, with a donation for *Keep Your Neighbor Warm* fuel assistance program

Avoid Debit Card Fraud

To avoid becoming a victim of debit card fraud, American Bankers Association offers these tips:

- Check your bank statements often. Report unauthorized transactions immediately.
- If you have a reason to suspect fraud, check your account balance immediately by using online banking, telephone banking or by printing an interim statement at the ATM.
- Keep a record of card numbers, expiration dates and 1-800 numbers for banks so you can contact the issuing bank easily in cases of theft.
- Keep your receipts to check against your statement.
- Mark through any blank spaces on debit receipts, including the tip line at restaurants, so the total amount cannot be changed.
- Know your limits. Many issuers limit daily purchases and withdrawals for your protection.
- Be wary of those trying to help you, especially when an ATM "eats" your card. They may be trying to steal your card number and PIN.
- Do not use an ATM if it looks suspicious; it could be a skimming device.
- Do not give your PIN number to anyone over the phone. Thieves often steal cards and then call the victims for their PIN, claiming to be law enforcement or the issuing bank.

For additional information, or other financial consumer tips, visit www.aba.com and click on "Consumers".

The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members—the majority of which are banks with less than \$125 million in assets—represent over 95 percent of the industry's \$12.7 trillion in assets and employ over 2 million men and women.

Excerpt from: ABA NEWS RELEASE 2007: ABA Encourages Consumers to Protect Their Debit Cards from Skimming and Scamming at the ATM; December 21, 2007; ABA 1120 Connecticut Ave, NW, Washington DC 20036. www.aba.com. Reprinted with permission.



Financial Consultant for the Investment Management Division



Anthony Ilacqua has joined the Bank staff in the new position of Financial Consultant for the Investment Management Division, serving the greater

Littleton/Lancaster NH markets. In his position, Tony will be responsible for business development and administration of account relationships. He brings over twelve years of investment experience with him, having worked for TD Waterhouse and most recently with Bank of America. Tony grew up in Littleton, NH graduating from Littleton High School and received his BA in Political Science/History from Keene State College. He has been active with Boy Scouts of America and Rotary Club International. "Passumpsic Savings Bank is pleased to have Tony join our team and also come back home to work and be part of the community," says Peter F. Crosby, Bank President.

Business Banking Officer



Casey Rowell has been promoted to the position of Business Banking Officer, after previously holding the position of Commercial Banking Assistant.

Casey will work with business customers in Northern Vermont and New Hampshire to maximize the benefits they receive from their banking relationships with Passumpsic Savings Bank. Casey brings five years of retail and commercial banking experience to her new position. She received her B.S. in Small Business Management & Entrepreneurship with a minor in Marketing from Lyndon State College in Lyndon, VT. Casey's current community involvement is as the cofounder and secretary of the Jason R. White Memorial Scholarship Fund. She resides in Glover with her husband, Andrew.

Investment Portfolios in a Downturn

by Daniel J. Kimbell, Senior Vice President, Investment Management Division

The equity markets have enjoyed five straight years of positive performance (2003 through 2007), allowing many investors to remain long-term focused. A more important time to be long-term focused is during a down turn although, due to emotions, individuals tend to become short-term thinkers.

The start of 2008 has been a rocky one for the equity markets, with indexes experiencing declines of 9% to 11% in the month of January, causing some to abandon their long term financial plan. Having been in the business over twenty-five years, I have seen this scenario play out multiple times, very seldom to the clients' best interest: getting out of the equities markets after the down turn has already occurred (selling low, not high). Reinvesting in fixed income securities with recently reduced interest rates will

not accomplish the goals most set out to achieve. Knowing the bottom or top of a market is near impossible, thus trying to time the market is inadvisable.

Re-analyzing your financial plan on an annual basis regardless of an up or down market is a prudent process. Evaluating your financial goals—and time horizons to meet those goals—will help determine the appropriate asset allocation percentages between equities and fixed income securities. Current market conditions may sway those percentages which can be tweaked over time during regular check ups with your financial advisor.

Having a sound and reasonable game plan and sticking to it is not always easy, but it is usually the most profitable. Like all storms, this too shall pass; maybe not this month or next, but you'll want to be properly positioned when it does.

FAN Club Happenings

About the FAN Club

If you are 50 or over and maintain any type of account relationship with Passumpsic Savings Bank and enjoy people and travel, Passumpsic Savings Bank encourages you to join our Friends and Neighbors (FAN) Club. There are no special membership fees and the really great news is...our bank does not require that you maintain a certain balance in a checking account or Certificate of Deposit to be eligible. Simply be a Passumpsic Savings Bank customer and join the club!

We are pleased to announce these upcoming FAN Club trips:

New England Spring Flower Show, Rhapsody in Green

Date: March 10, 2008

An annual rite of spring and one of Boston's most enduring traditions, the New England Spring Flower Show has become the true symbol of spring's arrival for almost 100,000 winter-weary New Englanders and Boston visitors.

Montreal & Quebec City, Canada

Date: May 12-17, 2008

Spend 6 days and 5 nights absorbing the breathtaking sights of the French Canadian province of Quebec, known for its distinct European flair. This includes a two night stay at the 5-Star Le Manour Richelieu Hotel.

Vermont Fall Foliage Day Trip

Details will be announced soon.

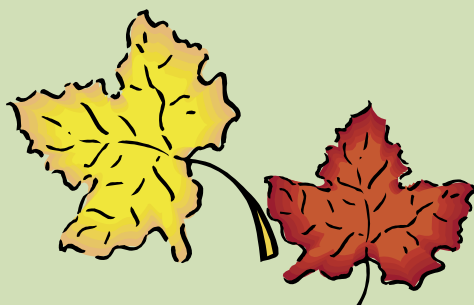
Date: TBA

Christmas in NYC

Date: December 9-12, 2008

Celebrate the Holiday season by window shopping on 5th Avenue, strolling through Central Park, or standing under the Rockefeller Center Christmas tree. Includes fully escorted daily tours throughout NYC, including 2 dinners in trendy neighborhoods, orchestra/front mezz seating to the Radio City Christmas Show featuring The Rockettes.

If you would like more information on the FAN Club, would like to become a member, or would like to sign up for a trip, please contact Carolyn Towsley by phone at 802-751-4227 or email ctowsley@passumpsicbank.com.



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fundraiser and supports top-level research and programs to find the causes and prevention of premature births and other serious threats to infant health. Nationally, one in eight babies is born premature. In Vermont, the incidence has grown 31% since 1981. Prematurity is the leading cause of infant death and costly lifelong birth defects. In 2007, March of Dimes awarded a prematurity research grant of \$400,000 to the University of Vermont College of Medicine and is preparing to double that investment in 2008. The Vermont chapter also recently initiated the Family Support Program at the Fletcher Allen Neonatal Intensive Care Unit in Burlington.

The 2008 NEK March for Babies event will be held on Sunday, May 4 at Lyndon Institute in Lyndon, VT. Contact Cindy Locke at 800-696-9255 x12 or visit www.marchofdimes.com/vermont for local info. To register as a walker go to www.marchforbabies.org.

Patriot Express Loans, Continued from page 1

of operation. Rick started working at the Hi Boy in 1992 and purchased the business with a partner in 2001. He appreciates the support customers have shown over the years and is planning to move the restaurant in May to a new Lyndonville location, the former Chop House, to provide for more seating and other amenities. Rick's military service includes four years in the Army, the Vermont Army National Guard and serving one year in Iraq. Rick said this loan program provided an affordable financing option which enabled him to make much needed improvements to his restaurant.

Leo Enos, owner of Enos Landscaping since 1991 in Lancaster, New Hampshire recently took advantage of the Patriot Express loan program by borrowing funds to purchase snow plowing and sanding equipment. Even though Enos is a landscaper by trade, offering construction, maintenance and installation services, he also runs a snow plowing/sanding and snow removal business during the winter months. He indicated that this loan program made it possible for him to make the necessary upgrades for his winter business. Leo has served 20 years in the Army National Guard and was stationed in Afghanistan from June 2004-August 2005.

If you or someone you know is a veteran or member of the military community and has a lending need that relates to business initiatives, contact a commercial lender at any Passumpsic Savings Bank location or call the Bank at 1-800-370-3196.

Food for Thought

Passumpsic Savings Bank teamed up with our customers during our Customer Appreciation Day in mid-December to collect non-perishable food items for food shelves throughout the Bank's market area. Over 1,800 pounds of food were donated by Bank staff and customers and distributed to the following eleven food shelves—
Vermont: Danville, Open Door Food Pantry; St. Johnsbury, Kingdom Community Services and Northeast Kingdom Community Action; Lyndonville, Lyndon Food Shelf; Sheffield, Sheffield Food Pantry; Island Pond, Island Pond Food Shelf; Newport, Northeast Kingdom Community Action; New Hampshire: Littleton, Tri-County Community Action and All Saints Church; Lancaster, Lancaster Food Pantry and Groveton, St. Francis Food Pantry. Pictured are some of the deliveries made by Bank staff.



Mary Cote (center) Branch Manager, and Kristine Brill (right) Personal Banker from Danville branch, present Ollie Wolfson at The Open Door Food Pantry with food and funds collected during the food drive.



Dianne Lambert, (left) Branch Manager, Lyndonville, drops off food to Debbie Minor, cochair for the Lyndon Food Shelf. The Shelf serves over 500 families in Lyndon, Burke and surrounding communities.



Carmen Menard (left) presents Reverend Noel Bailey at All Saints Church Food Shelf in Littleton with food. The emergency food cupboard is a community-wide program sponsored by local churches, organizations and individuals that help people in need in Littleton and surrounding communities.



Helen Sherburne, Loan Servicing Rep (left) and Angela Perry, Personal Banker/St. Johnsbury Center Branch (far right) join Kingdom Community Services (KCS) food shelf volunteers (left to right) Bethany Matyas, Fran Merchant, and Joan Lintin in St. Johnsbury while delivering food from the Bank's food drive. KCS serves an average of 500 people per month.

Stay Alert! Don't be Scammed

WASHINGTON, December 21, 2007—The Internal Revenue Service today warned taxpayers to beware of several current e-mail and telephone scams that use the IRS name as a lure. The IRS expects such scams to continue through the end of tax return filing season and beyond.

The IRS cautioned taxpayers to be on the lookout for scams involving proposed advance payment checks. Though the government has enacted an economic stimulus package in which the IRS will provide advance payments, known informally as rebates to many Americans, a scam which uses the rebates as bait has already cropped up.

The goal of the scams is to trick people into revealing personal and financial information, such as social security, bank account or credit card numbers, which the scammers can use to commit identity theft.

Most of these fraudulent activities can be committed electronically from a remote location, including overseas. Committing these activities in cyberspace allows scamsters to act quickly and cover their tracks before the victim becomes aware of the theft.

Some of the most recent scams, consumers receive bogus phone calls or emails from someone claiming to be from the IRS. They use "extra rebates" or "refunds" as bait to get the consumer to reveal bank account information, social security numbers, and other non-public personal information.

The IRS does not gather information by the telephone, nor do they send unsolicited emails about tax accounts to taxpayers. Filing a tax return is the only way to apply for a tax refund; there are no separate application forms that would be sent by unsolicited email.

The only official IRS web site is located at www.irs.gov. Anyone wishing to access the IRS web site should initiate

contact by typing the IRS.gov address into their Internet address window, rather than clicking on a link in an email or opening an attachment. Those who have received a questionable email claiming to come from the IRS may forward it to a mailbox the IRS has established to receive such emails, phishing@irs.gov. This will help the IRS track the suspicious e-mail to its origins and shut down the scam. Those who have received a questionable telephone call that claims to come from the IRS may also use the phishing@irs.gov mailbox to notify the IRS of the scam.

Reprinted with permission from www.irs.gov/newsroom/article/0,,id=178061,00.html IR-2008-11, Jan. 30, 2008. For details on each of these tax scams, go to www.irs.gov and click on the "News" tab to access this article. More information on identity theft, phishing and telephone scams using the IRS name, logo or spoofed (copied) web site is available on this web site. Enter the terms "phishing," "identity theft" or "e-mail scams" into the search box in the upper right corner of the front page.