

March 5, 2009

Via electronic mail to SIGTARP.response@do.treas.gov and Certified U.S. Mail

Mr. Neil M. Barofsky
Special Inspector General - TARP
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

**Re: SIGTARP Request for Information from
MainSource Financial Group, Inc. (“MainSource”), Greensburg, Indiana
UST Seq. No. 423**

Dear Mr. Barofsky,

This letter is being submitted to you in response to your letter dated February 6, 2009, in which you requested that MainSource provide certain information regarding the funds it received through the Capital Purchase Program (“CPP”) of the Troubled Asset Relief Program under the Emergency Economic Stabilization Act of 2008 (“EESA”) and compliance with EESA’s executive compensation requirements.

MainSource is a financial services holding company headquartered in Indiana with approximately \$2.9 billion in assets. MainSource currently has 85 branches located in the states of Indiana, Illinois, Ohio and Kentucky, the majority of which are located in non-metropolitan areas.

The following is information in response to your request.

FUNDS RECEIVED UNDER CPP

1. (a) Anticipated Use of CPP Funds.

MainSource’s first priority in issuing the preferred stock to U.S. Department of the Treasury (“Treasury”) was to bolster its capital ratios. We were concerned that the severe recession would continue to deteriorate. While MainSource’s capital ratios were satisfactory, they were on the lower end relative to Midwest peers. At the same time, our nonperforming assets continued to deteriorate and at year end were slightly worse than peer, placing more pressure on earnings as a result of higher provision expense. The additional capital strengthens MainSource’s capital ratios significantly in a very difficult operating environment.

The second priority use of the CPP funds was to insure that MainSource could continue to be an active lender to consumers and businesses in the markets the bank serves. Lending is one of the core functions of a bank and one of the primary drivers of income. In a period when many banks are shrinking their assets to bring their capital ratios in line, the CPP enables MainSource to continue to focus on lending. From September 30, 2008 through January 31, 2009, MainSource has grown its loan portfolio from \$1.95 billion to \$2.0 billion or 6.9% on an annualized basis. We will continue to work to be an active lender in its markets. Without the funds, the bank may have decided to shrink its balance sheet like many of its Midwest competitors.

(b) (4)

1. (b) Whether CPP Funds were Segregated.

The \$57 million MainSource received on January 16, 2009 in exchange for the issuance of preferred stock and a warrant to purchase shares of MainSource common stock was deposited into a MainSource non-segregated account.

1. (c) Actual Use of CPP Funds to Date.

The CPP funds have been used in the following ways to date:

- 1.) Supporting the \$45 million in loan growth that occurred immediately before the funds were received as well as from the period beginning on the closing of the CPP transaction (January 16, 2009) to present (this was discussed in item 1. (a.) above);
- 2.) MainSource used \$10 million to pay off a loan to its lender. Due to MainSource's increase in nonperforming assets, loan covenants, at the end of the third quarter of 2008, were not met. (b) (4)
After receiving the CPP funds, MainSource paid the loan in full.

1. (d) Expected Use of Unspent CPP Funds.

- 1.) MainSource expects to use the additional CPP funds to complete a branch purchase. On January 21, 2009, MainSource entered into an agreement with American Founders Bank (AFB) of Lexington, Kentucky to purchase its three branches located in Frankfort and Lawrenceburg, Kentucky (a copy of the press release announcing the purchase is attached). The purchase includes approximately \$5 million in fixed assets, \$70 million in loans and \$100 million in deposits. MainSource is selling to AFB its one location in

Louisville, Kentucky, with approximately \$4 million in loans and \$14 million in deposits. The net transaction will increase MainSource's loans by \$66 million and deposits by \$86 million. Total assets will increase by \$86 million. Projected CPP funds to be used for the purchase are \$9 million.

American Founders Bank is the number two market share leader in Frankfort, Kentucky, but it has been under a Cease and Desist order by its regulator since February 22, 2007. As a result, it has been limited in its ability to provide loans to consumers and businesses in the Frankfort and Lawrenceburg market areas. The proposed transaction will enable MainSource to replace AFB in the market and provide competitive loan products to the community. MainSource expects to close on this transaction during the second quarter of 2009.

- 2.) We currently intend to use the remaining CPP funds to continue lending and support our level of capital through this very difficult economic period.

EXECUTIVE COMPENSATION REQUIREMENTS UNDER EESA

Implementation of Executive Compensation Requirements. In connection with the analysis of participating in the CPP, our management team took the following actions related to the Executive Compensation Restrictions:

- Identified SEOs;
- Identified Benefit Plans in which SEOs participate;
- Reviewed waiver of claims by SEOs;
- Reviewed Benefit Plans to determine compliance with the executive compensation restrictions under EESA and the CPP (the "Executive Compensation Restrictions") and the impact of non-deductibility under Code Section 162(m)(5) for compensation paid to a SEO in excess of \$500,000; and
- Considered amendments to Benefits Plans for compliance with the Executive Compensation Restrictions.

On February 17, 2009, the President of the United States signed into law The American Recovery and Reinvestment Act of 2009 ("ARRA") which imposes certain limitations on payments and benefits that are available to the SEOs and certain highly compensated employees of financial institutions that receive financial assistance under EESA. MainSource is currently assessing the impact of ARRA on the Executive Compensation Restrictions. The final assessment can not be completed until after Treasury has promulgated regulations with respect to the executive compensation changes under ARRA.

How Limitations will be Implemented. *Amendment to Benefit Plans.* At the closing of the CPP transaction, MainSource entered into letter agreements as approved by the Board of Directors with each of its Senior Executive Officers on January 16, 2009 to address the

following: (i) prohibit any Golden Parachute Payment to the SEOs during the time that Treasury holds an equity or debt position acquired from MainSource in the CPP; (ii) acknowledge that any bonus and incentive compensation paid to an SEO during a CPP Covered Period is subject to recovery or “clawback” by MainSource if the payments were made on materially inaccurate financial statements or any other materially inaccurate performance metric criteria; (iii) amend each of MainSource’s Benefit Plans to give effect to the limitations set forth in (i) and (ii) above; and (iv) obtain agreement from each SEO to negotiate, in good faith, any other changes necessary to any Benefit Plan so as to not encourage unnecessary and excessive risks. A form of the letter agreement entered into with each SEO is attached hereto for your reference.

Unnecessary and Excessive Risk Review. The Compensation Committee is currently scheduled to meet with MainSource’s risk officers on March 16, 2009, which is within the 90 days required by the CPP. At this meeting the Compensation Committee and the risk officers will discuss each element of MainSource’s executive compensation program and determine whether any of those elements encourage officers or employees of MainSource to take unnecessary or excessive risks. If necessary to remove any such encouragement, the Compensation Committee will take steps to amend the compensation plans as it determines necessary. The Compensation Committee will also present its findings to the Board of Directors. Pursuant to 31 C.F.R. 30.5(b), the Compensation Committee is required to certify that it has completed the reviews of the SEO incentive compensation arrangements, as outlined above, in the Compensation Committee Report required pursuant to Item 407(e) of Regulation S-K under the federal securities laws (17 C.F.R. 229.407). MainSource intends to comply with this requirement in connection with its proxy statement for the 2009 Annual Meeting of Shareholders.

Changes to Award Agreements. In connection with the recent granting of incentive stock options by MainSource, the award agreements related to such grants now include provisions permitting the Compensation Committee to unilaterally amend or terminate the award agreements in the event that the award agreements are determined to be prohibited by EESA.

Whether Limitations May be Offset. MainSource did not make changes to other longer-term or deferred forms of Senior Executive Officer compensation to offset the limitations set forth herein.

As used in this letter, the following terms shall have the following meanings:

- a. “Benefit Plans” means each of MainSource’s compensation, bonus, incentive and other benefits plans, arrangements and agreements.
- b. “Compensation Committee” means the Compensation Committee of the Board of Directors of MainSource.
- c. “CPP Covered Period” shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. §30.10.

- d. “Golden Parachute Payment” is used with the same meaning as in Section 111(b)(2)(C) of EESA.
- e. “Senior Executive Officer” or “SEO” means MainSource’s “senior executive officers” defined in subsection 111(b)(3) of the EESA.

By signing below, I hereby certify the accuracy of all statements, representations and supporting information contained in this letter, subject to the requirements and penalties set forth in 18 U.S.C. 1001.

Very truly yours,

Archie M. Brown, Jr.
President and Chief Executive Officer

APPENDIX INDEX

(b) (8)

Press release regarding participation in the Capital Purchase Program
Press release regarding the American Founders Bank branch purchase
Board Resolutions approving participation in the Capital Purchase Program
Form of SEO letter agreement

(b) (8)

MAINSOURCE FINANCIAL GROUP, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

WHEREAS, on October 29, 2008, the Board of Directors of MainSource Financial Group, Inc. (the “Company” and such Board of Directors being the “Board”) approved resolutions authorizing the Company to file an application with the U.S. Department of Treasury (“Treasury”), under the TARP Capital Purchase Program (the “Program”) for the sale to Treasury of up to \$57 million aggregate liquidation amount of senior preferred stock of the Company (the “Preferred Shares”); and

WHEREAS, on December 15, 2008, Treasury notified the Company of its preliminary approval to participate in the Program; and

WHEREAS, the Board believes it is in the best interests of the Company and its shareholders for the Board to approve and authorize the Company’s sale of Preferred Shares to Treasury and to establish the amount of its investment; and

WHEREAS, the Board further believes it is in the best interests of the Company and its shareholders for the Board to approve the standard form of Letter Agreement and related documents, including the Securities Purchase Agreement Standard Terms, the form of Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, and the form of Warrant to Purchase Common Stock, required to be executed and delivered by participants in the Program; and

WHEREAS, pursuant to the Company’s Restated Articles of Incorporation, the Board of Directors may establish the designations, relative rights, preferences, powers, qualifications, limitations and restrictions granted to or imposed upon a class of preferred shares without approval by the shareholders of the Company; and

WHEREAS, the Board believes it is in the best interests of the Company to amend the Company’s Restated Articles of Incorporation to create a series of preferred stock consistent with the terms specified in the form Certificate of Designations issued by Treasury under the Program; and

WHEREAS, as a condition to participation in the Program, the Company must enter into an agreement with its “Senior Executive Officers,” as such term is defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 (the “2008 Act”), whereby the Senior Executive Officers and the Company shall modify or terminate all benefit plans, arrangements and agreements (including golden parachute agreements) to the extent necessary to comply with the executive compensation and corporate governance requirements of Section 111 of the 2008 Act and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of the Company’s participation in the Program; and

WHEREAS, Company and the Senior Executive Officers will be bound by Section 111 of the 2008 Act and any guidance or regulations issued by the Secretary of the Treasury on or prior

to the date of the Company's participation in the Program as long as the Treasury holds any equity or debt securities of the Company; and

WHEREAS, counsel to the Company has prepared a letter agreement to be executed by the Company and each Senior Executive Officer to accomplish the provisions set forth in the preceding recitals (the "SEO Letter Agreement").

APPROVAL OF TARP PARTICIPATION AMOUNT; APPROVAL OF SERIES A PREFERRED SHARES AND WARRANTS

NOW, THEREFORE, BE IT RESOLVED, that the Company is hereby authorized to sell [\$57 million] aggregate liquidation amount of Preferred Shares to Treasury under the Program all in accordance with the terms set forth in these resolutions; and

RESOLVED, FURTHER, that the standard form of Letter Agreement, together with the Securities Purchase Agreement Standard Terms and Conditions attached as Exhibit A to the Letter Agreement (together the "Letter Agreement"), that is required to be executed and delivered by participants in the Program, is hereby approved; and

RESOLVED, FURTHER, that pursuant to the authority vested in the Board in accordance with the provisions of the Restated Articles of Incorporation, a series of Preferred Stock, no par value, of the Company ("Series A Preferred Stock") be and hereby is created for purposes of issuing such Preferred Shares to Treasury, and the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such Series A and the qualifications, limitations and restrictions thereof shall be as set forth in the standard form of TARP Capital Purchase Program – Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock ("Certificate of Designations") required to be executed by participants in the Program, such creation of Series A Preferred Stock to be effective upon filing with the Indiana Secretary of State of an amendment to the Company's Articles of Incorporation, as amended and restated to the date thereof, setting forth the terms, conditions, qualifications and limitations of the Series A Preferred Stock; and

RESOLVED, FURTHER, that the Company hereby establishes a series of warrants to purchase common stock of the Company on the terms and conditions set forth in the standard form of Warrant required to be executed by participants in the Program ("Series A Warrants" and, together with the Series A Preferred Stock and the common stock of the Company issuable upon exercise of the Series A Warrants, the "Series A Securities"); and

RESOLVED, FURTHER, that the Series A Warrant, a copy of which is attached hereto as Exhibit A, which is required to be issued and delivered by the Company in connection with its participation in the Program, is hereby approved; and

RESOLVED, FURTHER, that the Company is authorized to issue, sell and deliver the Series A Warrant to purchase the number of shares of common stock of the Company having an aggregate market price equal to fifteen percent (15%) of the aggregate liquidation amount of Series A Preferred Stock issued by the Company; and

RESOLVED, FURTHER, that the Company is authorized to reserve, issue and deliver up to the aggregate number shares of common stock of the Company issuable upon exercise, and payment of the consideration agreed therefor, of the Series A Warrants; and

AMENDMENT OF ARTICLES OF INCORPORATION

RESOLVED, FURTHER, that Article II of the Company's Restated Articles of Incorporation is hereby amended as set forth in Exhibit B attached hereto to designate the terms of the Company's Series A Preferred Stock; and

RESOLVED, FURTHER, that upon approval of the amendment to the Company's Articles of Incorporation, the officers of the Company, and each of them acting alone, are hereby severally authorized and empowered, for and on behalf of the Company, to execute articles of amendment of the Company's Restated Articles of Incorporation reflecting the amendment so approved and to file such articles of amendment with the Indiana Secretary of State; and

RESOLVED, FURTHER, that the Officers, and each of them acting alone, are hereby severally authorized and empowered, for and on behalf of the Company, to do, or cause to be done, any and all other acts and things and to execute, deliver and file any and all other certificates, documents and writings in connection with the amendment to the Company's Articles of Incorporation approved by the Board of Directors, including, without limitation, filing amended Articles of Incorporation of the Company with the Securities and Exchange Commission and the NASDAQ Stock Market, LLC ("NASDAQ"); and all such acts, things, certificates, documents and writings shall be those of the Company for all purposes and they are hereby approved, ratified and confirmed in all respects; and

APPROVAL OF SEO LETTER AGREEMENT

RESOLVED, FURTHER, that the SEO Letter Agreement is hereby approved and adopted in substantially the form attached hereto as Exhibit C with such changes as the person executing the same on behalf of the Company shall approve, as conclusively evidenced by the execution thereof;

RESOLVED, FURTHER, that the Chairman of the Board of Directors of the Company or his designee, and each of them alone, is hereby severally authorized and empowered, on behalf of the Company and in its name, to (i) cause to be executed the SEO Letter Agreement with each Senior Executive Officer, and (ii) obtain the signatures of each Senior Executive Officer on his or her respective SEO Letter Agreement; and

EXECUTION OF AGREEMENTS AND DOCUMENTS; OTHER ACTS.

RESOLVED, that the Chief Executive Officer and Chief Financial Officer of the Company (each an "Officer" and, collectively, the "Officers"), and each of them alone, are hereby severally authorized and empowered, on behalf of the Company and in its name, to prepare, execute and file, or cause to be prepared, executed and filed, all agreements (including, without limitation, the Letter Agreement), amendments, certificates, letters, applications and any other

documents or writings in connection with the Company's participation in the Program or that may be required to be filed with the SEC under the 1933 Act and the Securities Exchange Act of 1934, as amended, with respect to the registration, offering, issuance, sale and trading of the Series A Securities (any such document to be in such form and to contain such terms and provisions as the person executing the same shall approve, with such approval to be conclusively evidenced by the execution thereof), and to take any and all action that the Officer or Officers taking such action shall approve in connection therewith, with such approval being conclusively evidenced by the taking of such action; and

RESOLVED, FURTHER, that the Officers, and each of them acting alone, are hereby severally authorized and empowered, for and on behalf of the Company, to designate, or cause to be designated, the Form S-3 registration statement previously approved by the Board as the applicable registration statement pursuant to which the Series A Preferred Stock and shares of common stock underlying the Series A Warrant may be registered by the Company with the SEC and sold by Treasury; and

RESOLVED, FURTHER, that subject to the satisfaction of the requirements of the 1933 Act and the applicable state securities or Blue Sky laws and compliance with the applicable terms and conditions established by these resolutions, the Company shall reserve, issue and sell the Series A Securities pursuant to the terms of the Letter Agreement against payment of the agreed consideration therefor, and the Officers, and each of them alone, and the Corporate Secretary or Treasurer are hereby authorized and empowered to execute certificates representing the Series A Securities, as the case may be, and that, if necessary, the Corporate Secretary or an Assistant Secretary of the Company, and each of them singly, are hereby severally authorized and empowered to affix the corporate seal to such Series A Securities and to attest the same, and then to deliver the Series A Securities to the Treasury or its designee in accordance with the Letter Agreement or the Series A Warrant, as the case may be; and

RESOLVED, FURTHER, that each of the Officers is hereby severally authorized and empowered, on behalf of the Company and in its name, to prepare, or cause to be prepared, verify, sign and file or cause to be filed, applications on behalf of the Company with NASDAQ or such other securities markets or exchanges as any such Officer(s) may determine, for the inclusion therein or listing or trading thereon of any, or all of the Series A Securities; and that any such Officer is authorized to appear before any officials or committees or other similar bodies of such markets or exchanges, and to execute and deliver any and all papers and agreements, including amendments thereto, specifically, including listing agreements and indemnity agreements for the benefit of such markets or exchanges relating to the use of facsimile signatures, and to do any and all things which may be necessary, advisable or appropriate, including filing with the SEC, to effect such inclusion or listings or trading; and

RESOLVED, FURTHER, that the Officers and the Corporate Secretary, and each of them alone, are hereby authorized and directed to prepare and execute any and all papers, letters, certificates, agreements, documents and instruments, in addition to those hereinbefore mentioned, in the name and on behalf of the Company, to make any and all payments, to retain and employ counsel, independent public accountants and others whose services may be necessary or desirable in connection with the issuance and sale of the Series A Securities and to

do and perform, or cause to be done and performed, any and all such other acts and things as the Officers or the Corporate Secretary, or any one of them, may deem necessary or advisable in connection with the Company's offer, issuance and sale of the Series A Securities or in order to carry out the purposes and intent of the foregoing resolutions.

CERTIFICATE OF SECRETARY. I, James M. Anderson, being the duly elected, qualified and acting Secretary of MainSource Financial Group (the "Corporation"), do hereby certify that set forth above is the complete and exact text of resolutions duly adopted at the board of directors meeting held on January 6, 2009, at which a quorum was present and acting throughout, and that such resolutions have not been amended or rescinded and are in full force and effect in the form adopted.

(SEAL)

Date: June 24, 2008

James M. Anderson, Secretary

January 13, 2009

Via Hand Delivery

[Senior Executive Officer Name and Address]

Dear [Senior Executive Officer],

MainSource Financial Group, Inc. (the "Company") anticipates entering into a Securities Purchase Agreement (the "Investment Agreement"), with the United States Department of Treasury (the "Treasury") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "CPP"). If the Company does not participate or ceases at any time to participate in the CPP, this letter shall be of no further force and effect.

For the Company to participate in the CPP and as a condition to the closing of the investment contemplated by the Investment Agreement, the Company is required to establish specified standards for incentive compensation to its senior executive officers and to make changes to its compensation arrangements. To comply with these requirements, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP, you agree as follows:

1. **No Golden Parachute Payments.** The Company is prohibiting any Golden Parachute Payment to you during any "CPP Covered Period." A "CPP Covered Period" is any period during which (A) you are a Senior Executive Officer and (B) the Treasury holds an equity or debt position acquired from the Company in the CPP.
 2. **Recovery of Bonus and Incentive Compensation.** Any bonus and incentive compensation paid to you during a CPP Covered Period is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
 3. **Compensation Program Amendments.** Each of the Company's compensation, bonus, incentive, deferred compensation and other benefit plans, arrangements and agreements (including golden parachute, severance, change in control and employment agreements) (collectively, "Benefit Plans") with respect to you is hereby amended to the extent necessary to give effect to Provisions 1 and 2 above. For reference, certain affected Benefit Plans are set forth in Appendix A to this letter.
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The Company is also required to review its Benefit Plans to ensure that they do not encourage Senior Executive Officers to take unnecessary and excessive risks that threaten the value of the Company. To the extent any such review requires revisions to any Benefit Plan with respect to you, you and the Company agree to negotiate such changes promptly and in good faith so as to not encourage unnecessary and excessive risks.

The letter shall be interpreted in light of the following definitions:

- a. "Senior Executive Officer" means the Company's "senior executive officers" as defined in subsection 111(b)(3) of the EESA.
- b. "Golden Parachute Payment" is used with same meaning as in Section 111(b)(2)(C) of EESA.
- c. "EESA" means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation issued by the Department of the Treasury and as published in the Federal Register on October 20, 2008.
- d. The term "Closing Date" means the date the transaction between the Company and the Treasury closes.
- e. The term "Company" includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date). You are also delivering a Waiver pursuant to the Investment Agreement, and, as between the Company and you, the term "employer" in that waiver will be deemed to mean the Company as used in this letter.
- f. The term "CPP Covered Period" shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.10 (as in effect on the Closing Date).

Provisions 1 and 2 of this letter are intended to, and will be interpreted, administered and construed to comply with Section 111 of the EESA (and, to the maximum extent consistent with the preceding, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter). To the extent not subject to federal law, this letter will be governed by and construed in accordance with the laws of the State of Indiana. This letter may be executed in two or more counterparts, each of which will be deemed to be an original. A signature transmitted by facsimile will be deemed an original signature.

The Company's Board of Directors appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times

Yours sincerely,

MAINSOURCE FINANCIAL GROUP, INC.

By: _____
Robert E. Hoptry, Chairman of the Board

Intending to be legally bound, I agree with and accept the foregoing terms on the date set forth below

[Senior Executive Officer]

Date

Exhibit 99.1

NEWS RELEASE

DATE: December 17, 2008 4:30 p.m. E.S.T
CONTACT: Archie M. Brown, Jr., President and CEO
MainSource Financial Group, Inc.

**MainSource Financial Group Receives Preliminary
Approval to Participate in the Voluntary Capital Purchase Program**

Greensburg, Indiana (NASDAQ: MSFG) Archie M. Brown, Jr., President and CEO of MainSource Financial Group announced today that it has received preliminary approval from the U.S. Department of Treasury to participate in the Treasury's Capital Purchase Program. The Capital Purchase Program, announced by the U.S. Treasury on October 14, 2008, is a voluntary program under which Treasury will purchase up to \$250 billion in senior preferred stock and warrants from qualifying healthy financial institutions. As a participant in this Program, MainSource can issue to the U.S. Treasury up to \$57 million in senior preferred shares and warrants to purchase MainSource common stock in the amount of 15% of the senior preferred. Receipt of the funding under the Program remains subject to the approval of MainSource's Board of Directors, acceptance of the terms of the securities purchase agreement and related documents and satisfaction of certain closing conditions.

Mr. Brown stated, "The program is aimed at healthy banks and we are pleased that we have been selected to participate. MainSource is already well-capitalized, but additional capital would increase our ability to meet the needs of our customers and the communities we serve. It would also benefit our shareholders by providing the capital base for us to expand our market share in a sound manner and build shareholder value. For these reasons our Board of Directors will continue to consider the possibility of participation and to examine and evaluate the program details."

He continued, "Over the years, MainSource has remained committed to its core business strategy of community banking which emphasizes working with consumers and owner-managed businesses in the local communities that we serve. Participation in this program would allow us to expand our services to these communities and allow for growth and opportunity during these challenging economic times."

MainSource Financial Group, Inc. is a community-focused, financial services holding company with assets exceeding \$2.8 billion. The Company operates 85 banking offices through its three banking subsidiaries, MainSource Bank, Greensburg, Indiana, MainSource Bank of Illinois, Kankakee, Illinois, and MainSource Bank-Ohio, Troy, Ohio. The Company's non-banking subsidiaries, MainSource Insurance, LLC and MainSource Title, LLC, provide related financial services

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NEWS RELEASE

DATE: January 22, 2009 9:00 am EST
CONTACT: Daryl R. Tressler, Chairman, President and CEO
MainSource Bank - 812-663-6734
Mike Balog, VP/Director of Marketing
American Founders Bank - 859-367-3744



MainSource Bank Expands Its Presence in Kentucky

MainSource Bank, Greensburg, Indiana – Daryl R. Tressler, Chairman, President and Chief Executive Officer of MainSource Bank today announced that MainSource Bank will expand its presence in Kentucky with the purchase of three branch locations from American Founders Bank, Inc. ("AFB"). The transaction includes two branch locations in Frankfort, Kentucky and one branch location in Lawrenceburg, Kentucky. In total, the purchase includes approximately \$70 million in loans and \$100 million in deposits. MainSource Bank currently maintains a presence in Mercer and Anderson counties in Kentucky. In exchange, MainSource Bank will sell its branch located in Jefferson County, Kentucky, including certain associated loans and deposits, to American Founders Bank.

Mr. Tressler stated, "This acquisition is a strategic opportunity for MainSource Bank to expand relationships in our Kentucky markets. The locations of these branches provide a natural extension of our footprint and are located in communities that fit our core business strategy. In addition, we are eager to expand our brand of community banking and its focus on local-decision making to the residents of Frankfort and the surrounding areas. We believe this acquisition will allow MainSource Bank to be a stronger financial institution and demonstrates our commitment to growth and opportunity in this area."

"This acquisition continues our long-range strategy of investing in markets with high growth potential for AFB," stated John T. Taylor, President and CEO of American Founders Bank. "AFB has successfully served the Louisville market from our North Hurstbourne location since 2007 and we are pleased to bring our customer-focused approach to banking to more consumers and businesses in Jefferson County."

The agreement calls for the Frankfort and Lawrenceburg offices to become a part of MainSource Bank, which is a wholly owned subsidiary of MainSource Financial Group. The Louisville office will become part of American Founders Bank, which is a wholly owned subsidiary of American Founders Bancorp, Inc. The transaction, which is expected to close in the second quarter of 2009, is subject to regulatory approval and other closing conditions.

MainSource Bank is a subsidiary of MainSource Financial Group, Inc., which is also headquartered in Greensburg, Indiana. MainSource Financial Group is listed on the NASDAQ National Market (under the symbol "MSFG") and is a community-focused, financial holding company with assets of approximately \$2.9 billion. The Company operates 69 offices in 32 Indiana counties, 6 offices in 3 Illinois counties, 4 offices in 3 Kentucky counties, and 6 offices in 2 Ohio counties through its three banking subsidiaries: MainSource Bank, Greensburg, Indiana, MainSource Bank of Illinois, Kankakee, Illinois, and MainSource Bank - Ohio, Troy, Ohio. Through its non-banking subsidiaries, MainSource Insurance LLC, and MainSource Title LLC, the Company and its banking subsidiaries provide various related financial services.

American Founders Bancorp, through its subsidiary American Founders Bank, currently has nine financial centers in Lexington (4), Louisville, Shelbyville, Frankfort (2) and Lawrenceburg, Kentucky. A Kentucky-based institution, AFB was founded in 2001 and acquired First Security Bank of Lexington in 2006. It had assets of over \$500 million as of September 30, 2008.

Forward-Looking Statements

Except for historical information contained herein, the discussion in this press release may include certain forward looking statements based upon management expectations. Actual results and experience could differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. Factors which could cause future results to differ from these expectations include the following: general economic conditions; legislative and regulatory initiatives, monetary and fiscal policies of the federal government; deposit flows; the cost of funds; general market rates of interest; interest rates on competing investments; demand for loan products; demand for financial services; changes in accounting policies or guidelines; changes in the quality or composition of the Company's loan and investment portfolios; the Company's ability to integrate acquisitions; the impact of our continuing acquisition strategy; and other factors, including various "risk factors" as set forth in our most recent annual report on Form 10-K and in other reports we file from time to time with the Securities and Exchange Commission. These reports are available publicly on the SEC website, www.sec.gov, and on the Company's website, www.mainsourcefinancial.com.