



**Scott C. Harvard**  
President/CEO

Corporate Office  
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August 23, 2012

United States Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Ladies and Gentlemen,

Reference is made to that certain Letter Agreement incorporating the Securities Purchase Agreement – Standard Terms (the “Securities Purchase Agreement”) between the United States Department of the Treasury (“Treasury”) and First National Corporation (the “Company”). Pursuant to the Securities Purchase Agreement, at the Closing, the Company issued to Treasury shares of its preferred stock (the “Preferred Shares”) and a warrant to purchase additional Preferred Shares that was immediately exercised for such additional Preferred Shares. This letter agreement is being delivered in connection with the sale by Treasury of the Preferred Shares (the “Sale”).

*1. Definitions*

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Securities Purchase Agreement. In addition, for purposes of this letter (i) “Compensation Regulations” means any guidance, rule or regulation, as the same shall be in effect from time to time, promulgated pursuant to or implementing Section 111 of the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009, or otherwise from time to time and (ii) “Relevant Period” means the period in which any obligation of the Company arising from financial assistance under the Troubled Asset Relief Program remains outstanding, as it may be further described in the Compensation Regulations.

*2. Remaining Certification and Disclosure Requirements*

The Company hereby acknowledges and agrees to comply with the certification and disclosure requirements set forth in the Compensation Regulations, including without limitation those submissions that are required with respect to the final portion of the Relevant Period (see, for example, Section 30.7(c), Sections 30.11(b) and (c) and Section

30.15(a)(3) of the Compensation Regulations and FAQ-14 in the Frequently Asked Questions to the Compensation Regulations, available at [www.financialstability.gov](http://www.financialstability.gov)).

3. *Transferability Restrictions Related to Long-Term Restricted Stock*

Additionally, the Company hereby acknowledges that any long-term restricted stock (as defined in Section 30.1 of the Compensation Regulations) awarded by the Company (i) may not vest until the minimum two-year service requirement is satisfied, and (ii) may not become transferable, or payable in the case of a restricted stock unit, at any time earlier than as permitted under the schedule set forth in the definition of long-term restricted stock in Section 30.1 of the Compensation Regulations (see FAQ-15 in the Frequently Asked Questions to the Compensation Regulations, available at [www.financialstability.gov](http://www.financialstability.gov)). In the event that any long-term restricted stock awarded by the Company will not become transferable, or payable in the case of a restricted stock unit, under the terms of the Compensation Regulations, the Company shall promptly cancel such long-term restricted stock and/or restricted stock units.


4. *Governing Law*

This letter agreement will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

*[Remainder of page left intentionally blank. Signature page follows.]*

IN WITNESS WHEREOF, this letter agreement has been duly executed  
by the parties as of the date first written above.

FIRST NATIONAL CORPORATION

  
Name: Scott C. Harvard  
Title: President and Chief Executive Officer

UNITED STATES DEPARTMENT OF  
THE TREASURY

By: \_\_\_\_\_  
Name: Timothy G. Massad  
Title: Assistant Secretary for Financial Stability

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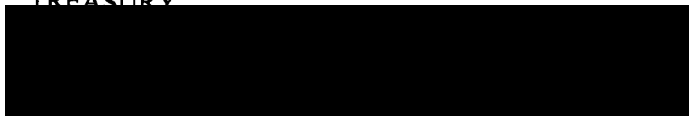
FIRST NATIONAL CORPORATION

By: \_\_\_\_\_

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