Packard Ronald J
Form 4
June 10, 2011

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Packard Ronald J

(Last) (First) (Middle)

2300 CORPORATE PARK DRIVE

(Street)

HERNDON, VA 20171

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
K12 INC [LRN]

3. Date of Earliest Transaction (Month/Day/Year)
06/08/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/08/2011		M		12,300	A	$ 7.65	252,000	I	2006 Packard Investment Partnership L.P.
Common Stock	06/08/2011		S (1)		12,300	D	$ 32.47 (2)	239,700	I	2006 Packard Investment Partnership L.P.
Common Stock	06/09/2011		M		5,700	A	$ 7.65	245,400	I	2006 Packard

									Investment Partnership L.P.
Common Stock	06/09/2011		S[(1)]	5,700	D	$ 32.77 [(3)]	239,700	I	2006 Packard Investment Partnership L.P.

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (right to buy)	$ 7.65	06/08/2011		M			12,300	07/27/2006	12/31/2012	Common Stock	12,300
Employee Stock Option (right to buy)	$ 7.65	06/09/2011		M			5,700	07/27/2006	12/31/2012	Common Stock	5,700

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Packard Ronald J 2300 CORPORATE PARK DRIVE HERNDON, VA 20171	X		Chief Executive Officer	

Signatures

/s/ Christopher R. Ryan, attorney-in-fact | 06/10/2011

**Signature of Reporting Person | Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The sale reported in this transaction was effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on September 16, 2009, as amended.

(2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $32.21 to $32.88, inclusive. The reporting person undertakes to provide to K12 Inc., any security holder of K12 Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

(3) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $32.02 to $33.03, inclusive. The reporting person undertakes to provide to K12 Inc., any security holder of K12 Inc., or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. the senior notes on DTC s records. The beneficial ownership interest of each purchaser will be recorded on the appropriate participant s records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners should receive written confirmations of the transactions, as well as periodic statements of their holdings, from the participants through whom they purchased senior notes. Transfers of ownership in the senior notes are to be accomplished by entries made on the books of the participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates for their senior notes of a series, except if use of the book-entry system for the senior notes of that series is discontinued.

To facilitate subsequent transfers, all senior notes deposited by participants with DTC are registered in the name of DTC s nominee, Cede & Co. The deposit of the senior notes with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the senior notes. DTC s records reflect only the identity of the participants to whose accounts such senior notes are credited. These participants may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, and by participants to beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of senior notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the senior notes, such as redemptions, tenders, defaults and proposed amendments to the indenture. Beneficial owners of the senior notes may wish to ascertain that the nominee holding the senior notes has agreed to obtain and transmit notices to the beneficial owners.

Redemption notices will be sent to Cede & Co., as registered holder of the senior notes. If less than all of the senior notes of a series are being redeemed, DTC s practice is to determine by lot the amount of senior notes of such series held by each participant to be redeemed.

Neither DTC nor Cede & Co. will itself consent or vote with respect to senior notes, unless authorized by a participant in accordance with DTC s procedures. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those participants to whose accounts the senior notes are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the senior notes.

Payments of redemption proceeds, principal of, and interest on the senior notes will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC s practice is to credit participants accounts upon DTC s receipt of funds and corresponding detail information from us or our agent, on the payable date in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices. Payments will be the responsibility of participants and not of DTC, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds,

principal and interest to Cede & Co. (or such other nominee as may be requested by DTC) is our responsibility. Disbursement of payments to participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of participants.

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Except as provided in this prospectus supplement, a beneficial owner will not be entitled to receive physical delivery of the senior notes. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the senior notes.

DTC may discontinue providing its services as securities depositary with respect to the senior notes at any time by giving us reasonable notice. In the event no successor securities depositary is obtained, certificates for the senior notes will be printed and delivered. We may decide to replace DTC or any successor depositary. Additionally, subject to the procedures of DTC, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to some or all of the senior notes. In that event or if an event of default with respect to the senior notes has occurred and is continuing, certificates for the senior notes will be printed and delivered. If certificates for the senior notes are printed and delivered,

- those senior notes will be issued in fully registered form without coupons;
- a holder of certificated senior notes would be able to exchange those senior notes, without charge, for an equal aggregate principal amount of senior notes having the same issue date and with identical terms and provisions; and
- a holder of certificated senior notes would be able to transfer those senior notes without cost to another holder, other than for applicable stamp taxes or other governmental charges.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that we believe to be reliable. Neither we nor the underwriters take any responsibility for the accuracy of this information.

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UNDERWRITING

General

Under the terms and conditions set forth in the underwriting agreement dated the date of this prospectus supplement, we have agreed to sell each of the underwriters named below, for whom Morgan Stanley & Co. LLC, Barclays Capital Inc., BNP Paribas Securities Corp. and Goldman, Sachs & Co. are acting as representatives, and each of the underwriters has severally agreed to purchase, the principal amount of senior notes set forth opposite its name below:

Name	Principal Amount of Senior Notes
Morgan Stanley & Co. LLC	$
Barclays Capital Inc.	
BNP Paribas Securities Corp.	
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
Mizuho Securities USA Inc.	
RBS Securities Inc.	
Credit Agricole Securities (USA) Inc.	
Morgan Keegan & Company, Inc.	
Total	$

Under the terms and conditions set forth in the underwriting agreement, the underwriters have committed, subject to the terms and conditions set forth therein, to take and pay for all of the senior notes if any of the senior notes are taken, provided, that under certain circumstances involving a default of an underwriter, less than all of the senior notes may be purchased. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The underwriters initially propose to offer all or part of the senior notes directly to the public at the price to public set forth on the cover page hereof. The underwriters may offer part of the senior notes to certain securities dealers at such price less a concession not in excess of % of the principal amount of the senior notes. The underwriters may allow, and such dealers may reallow certain brokers and dealers, a concession not in excess of % of the principal amount of the senior notes. After the initial offering of the senior notes, the offering price and other selling terms of the senior notes may from time to time be varied by the underwriters.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We estimate that our total expenses for this offering will be approximately $500,000, excluding underwriting discounts and commissions.

The senior notes will constitute a new class of securities with no established trading market. We cannot assure you as to (1) the liquidity of any such market that may develop, (2) the ability of holders of senior notes to sell their senior notes or (3) the price at which the holders of senior notes would be able to sell their senior notes. If such a market develops, the senior notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar debt securities and our business, results of operation, financial condition or prospects. We do not intend to apply for listing of the senior notes on any securities exchange or for inclusion of the senior notes in any automated quotation system.

To facilitate the offering of the senior notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the senior notes. Specifically, they may over-allot in connection with the offering, creating a short position in the senior notes for their own accounts. In addition, to cover over-allotments

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or to stabilize the price of the senior notes, the underwriters may bid for, and purchase, the senior notes in the open market. Finally, the underwriters may reclaim selling concessions allowed to dealers for distributing the senior notes in the offering, if they repurchase previously distributed senior notes in transactions to cover short positions established by them, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price for the senior notes above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the senior notes, or possession or distribution of this prospectus supplement and the accompanying prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Each underwriter shall comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers senior notes or has in its possession or distributes this prospectus supplement and the accompanying prospectus or any other offering material, in all cases, at its own expense.

In relation to each member state of the European Economic Area which has implemented the prospectus directive (each, a relevant member state), each underwriter has severally represented and agreed that with effect from and including the date on which the prospectus directive is implemented in that relevant member state (the relevant implementation date) it has not made and will not make an offer of the senior notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that relevant member state or where appropriate approved in another relevant member state and published and notified to the competent authority in that relevant member state, all in accordance with the prospectus directive as implemented in that relevant member state, until the end date specified in such prospectus, except that it may with effect from and including the relevant implementation date make an offer of such senior notes to the public in that relevant member state:

(a) to legal entities which are authorized or regulated to operate in the financial markers or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the prospectus directive) subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by the issuer for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the prospectus directive,

provided that no such offer of the senior notes referred to above shall require the relevant member state or any underwriter to publish a prospectus pursuant to Article 3 of the prospectus directive or supplement a prospectus pursuant to Article 16 of the prospectus directive.

For purposes of this provision, the expression an offer of the senior notes to the public in relation to any senior notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the senior notes to be offered so as to enable an investor to decide to purchase or subscribe for the senior notes as the same may be varied in that member state by any measure implementing the prospectus directive in that member state, and the expression prospectus directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Each underwriter has severally represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the senior notes in circumstances in which Section 21(1) of the FSMA does not apply to the state and (ii) it has complied and will comply with all

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applicable provisions of the FSMA with respect to anything done by it in relation to the senior notes in, from or otherwise involving the United Kingdom.

Relationships; Conflicts of Interest

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their respective businesses, the underwriters and certain of their affiliates have in the past and may in the future engage in investment banking or other transactions of a financial nature with us and our affiliates, for which they have received or will receive customary compensation. Currently, all of the underwriters, either directly or through affiliates, are lenders under certain Entergy System credit facilities, including our approximately $3.5 billion revolving credit facility described under Use of Proceeds above. In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours and our affiliates. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

We anticipate using the net proceeds of this offering to repay a portion of the outstanding amounts owed by us under our approximately $3.5 billion revolving credit facility, including amounts we owe to the underwriters or their affiliates who have extended to us loans under that credit facility as described under Use of Proceeds above. Accordingly, this offering is being made in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (Rule 5121). Under Rule 5121, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as this offering is of a class of securities that are investment grade rated within the meaning of Rule 5121.

EXPERTS

The financial statements, and the related financial statement schedule, incorporated in this prospectus supplement and the accompanying prospectus by reference from Entergy Corporation s Annual Report on Form 10-K for the year ended December 31, 2010, and the effectiveness of Entergy Corporation s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and financial statement schedule and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting). Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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PROSPECTUS

ENTERGY CORPORATION

DEBT SECURITIES

639 Loyola Avenue

New Orleans, Louisiana 70113

(504) 576-4000

We may from time to time offer to sell our debt securities in one or more offerings. The debt securities may consist of debentures, notes or other types of debt.

This prospectus may be used to offer and sell our debt securities, or securities, only if accompanied by the prospectus supplement for those securities. We will provide the specific information about that offering and the specific terms of those securities in supplements to this prospectus. The supplements may also add, update or change the information in this prospectus. You should read this prospectus and any supplements carefully before you invest.

Investing in the securities offered by this prospectus involves risks. See Risk Factors on page 1.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We may offer the securities directly or through underwriters, agents or dealers. Each prospectus supplement will provide the terms of the plan of distribution for the related securities.

The date of this prospectus is September 10, 2010.

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RISK FACTORS

Investing in the securities involves certain risks. In considering whether to purchase the securities, you should carefully consider the information contained or incorporated by reference in this prospectus. In particular, you should carefully consider the information under the heading Risk Factors as well as the factors listed under the heading Forward-Looking Information, in each case, contained in our Annual Report on Form 10-K for the year ended December 31, 2009, as amended, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, as amended, each of which is incorporated by reference in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of an automatic shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission (the SEC) as a well-known seasoned issuer , as defined in Rule 405 under the Securities Act of 1933 (the Securities Act). By utilizing a shelf registration statement, we may sell, at any time and from time to time, in one or more offerings, the securities described in this prospectus. As allowed by the SEC s rules, this prospectus does not contain all of the information included or incorporated by reference in the registration statement. For further information, we refer you to the registration statement, including its exhibits. Statements contained in this prospectus or any accompanying prospectus supplement about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC s rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

Each time we sell securities we will provide a prospectus supplement containing specific information about the terms of those securities and the related offering. Any prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. It is important for you to consider the information contained in this prospectus, the related prospectus supplement and the exhibits to the registration statement, together with the additional information referenced under the heading Where You Can Find More Information in making your investment decision.

For more detailed information about the debt securities, you can read the exhibits to the registration statement.

ENTERGY CORPORATION

We are an integrated energy company engaged primarily in electric power production and retail electric distribution operations. We own and operate power plants with approximately 30,000 MW of aggregate electric generating capacity, and we are the second-largest nuclear power generator in the United States. We deliver electricity to 2.7 million utility customers in Arkansas, Louisiana, Mississippi and Texas. We generated annual revenues of $10.7 billion in 2009 and currently have more than 15,000 employees.

We operate primarily through two business segments: Utility and Non-Utility Nuclear.

- *Utility* generates, transmits, distributes and sells electric power in service territories in four states that include portions of Arkansas, Mississippi, Texas and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.

- *Non-Utility Nuclear* owns and operates six nuclear power plants located in the northern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

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In addition to our two primary, reportable, operating segments, we also operate the non-nuclear wholesale assets business. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with our market-based point-of-view.

In June 2010, we announced that we plan to integrate the Non-Utility Nuclear and non-nuclear wholesale assets businesses into a new organization called Entergy Wholesale Commodities.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 (the Exchange Act) and, therefore, we are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Our filings are available to the public on the Internet at the SEC s website located at ***http://www.sec.gov***. You may read and copy any document that we file with the SEC at the SEC s public reference room located at:

100 F Street, N.E.

Room 1580

Washington, D.C. 20549-1004

Call the SEC at 1-800-732-0330 for more information about the public reference room and how to request documents.

The SEC allows us to incorporate by reference the information that we file with the SEC, which means we can refer you to important information without restating it in this prospectus.

The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the termination or completion of the offerings contemplated by this prospectus:

1. our Annual Report on Form 10-K for the year ended December 31, 2009, as amended;

2. our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, as amended; and

3. our Current Reports on Form 8-K dated February 25, 2010 (filed February 26, 2010), April 5, 2010 (filed April 5, 2010), May 7, 2010 (filed May 11, 2010), June 7, 2010 (filed June 10, 2010) and August 19, 2010 (filed September 10, 2010).

You may access a copy of any or all of these filings, free of charge, at our web site, which is located at ***http://www.entergy.com***, or by writing or calling us at the following address:

Mark G. Otts

Senior Counsel Corporate and Securities

Entergy Services, Inc.

639 Loyola Avenue

New Orleans, Louisiana 70113

(504) 576-5228

You may also direct your requests via e-mail to motts@entergy.com. We do not intend our Internet address to be an active link or to otherwise incorporate the contents of the website into this prospectus or any accompanying prospectus supplement.

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You should rely only on the information incorporated by reference or provided in this prospectus or any accompanying prospectus supplement. We have not, nor have any underwriters, dealers or agents, authorized anyone else to provide you with different information about us or the securities. We are not, nor are any underwriters, dealers or agents, making an offer of the securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any accompanying prospectus supplement is accurate as of any date other than the date on the front of those documents or that the documents incorporated by reference in this prospectus are accurate as of any date other than the date those documents were filed with the SEC. Our business, financial condition, results of operations and prospects may have changed since these dates.

RATIOS OF EARNINGS TO FIXED CHARGES

We have calculated our ratios of earnings to fixed charges pursuant to Item 503 of Regulation S-K of the SEC as follows:

Six Months Ended		Twelve Months Ended				
June 30	June 30,	December 31,				
2010	2009	2009	2008	2007	2006	2005
3.32	2.98	3.62	3.47	3.17	3.22	3.50

As defined by Item 503(d) of Regulation S-K, earnings represent the aggregate of (a) income before the cumulative effect of an accounting change and before undistributed income of equity investees, (b) taxes based on income, (c) investment tax credit adjustments-net and (d) fixed charges, less preferred security dividend requirements of consolidated subsidiaries and capitalized interest. As defined by Item 503(d) of Regulation S-K, fixed charges includes interest (whether expensed or capitalized), related amortization, estimated interest applicable to rentals charged to operating expenses, and preferred security dividend requirements of consolidated subsidiaries. We accrue interest expense related to unrecognized tax benefits in income tax expense and do not include it in fixed charges.

USE OF PROCEEDS

Unless otherwise stated in the prospectus supplement accompanying this prospectus, we will use the net proceeds from the sale of any securities that may be offered hereby for general corporate purposes. The prospectus supplement relating to an offering will contain a more detailed description of the use of proceeds of any specific offering of securities.

DESCRIPTION OF SECURITIES

We will set forth in the applicable prospectus supplement a description of the securities that may be offered under this prospectus.

PLAN OF DISTRIBUTION

Methods and Terms of Sale

We may use a variety of methods to sell the securities including:

1. through one or more underwriters or dealers;

2. directly to one or more purchasers;

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3. through one or more agents; or

4. through a combination of any such methods of sale.

The prospectus supplement relating to a particular series of the securities will set forth the terms of the offering of the securities, including:

1. the name or names of any underwriters, dealers or agents and any syndicate of underwriters;

2. the initial public offering price;

3. any underwriting discounts and other items constituting underwriters compensation;

4. the proceeds we receive from that sale; and

5. any discounts or concessions allowed or reallowed or paid by any underwriters to dealers.

Underwriters

If we sell the securities through underwriters, they will acquire the securities for their own account and may resell them from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters for a particular underwritten offering of securities will be named in the applicable prospectus supplement and, if an underwriting syndicate is used, the managing underwriter or underwriters will be named on the cover page of the applicable prospectus supplement. In connection with the sale of securities, the underwriters may receive compensation from us or from purchasers in the form of discounts, concessions or commissions. The obligations of the underwriters to purchase securities will be subject to certain conditions. The underwriters will be obligated to purchase all of the securities of a particular series if any are purchased. However, the underwriters may purchase less than all of the securities of a particular series should certain circumstances involving a default of one or more underwriters occur.

The initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers by any underwriters may be changed from time to time.

Stabilizing Transactions

Underwriters may engage in stabilizing transactions and syndicate covering transactions in accordance with Rule 104 under the Exchange Act. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover syndicate short positions. These stabilizing transactions and syndicate covering transactions may cause the price of the securities to be higher than it would otherwise be if such transactions had not occurred.

Agents

If we sell the securities through agents, the applicable prospectus supplement will set forth the name of any agent involved in the offer or sale of the securities as well as any commissions we will pay to them. Unless otherwise indicated in the applicable prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

Related Transactions

Underwriters, dealers and agents (or their affiliates) may engage in transactions with, or perform services for, us or our affiliates in the ordinary course of business.

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Indemnification

We will agree to indemnify any underwriters, dealers, agents or purchasers and their controlling persons against certain civil liabilities, including liabilities under the Securities Act.

Listing

Unless otherwise specified in the applicable prospectus supplement, the securities will not be listed on a national securities exchange or the Nasdaq Stock Market. No assurance can be given that any broker-dealer will make a market in any series of the securities and, in any event, no assurance can be given as to the liquidity of the trading market for any of the securities.

EXPERTS

The financial statements, and the related financial statement schedule, incorporated in this prospectus by reference from Entergy Corporation s Annual Report on Form 10-K for the year ended December 31, 2009, as amended, and the effectiveness of Entergy Corporation s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and financial statement schedule and includes an explanatory paragraph relating to the adoption of a new accounting standard regarding non-controlling interests and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting). Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGALITY

The legality of the securities will be passed upon for us by Morgan, Lewis & Bockius LLP, New York, New York. Certain legal matters with respect to the securities will be passed on for any underwriters, dealers or agents by Pillsbury Winthrop Shaw Pittman LLP, New York, New York. Pillsbury Winthrop Shaw Pittman LLP regularly represents our affiliates in connection with various matters.

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Home equity installment
718,656 286,188 314,557 600,745 29,495
Home equity line of credit
507,660 167,891 339,769 507,660 86,963
Auto
14,000 - 14,000 14,000 -
Other
13,467 - 13,467 13,467 -
Residential:

Real Estate
3,805,462 2,442,732 1,362,730 3,805,462 351,643
Construction
94,389 94,389 - 94,389 11,121
Total
$11,432,152 $5,460,524 $4,508,151 $9,968,675 $1,007,727

Average investment in impaired loans, interest income recognized and cash basis interest income recognized from impaired loans, as of the period indicated, is as follows:

	Three months ended March 31, 2011		
	Average recorded investment	Interest income recognized	Cash basis interest income recognized
Commercial & industrial	$ 164,583	$ -	$ -
Commercial real estate:			
Non-owner occupied	1,985,333	-	-
Owner occupied	3,822,979	26,039	13,987
Consumer:			
Home equity installment	653,032	5,727	2,917
Home equity line of credit	498,659	1,729	731
Auto	7,000	-	-
Other	6,734	33	33
Residential:			
Real Estate	3,539,951	84,669	14,604
Construction	94,389	-	-
Total	$ 10,772,660	$ 118,197	$ 32,272

Credit Quality Indicators

Commercial and industrial and commercial real estate

The Company utilizes a loan grading system and assigns a credit risk grade to its loans in the commercial and commercial real estate portfolios. The grading system provides a means to measure portfolio quality and aids in the monitoring of the credit quality of the overall loan portfolio. The credit risk grades are arrived at using a risk rating matrix to assign a grade to each of the loans in the commercial and industrial and commercial real estate portfolios.

The following is a description of each risk rating category the Company uses to classify each of its commercial and industrial and commercial real estate loans:

Pass

Loans in this category have an acceptable level of risk and are graded in range of one to five. Secured loans generally have good collateral coverage. Current financial statements reflect acceptable balance sheet ratios, sales and earnings trends. Management is considered to be good, and there is some depth existing. Payment experience on the loans has been good with minor or no delinquency experience. Loans with a grade of one are of the highest quality in the range. Those graded five are of marginally acceptable quality.

Special Mention

Loans in this category are graded a six and may be protected but are potentially weak. They constitute a credit risk to the Company, but have not yet reached the point of adverse classification. Some of the following conditions may exist: little or no collateral coverage; lack of current financial information; delinquency problems; highly leveraged; available financial information reflects poor balance sheet ratios and profit and loss statements reflect uncertain trends; document exceptions. Loans in this category should not remain on the list for an inordinate period of time (no more than one year) and then the loan should be passed or classified appropriately. Cash flow may not be sufficient to support total debt service requirements.

Substandard

Loans in this category are graded a seven and have a well defined weakness which may jeopardize the ultimate collectability of the debt. The collateral pledged may be lacking in quality or quantity. Financial statements may indicate insufficient cash flow to service the debt; and/or do not reflect a sound net worth. The payment history indicates chronic delinquency problems. Management is considered to be weak. There is a distinct possibility that the Company may sustain a loss. All loans on non-accrual are rated substandard. Loans 90+ days past due unless otherwise fully supported should be classified substandard. Also, borrowers that are bankrupt are substandard.

Doubtful

Loans in this category are graded an eight and have a better than 50% possibility of the Company sustaining a loss, but the loss cannot be determined because of specific reasonable factors which may strengthen credit in the near-term. Many of the weaknesses present in a substandard loan exist. Liquidation of collateral, if any, is likely. Any loan graded lower than an eight is considered to be uncollectible and charged-off.

Consumer and Residential

For these portfolios, the Company utilizes payment activity, history and recency of payment. Therefore, the consumer and residential loan segments are regarded as homogeneous loan pools and as such are not risk rated. Non-performing loans are considered to be loans past due 90 days or more and accruing and non-accrual loans. All loans not classified as non-performing are considered performing.

The following table presents loans, segregated by class, categorized into the appropriate credit quality indicator category as of March 31, 2011 and December 31, 2010:

Commercial credit exposure
Credit risk profile by creditworthiness category

	Commercial and industrial		Commercial real estate - non-owner occupied		Commercial real estate - owner occupied		Commercial real estate - construction	
	3/31/2011	12/31/2010	3/31/2011	12/31/2010	3/31/2011	12/31/2010	3/31/2011	12/31/201
Pass	$87,115,137	$82,041,657	$77,296,912	$81,139,543	$62,543,320	$61,219,553	$10,287,260	$9,438,537
Special Mention	1,981,814	2,212,483	1,917,503	1,973,618	-	514,313	1,911,628	1,849,077
Substandard	1,611,889	875,134	6,055,601	4,242,164	6,928,551	7,604,074	1,355,012	1,213,220
Doubtful	-	-	-	-	-	-	-	-
Total	$90,708,840	$85,129,274	$85,270,016	$87,355,325	$69,471,871	$69,337,940	$13,553,900	$12,500,83

Consumer credit exposure
Credit risk profile based on payment activity

	Home equity installment		Home equity line of credit		Auto		Other	
	3/31/2011	12/31/2010	3/31/2011	12/31/2010	3/31/2011	12/31/2010	3/31/2011	12/31/20
Performing	$37,763,504	$39,377,086	$29,573,438	$28,677,439	$11,089,017	$10,718,750	$6,413,274	$7,151,8
Non-performing	814,794	711,915	489,657	507,660	-	15,617	-	13,467
Total	$38,578,298	$40,089,001	$30,063,095	$29,185,099	$11,089,017	$10,734,367	$6,413,274	$7,165,3

Mortgage lending credit exposure
Credit risk profile based on payment activity

	Residential real estate		Residential construction	
	3/31/2011	12/31/2010	3/31/2011	12/31/2010
Performing	$66,977,810	$64,291,494	$4,002,520	$6,050,080
Non-performing	3,274,269	3,868,020	94,389	94,389
Total Total	$70,252,079	$68,159,514	$4,096,909	$6,144,469

Allowance for loan losses

Management continually evaluates the credit quality of the Company’s loan portfolio and performs a formal review of the adequacy of the allowance for loan losses (the allowance) on a quarterly basis. The allowance reflects

management's best estimate of the amount of credit losses in the loan portfolio. Management's judgment is based on the evaluation of individual loans, past experience, the assessment of current economic conditions and other relevant factors including the amounts and timing of cash flows expected to be received on impaired loans. Those estimates may be susceptible to significant change. Loan losses are charged directly against the allowance when loans are deemed to be uncollectible. Recoveries from previously charged-off loans are added to the allowance when received.

Management applies two primary components during the loan review process to determine proper allowance levels. The two components are a specific loan loss allocation for loans that are deemed impaired and a general loan loss allocation for those loans not specifically allocated. The methodology to analyze the adequacy of the allowance for loan losses is as follows:

§ identification of specific impaired loans by loan category;
§ specific loans that are not impaired, but have an identified potential for loss;
§ calculation of specific allowances where required for the impaired loans based on collateral and other objective and quantifiable evidence;
§ determination of homogenous pools by loan category and eliminating the impaired loans;
§ application of historical loss percentages (two-year average) to pools to determine the allowance allocation;
§ application of qualitative factor adjustment percentages to historical losses for trends or changes in the loan portfolio. Qualitative factor adjustments include:

- o levels of and trends in delinquencies and non-accrual loans;
- o levels of and trends in charge-offs and recoveries;
- o trends in volume and terms of loans;
- o changes in risk selection and underwriting standards;
- o changes in lending policies, procedures and practices;
- o experience, ability and depth of lending management;
- o national and local economic trends and conditions; and
- o changes in credit concentrations.

Allocation of the allowance for different categories of loans is based on the methodology as explained above. A key element of the methodology to determine the allowance is the Company’s credit risk evaluation process, which includes credit risk grading of individual commercial and industrial and commercial real estate loans. Commercial and industrial and commercial real estate loans are assigned credit risk grades based on the Company’s assessment of conditions that affect the borrower’s ability to meet its contractual obligations under the loan agreement. That process includes reviewing borrowers’ current financial information, historical payment experience, credit documentation, public information and other information specific to each individual borrower. Upon review, the commercial loan credit risk grade is revised or reaffirmed as the case may be. The credit risk grades may be changed at any time management feels an upgrade or downgrade may be warranted. The credit risk grades for the commercial and industrial and commercial real estate loan portfolios are taken into account in the reserve methodology and loss factors are applied based upon the credit risk grades. The loss factors applied are based upon the Company’s historical experience as well as what we believe to be best practices and common industry standards. Historical experience reveals there is a direct correlation between the credit risk grades and loan charge-offs. The changes in allocations in the commercial and industrial and commercial real estate loan portfolio from period to period are based upon the credit risk grading system and from periodic reviews of the loan portfolio.

Each quarter, management performs an assessment of the allowance for loan losses. The Company’s Special Assets Committee meets quarterly and the applicable lenders discuss each relationship under review and reach a consensus on the appropriate estimated loss amount based on current accounting guidance. The Special Assets Committee’s focus is on ensuring the pertinent facts are considered and the reserve amounts pursuant to the accounting principles are reasonable. The assessment process includes the review of all loans on a non-accruing basis as well as a review of certain loans to which the lenders or the Company’s Credit Administration function have assigned a criticized or classified risk rating.

The Company’s policy is to charge off unsecured consumer loans when they become 90 days or more past due as to principal and interest. In the other portfolio segments, amounts are charged off at the point in time when the Company deems the balance to be uncollectible.

Information related to the change in the allowance for loan losses and the Company’s recorded investment in loans by portfolio segment as of March 31, 2011 and December 31, 2010 is as follows:

March 31, 2011	Commercial & industrial	Commercial real estate	Consumer	Residential real estate	Unallocated	Total
Allowance for loan losses:						
Beginning balance	$ 1,367,531	$ 4,238,272	$ 1,249,306	$ 862,654	$ 180,059	$ 7,897,822

Charge-offs	-	-	67,429	98,835	-	166,264
Recoveries	3,850	246	5,845	7,479	-	17,420
Provision	76,900	226,654	60,710	40,474	70,262	475,000
Ending balance	$ 1,448,281	$ 4,465,172	$ 1,248,432	$ 811,772	$ 250,321	$ 8,223,978
Ending balance: individually evaluated for impairment	$ 22,320	$ 679,201	$ 143,935	$ 365,897		$ 1,211,353
Ending balance: collectively evaluated for impairment	$ 1,425,961	$ 3,785,971	$ 1,104,497	$ 445,875		$ 6,762,304
Loans receivable:						
Ending balance	$ 90,708,840	$ 168,295,787	$ 86,143,685	$ 74,348,988		$ 419,497,300
Ending balance: individually evaluated for impairment	$ 164,583	$ 6,519,089	$ 1,194,977	$ 3,368,828		$ 11,247,477
Ending balance: collectively evaluated for impairment	$ 90,544,257	$ 161,776,698	$ 84,948,708	$ 70,980,160		$ 408,249,823

December 31, 2010	Commercial & industrial	Commercial real estate	Consumer	Residential real estate	Unallocated	Total
Allowance for loan losses:						
Beginning balance	$ 1,406,102	$4,313,897	$1,252,826	$505,259	$95,519	$7,573,603
Charge-offs	451,979	892,426	462,815	1,813	-	1,809,033
Recoveries	3,839	2,799	39,904	1,710	-	48,252
Provision	409,569	814,002	419,391	357,498	84,540	2,085,000
Ending balance	$ 1,367,531	$4,238,272	$1,249,306	$862,654	$180,059	$7,897,822
Ending balance: individually evaluated for impairment	$ -	$528,505	$116,458	$362,764		$1,007,727
Ending balance: collectively evaluated for impairment	$ 1,367,531	$3,709,767	$1,132,848	$499,890		$6,710,036
Loans receivable:						
Ending balance	$ 85,129,274	$169,194,099	$87,173,795	$74,303,983		$415,801,151
Ending balance: individually evaluated for impairment	$ 164,583	$4,768,369	$1,135,872	$3,899,851		$9,968,675
Ending balance: collectively evaluated for impairment	$ 84,964,691	$164,425,730	$86,037,923	$70,404,132		$405,832,476

5. Earnings per share

Basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average number of common stock outstanding for the period. Diluted EPS is computed in the same manner as basic EPS but reflects the potential dilution that could occur if stock options to issue additional common stock were exercised, which would then result in additional stock outstanding to share in or dilute the earnings of the Company. The Company maintains two share-based compensation plans that may generate additional potentially dilutive common shares. Generally, dilution would occur if Company-issued stock options were exercised and converted into common stock.

In the computation of diluted EPS, the Company uses the treasury stock method to determine the dilutive effect of its granted but unexercised stock options. Under the treasury stock method, the assumed proceeds received from shares issued, in a hypothetical stock option exercise, are assumed to be used to purchase treasury stock.

The following table illustrates the data used in computing basic EPS and a reconciliation to derive at the components of diluted EPS for the periods indicated:

	Three months ended March 31,	
	2011	2010
Basic EPS:		
Net income available to common shareholders	$ 1,226,885	$ 555,880
Weighted-average common shares outstanding	2,185,488	2,113,672
Basic EPS	$ 0.56	$ 0.26
Diluted EPS:		
Net income available to common shareholders	$ 1,226,885	$ 555,880
Weighted-average common shares outstanding	2,185,488	2,113,672
Potentially dilutive common shares	-	-
Weighted-average common shares and dilutive potential shares	2,185,488	2,113,672
Diluted EPS	$ 0.56	$ 0.26

There were no potentially dilutive shares outstanding in either period because the average share market price of the Company's common stock during the three months ended March 31, 2011 and 2010 was below the strike prices of all options granted. For a further discussion on the Company's stock option plans, see Note 6, "Stock plans," below.

6. Stock plans

The Company has two stock-based compensation plans (the stock option plans) and applies the fair value method of accounting for stock-based compensation provided under the current accounting guidance. The guidelines require the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. The stock option plans were shareholder-approved and permit the grant of share-based compensation awards to its directors, key officers and certain other employees. The Company believes that the stock option plans better align the interest of its directors, key officers and employees with the interest of its shareholders. The Company further believes that the granting of share-based awards is necessary to retain the knowledge base, continuity and expertise of its directors, key officers and employees. In the stock option plans, directors, key officers and certain other employees are eligible to be awarded stock options to purchase the Company's common stock at the fair market value on the date of grant.

The Company established the 2000 Independent Directors Stock Option Plan and has reserved 55,000 shares of its un-issued capital stock for issuance under the plan. No stock options were awarded during the months ended March 31, 2011 and 2010. As of March 31, 2011, there were 18,300 unexercised stock options outstanding under this plan.

The Company also established the 2000 Stock Incentive Plan and has reserved 55,000 shares of its un-issued capital stock for issuance under the plan. There were no options awarded during the three months ended March 31, 2011 and 2010. As of March 31, 2011, there were 5,490 unexercised stock options outstanding under this plan.

No stock-based compensation expense was recognized, related to either of the stock option plans, since the Company did not grant stock options in 2011 or 2010.

In addition to the two stock option plans, the Company established the 2002 Employee Stock Purchase Plan (the ESPP) and reserved 110,000 shares of its un-issued capital stock for issuance. The plan was designed to promote broad-based employee ownership of the Company's stock and to motivate employees to improve job performance and enhance the financial results of the Company. Under the ESPP, employees use automatic payroll withholdings to purchase the Company's capital stock at a discounted price based on the fair market value of the capital stock as measured on either the commencement date or termination date. As of March 31, 2011, 21,826 shares have been issued under the ESPP. The ESPP is considered a compensatory plan and as such, is required to comply with the provisions of authoritative accounting guidance. The Company recognizes compensation expense on its ESPP on the date the shares are purchased. For the three months ended March 31, 2011 and 2010, compensation expense related to the ESPP approximated $24,000 and $7,000, respectively, and is included as a component of salaries and employee benefits in the consolidated statements of income.

7. Fair value measurements

The following table represents the carrying amount and estimated fair value of the Company's financial instruments as of the periods indicated (dollars in thousands):

	March 31, 2011		December 31, 2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Cash and cash equivalents	$47,443	$47,443	$22,967	$22,967
Held-to-maturity securities	467	513	490	538
Available-for-sale securities	90,415	90,415	82,941	82,941

FHLB stock	4,315	4,315	4,542	4,542
Loans	411,273	407,325	407,903	402,174
Loans held-for-sale	310	315	213	217
Accrued interest	2,271	2,271	2,228	2,228
Financial liabilities:				
Deposit liabilities	513,200	506,703	482,448	478,721
Short-term borrowings	11,131	11,131	8,548	8,548
Long-term debt	21,000	23,628	21,000	23,956
Accrued interest	417	417	440	440

The following summarizes the methodology used to determine estimated fair values in the above table:

The carrying value of short-term financial instruments, as listed below, approximates their fair value. These instruments generally have limited credit exposure, no stated or short-term maturities and carry interest rates that approximate market.

- Cash and cash equivalents
- Non-interest bearing deposit accounts
- Savings, NOW and money market accounts
- Short-term borrowings
- Accrued interest

Securities: With the exception of pooled trust preferred securities, fair values on the other investment securities are determined by prices provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions. The fair values of pooled trust preferred securities are determined based on a present value technique (income valuation) as described in Note 3, "Investment securities".

Loans: The fair value of loans is estimated by the net present value of the future expected cash flows discounted at current offering rates.

Loans held-for-sale (HFS): The fair value of loans HFS is estimated using rates currently offered for similar loans and is typically obtained from the Federal National Mortgage Association (FNMA) or the Federal Home Loan Bank of Pittsburgh (FHLB).

Certificates of deposit: The fair values of certificates of deposit accounts are based on discounted cash flows using rates which approximate market rates of deposits with similar maturities.

Long-term debt: The fair value of long-term debt is estimated using the rates currently offered for similar borrowings.

The accounting guidelines establish a framework for measuring and disclosing information about fair value measurements. The guidelines of fair value reporting instituted a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 inputs are unobservable inputs based on the Company's own assumptions to measure assets and liabilities at fair value. Level 3 pricing for securities may also include unobservable inputs based upon broker-traded transactions.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Company uses fair value to measure certain assets and, if necessary, liabilities on a recurring basis when fair value is the primary measure for accounting. Thus, the Company uses fair value for AFS securities. Fair value is used on a non-recurring basis to measure certain assets when adjusting carrying values to market values, such as impaired loans and other real estate owned.

The following table illustrates the financial instruments measured at fair value on a recurring basis segregated by hierarchy fair value levels as of March 31, 2011 and December 31, 2010 (dollars in thousands):

		Fair value measurements at March 31, 2011:		
Assets:	Total carrying value at March 31, 2011	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-for-sale securities:				
Agency - GSE	$ 21,260	$ -	$ 21,260	$ -
Obligations of states and political subdivisions	26,236	-	26,236	-
Corporate bonds:				
Pooled trust preferred securities	1,388	-	-	1,388
MBS - GSE residential	41,049	-	41,049	-
Equity securities - financial services	482	482	-	-
Total available-for-sale securities	$ 90,415	$ 482	$ 88,545	$ 1,388

Assets:	Total carrying value at December 31, 2010	Fair value measurements at December 31, 2010: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-for-sale securities:				
Agency - GSE	$ 16,288	$ -	$ 16,288	$ -
Obligations of states and political subdivisions	24,171	-	24,171	-
Corporate bonds:				
Pooled trust preferred securities	1,453	-	-	1,453
MBS - GSE residential	40,553	-	40,553	-
Equity securities - financial services	476	476	-	-
Total available-for-sale securities	$ 82,941	$ 476	$ 81,012	$ 1,453

Equity securities in the AFS portfolio are measured at fair value using quoted market prices for identical assets and are classified within Level 1 of the valuation hierarchy. Other than the Company's investment in corporate bonds, consisting of pooled trust preferred securities, all other debt securities in the AFS portfolio are measured at fair value using market quotations provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions. Assets classified as Level 2 use valuation techniques that are common to bond valuations. That is, in active markets whereby bonds of similar characteristics frequently trade, quotes for similar assets are obtained. For the three months ended March 31, 2011, there were no transfers to and from Level 1 and Level 2 fair value measurements for financial assets measured on a recurring basis.

The Company's pooled trust preferred securities include both observable and unobservable inputs to determine fair value and, therefore, are considered Level 3 inputs. The accounting pronouncement related to fair value measurement provides guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity such as is the case with the Company's investment in pooled trust preferred securities. The requirements of fair value measurement also call for additional disclosures on fair value measurements and provide additional guidance on circumstances that may indicate that a transaction is not orderly. For a discussion on the fair value determination of the Company's investment in pooled trust preferred securities, see "Investment securities" under the caption "Comparison of Financial Condition at March 31, 2011 and December 31, 2010" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," below.

The following table illustrates the changes in Level 3 financial instruments, consisting of the Company's investment in pooled trust preferred securities, measured at fair value on a recurring basis for the periods indicated (dollars in thousands):

	As of and for the three months ended March 31, 2011	As of and for the three months ended March 31, 2010
Assets:		
Balance at beginning of period	$ 1,453	$ 5,242
Realized losses in earnings	(75)	(79)
Unrealized gains (losses) in OCI:		
Gains	150	428
Losses	(141)	(223)
Purchases, sales, issuances and settlements, amortization, and accretion, net	-	39

Accretion		1		-
Balance at end of period	$	1,388	$	5,407

The following table illustrates the financial instruments measured at fair value on a non-recurring basis segregated by hierarchy fair value levels as of the periods indicated (dollars in thousands):

Assets:	Total carrying value at March 31, 2011	Fair value measurements at March 31, 2011 Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Impaired loans	$ 6,056	$-	$ 5,868	$ 188
Other real estate owned	1,132	-	1,053	79
Total	$ 7,188	$-	$ 6,921	$ 267

Assets:	Total carrying value at December 31, 2010	Fair value measurements at December 31, 2010 Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Impaired loans	$ 4,453	$-	$ 4,387	$ 66
Other real estate owned	1,261	-	1,053	208
Total	$ 5,714	$-	$ 5,440	$ 274

Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secures the impaired loan include: quoted market prices for identical assets classified as Level 1 inputs; for Level 2, observable inputs, employed by certified appraisers for similar assets are utilized if the loan is collateral dependent and then discounted based upon the type and/or age of the appraisal, the costs to sell and maintain the underlying collateral. If the loan is not considered to be collateral dependent, any impairment may be determined based upon the present value of the reported cash flows discounted at the loan’s effective interest rate. In cases where valuation techniques included inputs that are unobservable, the valuations are based on commonly used and generally accepted industry liquidation advance rates or estimates and assumptions developed by management, with significant adjustments applied to the best information available under each circumstance. These asset valuations are classified as Level 3 inputs. A loan which was deemed to be impaired during the quarter caused the increase in the impaired loans with Level 2 inputs at the period end March 31, 2011. There were no significant transfers during the quarter in the Level 1 and Level 3 impaired loans.

Other real estate owned (ORE) is carried at its fair value. The technique used to value the ORE is similar to the valuation of impaired loans; however, Level 1 inputs do not apply to ORE as there is no readily available quoted market price for such assets.   Level 2 observable inputs, employed by certified appraisers for similar assets are utilized; and are then discounted based upon type and/or age of the appraisal, the costs to sell and to maintain the property. In cases were the valuation techniques after considering the appraisal, included inputs that are unobservable, the valuations are based on estimates and assumptions developed by management, with the additional adjustments applied based upon the best information available in each case. These asset valuations are classified as Level 3 inputs. Sale of an ORE property during the period resulted in a decline in the Level 3 ORE inputs.

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of the significant changes in the consolidated financial condition of the Company as of March 31, 2011 compared to December 31, 2010 and a comparison of the results of operations for the three-months ended March 31, 2011 and 2010. Current performance may not be indicative of future results. This discussion should be read in conjunction with the Company’s 2010 Annual Report filed on Form 10-K.

Forward-looking statements

Certain of the matters discussed in this Quarterly Report on Form 10-Q may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” and similar expressions are intended to identify such forward-looking statements.

The Company’s actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation:

§ the effects of economic deterioration on current customers, specifically the effect of the economy on loan customers’ ability to repay loans;

- § the costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- § the impact of new laws and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the regulations promulgated there under;
- § governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- § the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters;
- § the risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements, as well as interest rate risks;
- § the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in the Company's market area and elsewhere, including institutions operating locally, regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the internet;
- § technological changes;
- § acquisitions and integration of acquired businesses;
- § the failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities;
- § volatilities in the securities markets;
- § deteriorating economic conditions;
- § disruption of credit and equity markets; and
- § acts of war or terrorism.

The Company cautions readers not to place undue reliance on forward-looking statements, which reflect analyses only as of the date of this document. We have no obligation to update any forward-looking statements to reflect events or circumstances after the date of this document.

Readers should review the risk factors described in other documents that we file or furnish, from time to time, with the Securities and Exchange Commission, including Annual Reports to Shareholders, Annual Reports filed on Form 10-K and other current reports filed or furnished on Form 8-K.

General

The Company's results of operations depend primarily on net interest income. Net interest income is the difference between interest income and interest expense. Interest income is generated from yields on interest-earning assets, which consist principally of loans and investment securities. Interest expense is incurred from rates paid on interest-bearing liabilities, which consist of deposits and borrowings. Net interest income is determined by the Company's interest rate spread (the difference between the yields earned on its interest-earning assets and the rates paid on its interest-bearing liabilities) and the relative amounts of interest-earning assets and interest-bearing liabilities. Interest rate spread is significantly impacted by: changes in interest rates and market yield curves and their related impact on cash flows; the composition and characteristics of interest-earning assets and interest-bearing liabilities; differences in the maturity and re-pricing characteristics of assets compared to the maturity and re-pricing characteristics of the liabilities that fund them and by the competition in the marketplace.

The Company's profitability is also affected by the level of its non-interest income and expenses and by the provisions for loan losses income taxes. Non-interest income consists mostly of service charges on the Company's loan and deposit products, trust and asset management service fees, increases in the cash surrender value of the bank owned life insurance, net gains or losses from sales of loans, securities and foreclosed assets held-for-sale and from credit-related other-than-temporary impairment (OTTI) charges on investment securities. Non-interest expense consists of compensation and related employee benefit expenses, occupancy, equipment, data processing, advertising, marketing,

FDIC insurance premiums, professional fees, supplies and other operating overhead.

The Company's profitability is significantly affected by general economic and competitive conditions, changes in market interest rates, government policies and actions of regulatory authorities. The Company's loan portfolio is comprised principally of commercial and commercial real estate loans. The properties underlying the Company's mortgages are concentrated in Northeastern Pennsylvania. Credit risk, which represents the possibility of the Company not recovering amounts due from its borrowers, is significantly related to local economic conditions in the areas where the properties are located as well as the Company's underwriting standards. Economic conditions affect the market value of the underlying collateral as well as the levels of adequate cash flow and revenue generation from income-producing commercial properties.

Comparison of the results of operations
Three months ended March 31, 2011 and 2010

Overview

Net income for the first quarter of 2011 was $1,227,000, or $0.56 per diluted share, compared to net income of $556,000, or $0.26 per diluted share, recorded in the same quarter of 2010. The improvement in net income was due to: a $615,000, or 12%, net decrease in operating expenses, a $267,000 combined increase in net interest and non-interest income and a $100,000, or 17%, lower provision for loan losses. These items were partially offset by a higher provision for income taxes.

Return on average assets (ROA) and return on average shareholders’ equity (ROE) were 0.86% and 10.41%, respectively, for the three months ended March 31, 2011 compared to 0.38% and 4.85%, respectively, for the three months ended March 31, 2010. The improvements in both ROA and ROE are attributable to higher net income recorded in the current year period.

Net interest income and interest sensitive assets / liabilities

Net interest income improved marginally from $5,159,000 in the first quarter of 2010 to $5,234,000 in the first quarter of 2011. The $75,000 improvement was caused by a larger decline in interest expense than interest income. Compared to the first quarter of 2010, interest expense declined $566,000, or 30%, in the first quarter of 2011. The decrease consisted of lower rates paid on interest-bearing deposits and lower balances of borrowings. The lower rate environment caused deposits to price 34 basis points below the deposit pricing that was in effect in the year-ago quarter. The lower rates were the primary cause of interest expense on deposits to decline by $372,000, or 26%, in the first quarter of 2011 compared to the first quarter of 2010. The lower interest expense from borrowings was due principally from the payoff of $20,500,000 in short- and long-term FHLB advances in 2010. The effect of the lower average balances of borrowings was the principal cause of interest expense on borrowings to decline $193,000, or 41%, in the first quarter of 2011 compared to the first quarter of 2010.

Interest income declined $491,000, or 7%, due primarily to a 95 basis point decrease in yields from the investment portfolio, as well as an $11,900,000 decrease in average balances of interest-earning assets, mostly from the risk management practice to strategically reduce the average balance of the commercial loan portfolio. The decline in yield in the investment portfolio was caused by the defaults in preferred term securities and their related migration to non-accrual status and lower yields from mortgage-backed and government agency securities.

The Company’s tax-equivalent margin and spread improved to 4.05% and 3.78%, respectively, for the three months ended March 31, 2011 from 3.91% and 3.63% during the same period of 2010. The improvement in spread is from a more rapid decline in rates paid on interest-costing liabilities compared to the decline in yields from interest-earning assets. The improved margin is from both the aforementioned improvement in spread, higher net interest income and a reduction in the volume of interest-earning assets.

The Company’s Asset Liability Management (ALM) team will, if and when deemed necessary, adjust interest rates on deposits and repurchase agreements and implement strengthening strategic initiatives to minimize the impact this prolonged low interest rate environment may have on the Company’s interest margin performance.

The table that follows sets forth a comparison of average balances and their corresponding fully tax-equivalent (FTE) interest income and expense and annualized tax-equivalent yield and cost for the periods indicated (dollars in thousands):

	Three months ended:					
	March 31, 2011			March 31, 2010		
	Average balance	Interest	Yield / rate	Average balance	Interest	Yield / rate
Assets						
Interest-earning assets:						
Loans and leases	$ 419,208	$ 6,001	5.80 %	$ 437,200	$ 6,302	5.85 %
Investments	97,458	741	3.08	92,932	924	4.03
Federal funds sold	81	0	0.25	12,884	7	0.22
Interest-bearing deposits	27,880	17	0.25	13,458	8	0.25
Total interest-earning assets	544,627	6,759	5.03	556,474	7,241	5.28
Non-interest-earning assets	37,044			31,888		
Total assets	$ 581,671			$ 588,362		
Liabilities and shareholders' equity						
Interest-bearing liabilities:						
Other interest-bearing deposits	$ 252,283	$ 297	0.48 %	$ 257,210	$ 506	0.78 %
Certificates of deposit	139,878	745	2.16	146,384	908	2.46
Borrowed funds	21,748	256	4.77	42,042	423	4.08
Repurchase agreements	14,787	19	0.52	18,012	45	1.01
Total interest-bearing liabilities	428,696	1,317	1.25	463,648	1,882	1.65
Non-interest-bearing deposits	101,942			74,808		
Other non-interest-bearing liabilities	3,257			3,380		
Shareholders' equity	47,776			46,526		
Total liabilities and shareholders' equity	$ 581,671			$ 588,362		
Net interest income/interest rate spread		$ 5,442	3.78 %		$ 5,359	3.63 %
Net interest margin			4.05 %			3.91 %

In the preceding table, interest income was adjusted to a tax-equivalent basis, using the corporate federal tax rate of 34%, to recognize the income from tax-exempt interest-earning assets as if the interest was taxable. This treatment allows a uniform comparison between yields on interest-earning assets. Loans include loans HFS and non-accrual loans but exclude the allowance for loan losses. Securities include non-accrual securities. Average balances are based on amortized cost and do not reflect net unrealized gains or losses. Net interest margin is calculated by dividing net interest income by total average interest-earning assets.

Provision for loan losses

The provision for loan losses represents the necessary amount to charge against current earnings, the purpose of which is to increase the allowance for loan losses to a level that represents management's best estimate of known and inherent losses in the Company's loan portfolio. Loans determined to be uncollectible are charged off against the allowance for loan losses. The required amount of the provision for loan losses, based upon the adequate level of the allowance for loan losses, is subject to ongoing analysis of the loan portfolio. The Company's Special Assets Committee meets periodically to review problem loans. The committee is comprised of management, including the senior loan officer, the chief risk officer, loan officers, loan workout officers and collection personnel. The committee reports quarterly to the Credit Administration Committee of the Board of Directors.

Management continuously reviews the risks inherent in the loan portfolio. Specific factors used to evaluate the adequacy of the loan loss provision during the formal process include:

- specific loans that could have loss potential;
- levels of and trends in delinquencies and non-accrual loans;
- levels of and trends in charge-offs and recoveries;
- trends in volume and terms of loans;
- changes in risk selection and underwriting standards;
- changes in lending policies, procedures and practices;
- experience, ability and depth of lending management;
- national and local economic trends and conditions; and
- changes in credit concentrations.

The provision for loan losses was $475,000 for the three months ending March 31, 2011 and was $575,000 for the three month period ending March 31, 2010. The $475,000 provision for the current quarter was recorded to provide increased allocations for an increase in commercial loans which were risk rated substandard. For a further discussion on the risk rating categories of loans, see the caption "Credit Quality Indicators" located within note 4, "Loans" of the consolidated financial statements. For a further discussion on non-performing loans, see "Non-performing assets" under the caption "Comparison of financial condition at March 31, 2011 and December 31, 2010", below.

The allowance for loan losses was $8,224,000 at March 31, 2011 compared to $7,898,000 at December 31, 2010. For a further discussion on the allowance for loan losses, see “Allowance for loan losses” under the caption “Comparison of financial condition at March 31, 2011 and December 31, 2010” below.

Other income

In the first quarter of 2011, the Company recorded non-interest income of $1,338,000 compared to $1,146,000 recorded in the first quarter of 2010 - an increase of $192,000, or 17%. The improvement in non-interest income was from increased gains recognized from mortgage banking services and from the recognition of a $90,000 gain from the sale of a Small Business Administration commercial loan. During the three months ended March 31, 2011, the Company sold $8,670,000 of residential mortgage loans at gains of $155,000 compared to $7,964,000 of sold mortgage loans at gains of $99,000 during the first quarter of 2010. The higher level of mortgage gains was due to a slightly more favorable pricing in 2011 compared to 2010. Further contributing to the improvement in non-interest income were increased fees from trust and financial services activities. A decrease in commercial lending late charges was the principal cause of loan fee income to decrease by $25,000, or 18%, during the three months ended March 31, 2011 compared to the three months ended March 31, 2010.

Other operating expenses

Total operating expense declined $615,000, or 12%, from $5,105,000 for the first three months of 2010 to $4,490,000 recorded during the first three months of 2011. Salary and employee benefits decreased $544,000, or 20%, in the first quarter of 2011 compared to the same quarter of 2010. The 2010 figure included a one-time severance and voluntary termination payout caused by the planned, structured reorganization of the Company. The average full-time equivalent (FTE) number of employees for the three months ended March 31, 2011 was 156 compared to 178 average FTEs in the first quarter of 2010. Loan collection and other real estate expenses decreased $113,000, or 74% in the current year quarter compared to the same quarter in 2010. In 2010, the Company incurred higher collection expenses in order to resolve more problematic loans. In the 2010 quarter, the Company incurred higher ORE related expenses for property maintenance and also incurred higher selling costs in anticipation and upon the sale of a commercial ORE property. The maintenance costs and selling costs incurred in the 2011 quarter were related to the upkeep of residential properties and the sale of one residential ORE property where selling costs are typically less than on commercial properties. The $81,000, or 9%, increase in premises and equipment was the result of higher utility costs, expenses associated with facilities maintenance from the region’s prolonged severe weather conditions and increased amortization of leasehold improvements from 2010 branch upgrade expenditures. Professional fess decreased $86,000, or 25%, during the current year’s quarter compared to the 2010 quarter. Services provided by the Company’s legal, audit and professional consulting services were not as extensive in the first quarter of 2011 compared to the 2010 quarter. A higher insurable deposit base upon which the FDIC premium is determined has resulted in an increase in the FDIC insurance premium of $35,000, or 18%.

Provision for income taxes

The effective tax rates for the three months ended March 31, 2011 and 2010 were 23.6% and 11.1%, respectively. The higher effective tax rate in 2011 was due to the higher 2011 pretax earnings level which was more that 2.5 times the 2010 amount coupled with a relatively stable amount of net non-taxable items.

Comparison of financial condition at
March 31, 2011 and December 31, 2010

Overview

Consolidated assets increased $34,624,000 to $596,297,000 or 6%, as of March 31, 2011 from $561,673,000 at December 31, 2010. The increase was from $30,753,000 growth in deposits and a $1,529,000 increase in shareholders' equity.

Investment securities

At the time of purchase, management classifies investment securities into one of three categories: trading, available-for-sale (AFS) or held-to-maturity (HTM). To date, management has not purchased any securities for trading purposes. Most of the securities the Company purchases are classified as AFS even though there is no immediate intent to sell them. The AFS designation affords management the flexibility to sell securities and position the balance sheet in response to capital levels, liquidity needs or changes in market conditions. Securities AFS are carried at fair value in the consolidated balance sheet with an adjustment to shareholders' equity, net of tax, presented under the caption "Accumulated other comprehensive income (loss)." Securities designated as HTM are carried at amortized cost and represent debt securities that the Company has the ability and intent to hold until maturity.

As of March 31, 2011, the carrying value of investment securities amounted to $90,882,000, or 15% of total assets, compared to $83,431,000, or 15% of total assets, at December 31, 2010. At March 31, 2011, approximately 46% of the carrying value of the investment portfolio was comprised of U.S. Government Sponsored Enterprise residential mortgage-backed securities (MBS – GSE residential or mortgage-backed securities) that amortize and provide monthly cash flow.

As of March 31, 2011, investment securities were comprised of HTM and AFS securities with carrying values of $467,000 and $90,415,000, respectively. The AFS debt securities were recorded with a net unrealized loss in the amount of $5,225,000 and equity securities were recorded with an unrealized gain of $160,000, compared to $5,937,000 and $154,000, respectively as of December 31, 2010, a net improvement of $718,000.

The Company's investment policy is designed to complement its lending activity. During the three months ended March 31, 2011, the carrying value of total investments increased $7,451,000. The Company uses cash flow generated from mortgage-backed securities pay downs, bond calls, as well as excess cash to invest, re-invest and advantageously diversify the securities portfolio in response to market conditions, interest rate environments, the performance of other interest-earning assets, interest rate risk, credit risk and anticipated liquidity needs.

A comparison of investment securities at March 31, 2011 and December 31, 2010 is as follows (dollars in thousands):

	March 31, 2011		December 31, 2010	
	Amount	%	Amount	%
MBS - GSE residential	$ 41,516	45.7	$ 41,043	49.2
State & municipal subdivisions	26,236	28.9	24,171	29.0
Agency - GSE	21,260	23.4	16,288	19.5
Pooled trust preferred securities	1,388	1.5	1,453	1.7
Equity securities - financial services	482	0.5	476	0.6
Total investments	$ 90,882	100.0	$ 83,431	100.0

Quarterly, management performs a review of the investment portfolio to determine the cause of declines in the fair value of each security. The Company uses inputs provided by independent third parties to determine the fair value of its investment securities portfolio. Inputs provided by the third party are reviewed and corroborated by management. Evaluations of the causes of the unrealized losses are performed to determine whether impairment is temporary or other-than-temporary. Considerations such as the Company's intent and ability to hold the securities to maturity, recoverability of the invested amounts over the intended holding period, the length of time and the severity in pricing decline below cost, the interest rate environment, the receipt of amounts contractually due and whether or not there is an active market for the security, for example, are applied, along with the financial condition of the issuer for management to make a realistic judgment of the probability that the Company will be unable to collect all amounts (principal and interest) due in determining whether a security is other than temporarily impaired. If a decline in value is deemed to be other-than-temporary, the amortized cost of the security is reduced by the credit impairment amount and a corresponding charge to earnings is recognized. If at the time of sale, call or maturity the proceeds exceed the security's amortized cost, the impairment charge may be fully or partially recovered.

The Company owns 13 tranches of pooled trust preferred securities (PreTSLs). The market for these securities and other issues of PreTSLs at March 31, 2011 remained inactive. The inactivity was evidenced first by a significant widening of the bid-ask spread in the brokered markets in which PreTSLs trade, then by a significant decrease in the volume of trades relative to historical levels and the lack of a new-issue market since 2007. There are currently very few market participants who are willing and/or able to transact for these securities. Given the conditions in the debt markets and in the absence of observable transactions in the secondary and a new-issue market, management has made the following observations and has determined:

- The few observable transactions and market quotations that were available were not reliable for purposes of determining fair value at March 31, 2011;

- An income valuation approach (present value technique) that maximizes the use of relevant observable market inputs and minimizes the use of unobservable inputs are equally or more representative of fair value than the market approach valuation technique; and

- The 13 PreTSLs are classified within “Level 3” (as defined in current accounting guidance and explained in Note 7, “Fair Measurements” of the consolidated financial statements) of the fair value hierarchy because significant adjustments are required to determine fair value at the measurement date. The Company engages an independent third party that is a structured products specialist firm, to analyze the PreTSL portfolio. The approach and results were reviewed and corroborated by management. The approach to determine OTTI involves the following:

  - Data about the transaction structure, as defined in the offering documents and the underlying collateral, were collected;

- o The credit worthiness of each collateral is determined by reviewing the obligor and estimating the credit risk existing or inherent for such obligor;

- o Using the credit risk estimates and making assumptions about default correlation, simulate 10,000 Monte Carlo scenarios (a class of computational algorithms that rely on repeated random sampling to compute their results) with respect to default timing for each security;

- o Project tranche cash flows over 10,000 Monte Carlo scenarios; determine the percentage of the total scenarios that result in a loss to the tranche. If the number of scenarios resulting in a loss exceeded 50%, OTTI is presumed to exist;

- o Utilize several high-level financial factors to construct an appropriate discount rate for each tranche within each transaction. Factors include the portfolio's weighted average credit rating, the average life of the collateral pool, the Bloomberg US Bank Benchmark discount rate, an appropriate spread differential to account for the rating assumed by the Bloomberg US Bank Benchmark and the actual average rating of the collateral pool. Lastly, credit loss already assumed under Monte Carlo simulation is subtracted from the discount rate construction in the previous step to avoid double-counting of credit risk;

  - o With an appropriate discount rate for each tranche, an appropriate book price is determined;

- o With a projected discount rate, an estimated cash flow test was performed on each issue to compare the present value of the currently estimated cash flows as of March 31, 2011 to the amount projected as of the last measurement date, December 31, 2010;

- o If the results of the cash flow tests resulted in a significant adverse change in projected cash flows, credit-related OTTI is present.

Based on the technique described, the Company determined that as of March 31, 2011, the amortized cost of one PreTSL – XXIV had declined $75,000 in total during the first three months of 2011 and since the present value of the security's expected cash flows were insufficient to recover the entire amortized cost, the securities are deemed to have experienced credit-related OTTI in the amount of $75,000 which was charged to current earnings as a component of other income in the consolidated statement of income for the three months ended March 31, 2011. Future analyses could yield results that may indicate further impairment has occurred and would therefore require additional write-downs and corresponding OTTI charges to current earnings. For more information about OTTI charges, please see Note 3, "Investment securities" of the consolidated financial statements.

Federal Home Loan Bank Stock

In order to gain access to the low-cost products and services offered by the FHLB, investment in FHLB stock is required for membership in the organization and is carried at cost since there is no market value available. The amount the Company is required to invest is dependent upon the relative size of outstanding borrowings the Company has with the FHLB. Excess stock is typically repurchased from the Company at par if the level of borrowings declines to a predetermined level. In addition, the Company normally earns a return or dividend on the amount invested.

In December 2008, to preserve capital, the FHLB declared a suspension on the redemption of its stock and ceased payment of quarterly dividends until such time it becomes prudent to reinstate either or both. During the fourth quarter of 2010 and again in the first quarter of 2011, the FHLB announced a partial lifting and limited repurchase of the stock redemption provision of the suspension. As a result, the Company was able to redeem $239,000 of its FHLB stock in the fourth quarter of 2010 and an additional $227,000 in the first quarter of 2011. The dividend suspension

remains in effect. Future redemptions and dividend payments will be predicated on the financial performance and health of the FHLB. Based on the financial results of the FHLB for the three months ended March 31, 2011 and for the year-ended December 31, 2010, management believes that the suspension of both the dividend payments and excess capital stock repurchase is temporary in nature. Management further believes that the FHLB will continue to be a primary source of wholesale liquidity for both short- and long-term funding and has concluded that its investment in FHLB stock is not other than temporarily impaired. There can be no assurance, however, that future negative changes to the financial condition of the FHLB may not require the Company to recognize an impairment charge with respect to such holdings. The Company will continue to monitor the financial condition of the FHLB and assess its future ability to resume normal dividend payments and stock redemption activities.

Loans held-for-sale (HFS)

Upon origination, certain residential mortgages are classified as HFS. In the event of market rate increases, fixed-rate loans and loans not immediately scheduled to re-price would no longer produce yields consistent with the current market. In a declining interest rate environment, the Company would be exposed to prepayment risk and, as rates on adjustable-rate loans decrease, interest income would be negatively affected. Consideration is given to the Company's current liquidity position and projected future liquidity needs. To better manage prepayment and interest rate risk, loans that meet these conditions may be classified as HFS. The carrying value of loans HFS is at the lower of cost or estimated fair value. If the fair values of these loans fall below their original cost, the difference is written down and charged to current earnings. Subsequent appreciation in the portfolio is credited to current earnings but only to the extent of previous write-downs.

As of March 31, 2011, Loans HFS amounted to $310,000 with a corresponding fair value of $315,000, compared to $213,000 and $217,000, respectively, at December 31, 2010. During the three months ended March 31, 2011, residential mortgage loans with principal balances of $8,670,000 were sold into the secondary market with net gains of approximately $155,000 recognized, compared to $7,964,000 and $99,000, respectively, during the quarter ended March 31, 2010.

Loans

The Company originates commercial and industrial (commercial), commercial real estate (CRE), residential mortgages, consumer, home equity and construction loans. The relative volume of originations is dependent upon customer demand, current interest rates and the perception and duration of future interest levels. As part of the overall strategy to serve the business community in which it operates, the Company is focused on developing and implementing products and services to the broad spectrum of businesses that operate in its marketplace. The Company's goals center on building relationships by providing credit and cash management products and services, continuing to diversify its loan portfolio and utilizing loan participations to reduce risk in larger credit transactions. A loan participation is a tool that allows a community bank to meet the needs of its local customer base. Certain customers, from time-to-time, may require funding that is out of the lending limit of a local community bank. In such circumstances, it allows a bank to originate the loan, and subsequently sell a portion, or portions, of that loan to other financial institutions, thereby mitigating the risk the Company will take on with one loan. These sold portions of the loan are referred to as loan participations.

The policies, procedures and credit risk of the Company are reflective of the current economy. The risks associated with interest rates are being managed by utilizing floating versus long-term fixed rates and exploring programs where the Company can match its cost of funds.

Commercial and industrial

Commercial and industrial lending increased $5,580,000, or 7%, to $90,709,000 during the first quarter of 2011. While the majority of this portfolio remained unchanged, with originations replacing scheduled run-off, the Company saw an increase in municipal tax anticipation loans. Tax anticipation loan activity provides the Company an opportunity to establish deposit and trust relationships in addition to provide for the funding needs of the local municipal and school district communities.

Commercial real estate

Commercial real estate lending declined $898,000, or 1%, from $169,194,000 at December 31, 2010 to $168,296,000 as of March 31, 2011. There were several factors contributing to this overall decrease, including loan demand, continued utilization of participations, adhering to strict pricing requirements and underwriting considerations that are reflective of the current economy.

Residential real estate

Residential real estate was essentially unchanged since December 31, 2010. During 2011, the Company may begin to originate, for portfolio, fixed-rate 10- and 15-year residential mortgages that in the recent past were typically sold into the secondary market. The loans will be originated to conform to standard underwriting industry guidelines. By doing so, the Company will bolster its net interest margin performance, enhance capital through an extended earnings stream, limit exposure to credit risk and, because of the relatively shorter duration, minimize interest rate risk. This strategy will be managed as to not take on excessive credit and or interest rate risk.

Consumer loans

Consumer loans declined $1,030,000, or 1%, during the first quarter of 2011. Though a modest decline, the Company's intention for 2011 is to expand this segment and grow the portfolio, while maintaining asset quality.

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The composition of the loan portfolio at March 31, 2011 and December 31, 2010, is summarized as follows (dollars in thousands):

	March 31, 2011 Amount	%	December 31, 2010 Amount	%	Variance	%
Commercial and industrial	$90,709	21.6	$85,129	20.5	$5,580	6.6
Commercial real estate:						
Non-owner occupied	85,270	20.3	87,355	21.0	(2,085)	(2.4)
Owner occupied	69,472	16.6	69,338	16.7	134	0.2
Construction	13,554	3.2	12,501	3.0	1,053	8.4
Consumer:						
Home equity installment	38,578	9.2	40,089	9.6	(1,511)	(3.8)
Home equity line of credit	30,063	7.2	29,185	7.0	878	3.0
Auto	11,089	2.7	10,734	2.6	355	3.3
Other	6,413	1.5	7,165	1.7	(752)	(10.5)
Residential:						
Real estate	70,252	16.7	68,160	16.4	2,092	3.1
Construction	4,097	1.0	6,145	1.5	(2,048)	(33.3)
Total	419,497	100.0	415,801	100.0	$3,696	0.9
Allowance for loan losses	8,224		7,898		$326	
Loans, net	$411,273		$407,903		$3,370	

Allowance for loan losses

Management continually evaluates the credit quality of the Company’s loan portfolio and performs a formal review of the adequacy of the allowance for loan losses (the allowance) on a quarterly basis. The allowance reflects management’s best estimate of the amount of credit losses in the loan portfolio. Management’s judgment is based on the evaluation of individual loans, past experience, the assessment of current economic conditions and other relevant factors including the amounts and timing of cash flows expected to be received on impaired loans. Those estimates may be susceptible to significant change. The provision for loan losses represents the amount necessary to maintain an appropriate allowance. Loan losses are charged directly against the allowance when loans are deemed to be uncollectible. Recoveries from previously charged-off loans are added to the allowance when received.

Management applies two primary components during the loan review process to determine proper allowance levels. The two components are a specific loan loss allocation for loans that are deemed impaired and a general loan loss allocation for those loans not specifically allocated. The methodology to analyze the adequacy of the allowance for loan losses is as follows:

- identification of specific impaired loans by loan category;
- calculation of specific allowances where required for the impaired loans based on collateral and other objective and quantifiable evidence;
- determination of homogenous pools by loan category and eliminating the impaired loans;
- application of historical loss percentages (two-year average) to pools to determine the allowance allocation;
- application of qualitative factor adjustment percentages to historical losses for trends or changes in the loan portfolio, and/or current economic conditions.

Allocation of the allowance for different categories of loans is based on the methodology as explained above. A key element of the methodology to determine the allowance is the Company's credit risk evaluation process, which includes credit risk grading of individual commercial loans. Commercial loans are assigned credit risk grades based on the Company's assessment of conditions that affect the borrower's ability to meet its contractual obligations under the loan agreement. That process includes reviewing borrowers' current financial information, historical payment experience, credit documentation, public information and other information specific to each individual borrower. Upon review, the commercial loan credit risk grade is revised or reaffirmed. The credit risk grades may be changed at any time management feels an upgrade or downgrade may be warranted. The credit risk grades for the commercial loan portfolio are taken into account in the reserve methodology and loss factors are applied based upon the credit risk grades. The loss factors applied are based upon the Company's historical experience as well as what management believes to be best practices and within common industry standards. Historical experience reveals there is a direct correlation between the credit risk grades and loan charge-offs. The changes in allocations in the commercial loan portfolio from period-to-period are based upon the credit risk grading system and from periodic reviews of the loan portfolio.

Each quarter, management performs an assessment of the allowance and the provision for loan losses. The Company's Special Assets Committee meets quarterly and the applicable lenders discuss each relationship under review and reach a consensus on the appropriate estimated loss amount based on current accounting guidelines. The Special Assets Committee's focus is on ensuring the pertinent facts are considered and the reserve amounts pursuant to the accounting principles are reasonable. The assessment process includes the review of all loans on a non-accruing basis as well as a review of certain loans to which the lenders or the Company's Credit Administration function have assigned a criticized or classified risk rating.

Total charge-offs net of recoveries for the three months ending March 31, 2011, were $149,000, compared to $397,000 in the first three months of 2010. The reduced level of charge-offs recorded in the current year is primarily attributable to lower charge-offs incurred on commercial loans. Recoveries of $4,000 were recorded on commercial and industrial loans at March 31, 2011 compared to commercial and industrial loan net charge-offs of $142,000 for the three months ending March 31, 2010. Consumer loan net charge-offs of $62,000 were recorded during the three months ending March 31, 2011 versus $55,000 at the March 31, 2010 like period end. There were no commercial real estate loan net charge-offs during the three month period ending March 31, 2011 versus $200,000 of net charge-offs at March 31, 2010. Residential real estate loan net charge-offs totaled $91,000 for the three month period ending March 31, 2011. There were no residential real estate charge-offs in the same period of 2010. For a discussion on the provision for loan losses, see the "Provision for loan losses," located in the results of operations section of management's discussion and analysis contained herein.

The allowance for loan losses was $8,224,000 at March 31, 2011 and $7,898,000 at December 31, 2010. Management believes that the current balance in the allowance for loan losses of $8,224,000 is sufficient to withstand the identified potential credit quality issues that may arise and others unidentified but inherent to the portfolio as of this time. Potential problem loans are those where there is known information that leads management to believe repayment of principal and/or interest is in jeopardy and the loans are currently neither on non-accrual status nor past due 90 days or more. Given continuing pressure on property values and the generally uncertain economic backdrop, there could be additional instances which become identified in future periods that may require additional charge-offs and/or increases to the allowance. The ratio of allowance for loan losses to total loans was 1.96% at March 31, 2011 compared to 1.90% at December 31, 2010.

The following tables set forth the activity in the allowance for loan losses and certain key ratios for the period indicated:

	As of and for the three months ended March 31, 2011	As of and for the twelve months ended December 31, 2010	As of and for the three months ended March 31, 2010
Balance at beginning of period	$ 7,897,822	$ 7,573,603	$ 7,573,603
Provision charged to operations	475,000	2,085,000	575,000
Charge-offs:			
Commercial and industrial	-	451,979	144,690
Commercial real estate	-	892,426	200,000
Consumer	67,429	462,816	76,483
Residential	98,835	1,812	-
Total	166,264	1,809,033	421,173
Recoveries:			
Commercial and industrial	3,850	3,839	2,849
Commercial real estate	246	2,799	-
Consumer	5,845	39,904	21,310
Residential	7,479	1,710	-
Total	17,420	48,252	24,159
Net charge-offs	148,844	1,760,781	397,014
Balance at end of period	$ 8,223,978	$ 7,897,822	$ 7,751,589
Total loans, end of period	$ 419,806,900	$ 416,014,151	$ 434,257,867

	As of and for the three months ended March 31, 2011	As of and for the twelve months ended December 31, 2010	As of and for the three months ended March 31, 2010
Net charge-offs to (annualized):			
Average loans	0.14 %	0.41 %	0.36 %
Allowance for loan losses	7.24 %	22.29 %	20.49 %
Provision for loan losses	0.31 x	0.84 x	0.69 x
Allowance for loan losses to:			
Total loans	1.96 %	1.90 %	1.79 %
Non-accrual loans	0.87 x	0.79 x	0.70 x
Non-performing loans	0.82 x	0.77 x	0.68 x
Net charge-offs (annualized)	13.81 x	4.48 x	4.88 x
Loans 30-89 days past due and still accruing	$ 3,952,990	$ 2,611,162	$ 6,770,142
Loans 90 days past due and accruing	$ 547,735	$ 288,618	$ 255,290
Non-accrual loans	$ 9,463,218	$ 9,968,675	$ 11,099,264

Allowance for loan losses to loans 90 days or more past due and accruing	15.01	x	27.36	x	30.36	x

Non-performing assets

The Company defines non-performing assets as accruing loans past due 90 days or more, non-accrual loans, restructured loans, other real estate owned (ORE), non-accrual securities and repossessed assets. As of March 31, 2011, non-performing assets represented 2.37% of total assets basically unchanged from 2.38% at December 31, 2010.

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In the review of loans for both delinquency and collateral sufficiency, management concluded that there were a number of loans that lacked the ability to repay in accordance with contractual terms. The decision to place loans on a non-accrual status is made on an individual basis after considering factors pertaining to each specific loan. The commercial loans are placed on non-accrual status when management has determined that payment of all contractual principal and interest is in doubt or the loan is past due 90 days or more as to principal and interest, unless well-secured and in the process of collection. Consumer loans secured by real estate are placed on non-accrual status at 120 days past due as to principal and interest, and unsecured consumer loans are charged-off when the loan is 90 days or more past due as to principal and interest. Uncollected interest income accrued on all non-accrual loans is reversed and charged to interest income.

The majority of the non-performing assets for the period were comprised of non-accruing commercial business loans, non-accruing real estate loans, troubled debt restructurings, non-accrual securities and ORE. Most of the loans are collateralized, thereby mitigating the Company's potential for loss. During the first three months of 2011, $932,000 of corporate bonds consisting of pooled trust preferred securities were on non-accrual status, compared to $1,910,000 during the first three months of 2010. For a further discussion on the Company's securities portfolio, see Note 3, "Investments Securities", within the notes to the consolidated financial statements and the section entitled "Investments", contained within this management discussion and analysis section.

Non-performing loans declined slightly from $10,257,000 on December 31, 2010 to $10,011,000 on March 31, 2011. At December 31, 2010, the over 90 day past due portion was comprised of eight loans ranging from $1,600 to $111,000, and the non-accrual loan portion numbered 65 loans ranging from $2,900 to $1,800,000. At March 31, 2011, there were three loans ranging from $99,000 to $210,000 in the over 90 days past due category, and 64 loans ranging from $2,900 to $1,750,000 in the non-accrual category. The reduction of $246,000 in non-performing loans from December 31, 2010 to March 31, 2011 resulted mainly from non-accrual mortgage loans which were either repaid or returned to accruing (performing) status.

The Company, on a regular basis, reviews changes to loans to determine if they meet the definition of a troubled debt restructuring (TDR). TDR loans arise when a borrower experiences financial difficulty and the Company grants a concession that it would not otherwise make in order to maximize the Company's recovery. TDR loans aggregated $3,820,000 at March 31, 2011 which consisted of $2,068,000 of accruing commercial real estate loans and $1,752,000 of non-accrual commercial real estate loans. The non-accruing TDRs of $1,752,000 are included in the non-accrual loan totals. At December 31, 2010 TDRs aggregated $783,000 all of which were accruing loans. The TDR amount increased by $3,037,000 during the quarter. One loan relationship aggregating $1,752,000 which had been on non-accrual was restructured. It will remain on non-accrual status until specific performance has been demonstrated. A second, unrelated loan in the amount of $1,784,000 was restructured and classified as a TDR due to concessions granted, however, this loan had been and continues to be paid current and remains on an accruing status. A third loan of approximately $500,000 which had been in TDR at December 31, 2010 was subsequently removed based upon performance.

If applicable, a TDR loan classified as non-accrual would require a minimum of six months of payments before consideration for a return to accrual status. Concessions made to borrowers typically involve an extension of the loan's maturity date or a change in the loan's amortization period. The Company believes its concessions have been successful as the borrowers are generally current with respect to the restructured terms. The Company has not reduced interest rates, forgiven principal or entered into any forbearance or other actions with respect to these loans. If loans characterized as a TDR perform according to the restructured terms for a satisfactory period of time, the TDR designation may be removed in a new calendar year if the loan yields a market rate of interest.

ORE at March 31, 2011 was $1,132,000 and consisted of four properties. At March 31, 2011, the non-accrual loans aggregated $9,463,000 as compared to $9,969,000 at December 31, 2010. The net reduction in the level of

non-accrual loans during the quarter ended March 31, 2011 occurred as follows: additions to the non-accrual loan component of the non-performing assets totaling $1,032,000 were made during the first three months of the year. These were offset by reductions or payoffs of $659,000, charge-offs of $126,000, and $753,000 of loans that returned to performing status. Loans past due 90 days or more and accruing were $548,000 at March 31, 2011 and $289,000, at December 31, 2010. Non-accrual securities were $932,000 at March 31, 2011 and $1,091,000 at December 31, 2010. The ratio of non-performing loans to total loans declined to 2.38% at March 31, 2011 from 2.47% at December 31, 2010.

The following table sets forth non-performing assets data as of the period indicated:

	March 31, 2011	December 31, 2010	March 31, 2010
Loans past due 90 days or more and accruing	$ 547,735	$ 288,618	$ 255,290
Non-accrual loans	9,463,218	9,968,675	11,099,264
Total non-performing loans	10,010,953	10,257,293	11,354,554
Troubled debt restructurings	2,067,595	782,688	-
Other real estate owned	1,131,595	1,260,895	337,397
Non-accrual securities	932,521	1,091,311	1,910,243
Total non-performing assets	$ 14,142,664	$ 13,392,187	$ 13,602,194
Total loans including HFS	$ 419,806,900	$ 416,014,151	$ 434,257,867
Total assets	$ 596,296,512	$ 561,673,152	$ 595,288,575
Non-accrual loans to total loans	2.25 %	2.40 %	2.56 %
Non-performing loans to total loans	2.38 %	2.47 %	2.61 %
Non-performing assets to total assets	2.37 %	2.38 %	2.28 %

The composition of non-performing loans as of March 31, 2011 is as follows (dollars in thousands):

	Gross loan balances	Past due 90 days or more and still accruing	Non-accrual loans	Total non-performing loans	% of gross loans
Commercial and industrial	$ 90,709	$ 210	$ 165	$ 375	0.41 %
Commercial real estate:					
Non-owner occupied	85,270	228	1,970	2,199	2.58 %
Owner occupied	69,472	-	2,765	2,765	3.98 %
Construction	13,554	-	-	-	-
Consumer:					
Home equity installment	38,578	110	705	815	2.11 %
Home equity line of credit	30,063	-	490	490	1.63 %
Auto	11,089	-	-	-	-
Other	6,413	-	-	-	-
Residential:					
Real estate	70,252	-	3,274	3,274	4.66 %
Construction	4,097	-	94	94	2.30 %
Loans held for sale	310	-	-	-	-
Total	$ 419,807	$ 548	$ 9,463	$ 10,012	2.38 %

Foreclosed assets held-for-sale

Foreclosed assets held-for-sale, consisting of ORE, was $1,132,000 at March 31, 2011 consisted of four properties which are listed for sale with local realtors. The $129,000 decline in ORE from the December 31, 2010 balance of $1,261,000 is mainly the result of the sale of a residential property.

Deposits

The Bank is a community-based commercial financial institution, member FDIC, which offers a variety of deposit products with varying ranges of interest rates and terms. Deposit products include savings, clubs, interest-bearing checking (NOW), money market, non-interest-bearing checking (DDAs) and certificates of deposit accounts. Certificates of deposit accounts, or CDs, are deposits with stated maturities which can range from seven days to ten years. The flow of deposits is significantly influenced by general economic conditions, changes in prevailing interest rates, pricing and competition. To determine deposit product offering interest rates, the Company considers local competition, spreads to earning-asset yields, liquidity position and rates charged for alternative sources of funding such as borrowings and FHLB advances. Like all banks, the Company competes for deposits. When setting interest rates, the deposit-gathering strategies also include consideration of the Company’s balance sheet structure and cost effectiveness that are mindful of the current and forecasted economic climate.

Compared to December 31, 2010 total deposits grew $30,752,000, or 6%, during the three months ended March 31, 2011. The growth in total deposits was due to increases in DDA, savings and money market accounts of $27,503,000, or 32%, $9,012,000, or 9% and $2,719,000, or 3%, respectively, partially offset by lower CD and NOW balances. Generally, deposits are obtained from consumers and businesses within the communities that surround the Company's 11 branch offices and all deposits are insured by the FDIC up to the full extent permitted by law. The large increase in DDA accounts was primarily due to an influx of municipal tax collections. These deposits are seasonal in nature, and are not permanent. In an effort to grow and retain core deposits, the Company introduces innovative options to its variety of deposit products. The Company has successfully focused on providing exemplary customer service and introducing highly innovative deposit-gathering techniques. This approach has strengthened the Company's low-cost funding base. The continued low interest rate environment has resulted in a wide-spread preference for customers to place their money in non-maturing interest-bearing accounts rather than to renew maturing CDs. When the market rates do rise, the Company will focus on and promote CD gathering strategies that will strive to increase time deposits while maintaining its low-costing core deposit foundation.

The following table represents the components of deposits as of the date indicated (dollars in thousands):

	March 31, 2011		December 31, 2010	
	Amount	%	Amount	%
Money market	$82,329	16.0	$79,610	16.5
NOW	65,738	12.8	67,572	14.0
Savings and club	114,847	22.4	105,835	21.9
Certificates of deposit	137,003	26.7	143,651	29.8
Total interest-bearing	399,917	77.9	396,668	82.2
Non-interest-bearing	113,283	22.1	85,780	17.8
Total deposits	$513,200	100.0	$482,448	100.0

The Company uses the Certificate of Deposit Account Registry Service (CDARS) reciprocal program to obtain FDIC insurance protection for customers who have large deposits that at times may exceed the FDIC maximum amount of $250,000. In the CDARS program, deposits with varying terms and interest rates, originated in the Company's own markets, are exchanged for deposits of other financial institutions that are members in the CDARS network. By placing these deposits in other participating institutions, the deposits of our customers are fully insured by the FDIC. In return for deposits placed with network institutions, the Company receives from network institutions deposits that are approximately equal in amount and contain similar terms as those placed for our customers. Deposits the Company receives, or reciprocal deposits, from other institutions are considered brokered deposits by regulatory definitions. As of March 31, 2011 CDARS represented $11,889,000, or 2%, of total deposits, compared to $11,876,000, or 2%, of total deposits at December 31, 2010.
Excluding CDARS, certificates of deposit accounts of $100,000 or more amounted to $47,778,000 and $51,340,000 at March 31, 2011 and December 31, 2010, respectively. Certificates of deposit of $250,000 or more amounted to $18,333,000 and $19,120,000 as of March 31, 2011 and December 31, 2010.

Including CDARS, approximately 37% and 38% of the CDs are scheduled to mature in 2011 and 2012, respectively. Renewing CDs may re-price to lower or higher market rates depending on the direction of interest rate movements, the shape of the yield curve, competition, the rate profile of the maturing accounts and depositor preference for alternative products. In this current low interest rate environment, a widespread preference has been for customers with maturing CDs to hold their deposits in readily available transaction products such as savings accounts. When interest rates begin to rise, the Company expects CDs to grow to more normal levels.

Borrowings

Borrowings are used as a complement to deposit generation as an alternative funding source whereby the Bank will borrow under customer repurchase agreements in the local market, advances from the Federal Home Loan Bank of Pittsburgh (FHLB) and other correspondent banks for asset growth and liquidity needs.

Repurchase agreements are non-insured interest-bearing liabilities that have a perfected security interest in qualified investments of the Company. The FDIC Depositor Protection Act of 2009 requires banks to provide a perfected security interest to the purchasers of uninsured repurchase agreements. Repurchase agreements are offered through a sweep product. A sweep account is designed to ensure that on a daily basis, an attached DDA is adequately funded and excess funds are transferred, or swept, into an interest-bearing overnight repurchase agreement account. Due to the constant flow of funds in to and out of the sweep product, their balances tend to be somewhat volatile, similar to a DDA. Customer liquidity is the typical cause for variances in repurchase agreements, which for the first three months of 2011 increased $2,900,000, or 38%, from December 31, 2010.

The components of borrowings as of March 31, 2011 and December 31, 2010 are as follows (dollars in thousands):

	March 31, 2011		December 31, 2010	
	Amount	%	Amount	%
Repurchase agreements	$10,406	32.3	$7,548	25.5
Demand note, U.S. Treasury	725	2.3	1,000	3.4
FHLB advances:				
Long-term	21,000	65.4	21,000	71.1
Total borrowings	$32,131	100.0	$29,548	100.0

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Management of interest rate risk and market risk analysis.

In January 2010, the Federal Financial Institutions Examination Council (FFIEC) released an Advisory on Interest Rate Risk Management (IRR Advisory) to remind institutions of the supervisory expectations regarding sound practices for managing interest rate risk. While some degree of interest rate risk is inherent in the business of banking, the FFIEC expects financial institutions to have sound risk management practices in place to measure monitor and control interest rate risk exposures, and interest rate risk management should be an integral component of an institution's risk management infrastructure. The FFIEC expects all institutions to manage their interest rate risk exposures using processes and systems commensurate with the balance sheet complexity, business model, risk profile, scope of operations, earnings and capital levels. The IRR Advisory reiterates the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the interest rate risk exposures of institutions.

The IRR Advisory encourages institutions to use a variety of techniques to measure interest rate risk exposure including: gap analysis, income measurement and valuation measurement for assessing the impact of changes in market rates and simulation modeling to measure interest rate risk exposure. The IRR Advisory also reminds institutions that stress testing, which includes both scenario and sensitivity analysis, is an integral component of interest rate risk management. Institutions should regularly assess interest rate risk exposures beyond typical industry conventions and towards the given economic climate including changes in rates of a magnitude that is greater than the general practice of up and down 200 basis points and different scenarios to reflect changes in slopes of the yield curve.

The adequacy and effectiveness of an institution's interest rate risk management process and the level of its exposures are critical factors in the regulatory evaluation of an institution's sensitivity to changes in interest rates and capital adequacy. Management believes the Company's interest rate risk measurement framework is sound and provides an effective means to measure, monitor, analyze, indentify and control interest rate risk in the balance sheet.

The Company is subject to the interest rate risks inherent in its lending, investing and financing activities. Fluctuations of interest rates will impact interest income and interest expense along with affecting market values of all interest-earning assets and interest-bearing liabilities, except for those assets or liabilities with a short term remaining to maturity. Interest rate risk management is an integral part of the asset/liability management process. The Company has instituted certain procedures and policy guidelines to manage the interest rate risk position. Those internal policies enable the Company to react to changes in market rates to protect net interest income from significant fluctuations. The primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on net interest income along with creating an asset/liability structure that maximizes earnings.

Asset/Liability Management. One major objective of the Company when managing the rate sensitivity of its assets and liabilities is to stabilize net interest income. The management of and authority to assume interest rate risk is the responsibility of the Company's Asset/Liability Committee (ALCO), which is comprised of senior management and

members of the board of directors. ALCO meets quarterly to monitor the relationship of interest-sensitive assets to interest- sensitive liabilities. The process to review interest rate risk is a regular part of managing the Company. Consistent policies and practices of measuring and reporting interest rate risk exposure, particularly regarding the treatment of non-contractual assets and liabilities, are in effect. In addition, there is an annual process to review the interest rate risk policy with the board of directors which includes limits on the impact to earnings from shifts in interest rates.

Interest Rate Risk Measurement. Interest rate risk is monitored through the use of three complementary measures: static gap analysis, earnings at risk simulation and economic value at risk simulation. While each of the interest rate risk measurements has limitations, taken together they represent a reasonably comprehensive view of the magnitude of interest rate risk in the Company and the distribution of risk along the yield curve, the level of risk through time and the amount of exposure to changes in certain interest rate relationships.

Static Gap. The ratio between assets and liabilities re-pricing in specific time intervals is referred to as an interest rate sensitivity gap. Interest rate sensitivity gaps can be managed to take advantage of the slope of the yield curve as well as forecasted changes in the level of interest rate changes.

To manage this interest rate sensitivity gap position, an asset/liability model commonly known as cumulative gap analysis is used to monitor the difference in the volume of the Company's interest-sensitive assets and liabilities that mature or re-price within given time intervals. A positive gap (asset sensitive) indicates that more assets will mature or re-price during a given period compared to liabilities, while a negative gap (liability sensitive) has the opposite effect. The Company employs computerized net interest income simulation modeling to assist in quantifying interest rate risk exposure. This process measures and quantifies the impact on net interest income through varying interest rate changes and balance sheet compositions. The use of this model assists the ALCO to gauge the effects of the interest rate changes on interest-sensitive assets and liabilities in order to determine what impact these rate changes will have upon the net interest spread. As of March 31, 2011, the Bank maintained a one-year cumulative gap of positive $101.3 million, or 17.0%, of total assets. The effect of this positive gap position provided a mismatch of assets and liabilities which may expose the Bank to interest rate risk during periods of falling interest rates. Conversely, in an increasing interest rate environment, net interest income could be positively impacted because more assets than liabilities would re-price upward during the one-year period.

Certain shortcomings are inherent in the method of analysis discussed above and presented in the next table. Although certain assets and liabilities may have similar maturities or periods of re-pricing, they may react in different degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as adjustable-rate mortgages, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels may deviate significantly from those assumed in calculating the table. The ability of many borrowers to service their adjustable-rate debt may decrease in the event of an interest rate increase.

The following table illustrates the Company's interest sensitivity gap position at March 31, 2011 (dollars in thousands):

	Three months or less	More than three months to twelve months	More than one year to three years	More than three years	Total
Cash and cash equivalents	$ 37,762	$ -	$-	$9,681	$47,443
Investment securities (1)(2)	5,776	12,648	23,846	52,927	95,197
Loans (2)	129,006	77,495	107,301	97,781	411,583
Fixed and other assets	-	9,502	-	32,572	42,074
Total assets	$ 172,544	$ 99,645	$131,147	$192,961	$596,297
Total cumulative assets	$ 172,544	$ 272,189	$403,336	$596,297	
Non-interest bearing transaction deposits (3)	$ -	$ 11,328	$31,153	$70,802	$113,283
Interest-bearing transaction deposits (3)	71,312	-	72,542	119,062	262,916
Time deposits	17,529	59,598	45,020	14,854	137,001
Repurchase agreements	10,406	-	-	-	10,406
Short-term borrowings	725	-	-	-	725
Long-term debt	-	-	5,000	16,000	21,000
Other liabilities	-	-	-	2,663	2,663
Total liabilities	$ 99,972	$ 70,926	$153,715	$223,381	$547,994
Total cumulative liabilities	$ 99,972	$ 170,898	$324,613	$547,994	

Interest sensitivity gap	$ 72,572	$ 28,719	$(22,568)	$(30,420)
Cumulative gap	$ 72,572	$ 101,291	$78,723	$48,303
Cumulative gap to total assets	12.2 %	17.0 %	13.2 %	8.1 %

(1) Includes FHLB stock and the net unrealized gains/losses on securities AFS.

(2) Investments and loans are included in the earlier of the period in which interest rates were next scheduled to adjust or the period in which they are due. In addition, loans are included in the periods in which they are scheduled to be repaid based on scheduled amortization. For amortizing loans and MBS – GSE residential, annual prepayment rates are assumed reflecting historical experience as well as management's knowledge and experience of its loan products.

(3) The Bank's demand and savings accounts are generally subject to immediate withdrawal. However, management considers a certain amount of such accounts to be core accounts having significantly longer effective maturities based on the retention experiences of such deposits in changing interest rate environments. The effective maturities presented are the recommended maturity distribution limits for non-maturing deposits based on historical deposit studies.

Earnings at Risk and Economic Value at Risk Simulations. The Company recognizes that more sophisticated tools exist for measuring the interest rate risk in the balance sheet that extend beyond static re-pricing gap analysis. Although it will continue to measure its re-pricing gap position, the Company utilizes additional modeling for identifying and measuring the interest rate risk in the overall balance sheet. The ALCO is responsible for focusing on "earnings at risk" and "economic value at risk", and how both relate to the risk-based capital position when analyzing the interest rate risk.

Earnings at Risk. Earnings at risk simulation measures the change in net interest income and net income should interest rates rise and fall. The simulation recognizes that not all assets and liabilities re-price one-for-one with market rates (e.g., savings rate). The ALCO looks at "earnings at risk" to determine income changes from a base case scenario under an increase and decrease of 200 basis points in interest rate simulation models.

Economic Value at Risk. Earnings at risk simulation measures the short-term risk in the balance sheet. Economic value (or portfolio equity) at risk measures the long-term risk by finding the net present value of the future cash flows from the Company's existing assets and liabilities. The ALCO examines this ratio quarterly utilizing an increase and decrease of 200 basis points in interest rate simulation models. The ALCO recognizes that, in some instances, this ratio may contradict the "earnings at risk" ratio.

The following table illustrates the simulated impact of 200 basis points upward or downward movement in interest rates on net interest income, net income and the change in the economic value (portfolio equity). This analysis assumes that interest-earning asset and interest-bearing liability levels at March 31, 2011 remain constant. The impact of the rate movements was developed by simulating the effect of rates changing over a twelve-month period from the March 31, 2011 levels:

Earnings at risk:	Rates +200		Rates -200	
Percent change in:				
Net interest income	5.3	%	(2.6	) %
Net income	14.7		(7.3	)
Economic value at risk:				
Percent change in:				
Economic value of equity	(24.4	)	(5.8	)
Economic value of equity as a percent of book assets	(1.9	)	(0.5	)

Economic value has the most meaning when viewed within the context of risk-based capital. Therefore, the economic value may normally change beyond the Company's policy guideline for a short period of time as long as the risk-based capital ratio (after adjusting for the excess equity exposure) is greater than 10%. As of March 31, 2011, the Company's risk-based capital ratio was 12.1%.

The table below summarizes estimated changes in net interest income over a twelve-month period beginning April 1, 2011, under alternate interest rate scenarios using the income simulation model described above (dollars in thousands):

Change in interest rates		Net interest income	$	variance	% variance	
+200 basis points	$	22,861	$	1,149	5.3	%
+100 basis points		22,114		402	1.9	

Flat rate	21,712	-	-
-100 basis points	21,779	67	0.3
-200 basis points	21,153	(559)	(2.6)

Simulation models require assumptions about certain categories of assets and liabilities. The models schedule existing assets and liabilities by their contractual maturity, estimated likely call date or earliest re-pricing opportunity. MBS – GSE residential securities and amortizing loans are scheduled based on their anticipated cash flow including estimated prepayments. For investment securities, the Bank uses a third-party service to provide cash flow estimates in the various rate environments. Savings, money market and NOW accounts do not have a stated maturity or re-pricing term and can be withdrawn or re-priced at any time. This may impact the margin if more expensive alternative sources of deposits are required to fund loans or deposit runoff. Management projects the re-pricing characteristics of these accounts based on historical performance and assumptions that it believes reflect their rate sensitivity. The model reinvests all maturities, repayments and prepayments for each type of asset or liability into the same product for a new like term at current product interest rates. As a result, the mix of interest-earning assets and interest bearing-liabilities is held constant.

Liquidity

Liquidity management ensures that adequate funds will be available to meet customers' needs for borrowings, deposit withdrawals and maturities and normal operating expenses of the Company. Current sources of liquidity are cash and cash equivalents, asset maturities and pay-downs within one year, loans HFS and investments AFS, growth of core deposits, growth of repurchase agreements, increases of other borrowed funds from correspondent banks and issuance of capital stock. Although regularly scheduled investment and loan payments are a dependable source of daily funds, the sales of loans HFS and investments AFS, deposit activity and investment and loan prepayments are significantly influenced by general economic conditions and the interest rate environment. During low and declining interest rate environments, prepayments from interest-sensitive assets tend to accelerate and provide significant liquidity which can be used to invest in other interest-earning assets but at lower market rates. Conversely, during periods of high and rising interest rates, prepayments from interest-sensitive assets tend to decelerate causing cash flow from mortgage loans and the MBS–GSE residential securities portfolio to decrease. Rising interest rates may also cause deposit inflow to accelerate at higher market interest rates. The Company closely monitors activity in the capital markets and takes appropriate action to ensure that the liquidity levels are adequate for funding, investing and operating activities.

The Company's contingency funding plan (CFP) sets a framework for handling liquidity issues in the event circumstances arise which the Company deems to be less than normal. To accomplish this, the Company established guidelines for identifying, measuring, monitoring and managing the resolution of potentially serious liquidity crises. The Company's CFP outlines required monitoring tools, acceptable alternative funding sources and required actions during various liquidity scenarios. Thus, the Company has implemented a proactive means for the measurement and resolution for dealing with potentially significant adverse liquidity issues. At least quarterly, the CFP monitoring tools, current liquidity position and monthly projected liquidity sources and uses are presented and reviewed by the Company's ALCO. As of March 31, 2011, the Company has not experienced any adverse liquidity issues that would give rise to its inability to raise liquidity in an emergency situation.

For the three months ended March 31, 2011, the Company generated $24.5 million of cash. The Company's operations provided $4.2 million mostly from the net proceeds from mortgage banking services and lower net operating expenses. The $33.6 million of growth in deposits and repurchase agreements as well as cash inflow from investments helped fund $17.6 million of new security investments and net growth in commercial and industrial loans. The excess cash will be used to grow the residential loan and investment portfolios and provide for the unpredictable seasonal and sporadic deposit cash flow from the Company's municipal customers.

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers and in connection with the overall interest rate management strategy. These instruments involve, to a varying degree, elements of credit, interest rate and liquidity risk. In accordance with GAAP, these instruments are not recorded in the consolidated financial statements. Such instruments primarily include lending commitments and lease obligations.

Lending commitments include commitments to originate loans and commitments to fund unused lines of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established by contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

In addition to lending commitments, the Company has contractual obligations related to operating lease commitments, certificates of deposit, FHLB advances and repurchase agreements. Operating lease commitments are obligations under various non-cancelable operating leases on buildings and land used for office space and other bank purposes. The Company's position with respect to lending commitments and significant contractual obligations, both

on a short- and long-term basis has not changed materially from December 31, 2010.

As of March 31, 2011, the Company maintained $47.4 million in cash and cash equivalents, $90.7 million in securities AFS and loans HFS and had approximately $222.1 million available to borrow from the FHLB, the Discount Window of the Federal Reserve Bank, correspondent banks and CDARS. The combined total of $360.2 represented 60% of total assets as of March 31, 2011. Management believes this level of liquidity to be strong and adequate to support current operations.

Capital

During the three months ended March 31, 2011, total shareholders' equity increased $1,529,000, or 3%. The improvement was caused by: net income of $1,227,000; a $474,000 (net of a $3,000 non-credit-related OTTI gain) after tax improvement in the market value of the AFS securities portfolio; $67,000 in proceeds from employees enrolled in the Company’s Employee Stock Purchase Plan; partially offset by $263,000 of dividends paid to shareholders, net of dividends reinvested and optional cash payments received from participants in the Company’s Dividend Reinvestment Plan.

As of March 31, 2011, the Company reported a net unrealized loss of $3,344,000, net of tax, from the securities AFS, an improvement compared to the net unrealized loss of $3,817,000 as of December 31, 2010. The condition of the economy, though improving, continues to assert uncertainty in the financial and capital markets and has had a sizable and prolonged negative impact on the fair value estimates on the securities in banks' investment portfolios. Management maintains these changes are due mainly to liquidity problems in the financial markets and to a lesser extent the deterioration in the creditworthiness of the issuers.

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Under these guidelines, assets and certain off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and certain off-balance sheet items. The appropriate risk-weighting, pursuant to regulatory guidelines, required a gross-up in the risk-weighting of securities that were rated below investment grade, thereby significantly inflating the total risk-weighted assets. This requirement had an adverse impact on the total capital and Tier I capital ratios in 2011 and 2010. The regulatory guidelines require all banks and bank holding companies to maintain a minimum ratio of total risk-based capital to total risk-weighted assets (Total Risk Adjusted Capital) of 8%, including Tier I capital to total risk-weighted assets (Tier I Capital) of 4% and Tier I capital to average total assets (Leverage Ratio) of at least 4%. As of March 31, 2011, the Company and the Bank met all capital adequacy requirements to which it was subject.

The Company continues to closely monitor and evaluate alternatives to enhance its capital ratios as the regulatory and economic environments change. The following table depicts the capital amounts and ratios of the Company and the Bank as of March 31, 2011:

	Actual amount	Ratio	For capital adequacy purposes Amount	Ratio	To be well capitalized under prompt corrective action provisions Amount	Ratio
Total capital (to risk-weighted assets)						
Consolidated	$ 54,509,388	12.1 %	≥$ 36,069,556	≥ 8.0 %	N/A	N/A
Bank	$ 54,130,664	12.0 %	≥$ 36,059,748	≥ 8.0 %	≥$ 45,074,685	≥ 10.0 %
Tier I capital (to risk-weighted assets)						
Consolidated	$ 48,768,534	10.8 %	≥$ 18,034,778	≥ 4.0 %	N/A	N/A
Bank	$ 48,463,312	10.8 %	≥$ 18,029,874	≥ 4.0 %	≥$ 27,044,811	≥ 6.0 %
Tier I capital (to average assets)						
Consolidated	$ 48,768,534	8.4 %	≥$ 23,260,311	≥ 4.0 %	N/A	N/A
Bank	$ 48,463,312	8.4 %	≥$ 23,242,306	≥ 4.0 %	≥$ 29,052,882	≥ 5.0 %

Item 4T. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out by the Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on such evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files or furnishes under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and are effective. The Company made no changes in its internal controls over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, these controls during the last fiscal quarter ended March 31, 2011.

PART II - Other Information

Item 1. Legal Proceedings

The nature of the Company's business generates some litigation involving matters arising in the ordinary course of business. However, in the opinion of the Company after consultation with legal counsel, no legal proceedings are pending, which, if determined adversely to the Company or the Bank, would have a material effect on the Company's undivided profits or financial condition. No legal proceedings are pending other than ordinary routine litigation incidental to the business of the Company and the Bank. In addition, to management's knowledge, no governmental authorities have initiated or contemplated any material legal actions against the Company or the Bank.

Item 1A. Risk Factors

Management of the Company does not believe there have been any material changes in risk factors that were disclosed in the 2010 Form 10-K filed with the Securities and Exchange Commission on March 29, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default Upon Senior Securities

None

Item 4. (Removed and Reserved)

None

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference as a part of this Form 10-Q:

3(i) Amended and Restated Articles of Incorporation of Registrant. Incorporated by reference to Annex B of the Proxy Statement/Prospectus included in Registrant's Amendment 4 to its Registration Statement No. 333-90273 on Form S-4, filed with the SEC on April 6, 2000.

3(ii) Amended and Restated Bylaws of Registrant. Incorporated by reference to Exhibit 3(ii) to Registrant's Form 8-K filed with the SEC on November 21, 2007.

*10.1 1998 Independent Directors Stock Option Plan of The Fidelity Deposit and Discount Bank, as assumed by Registrant. Incorporated by reference to Exhibit 10.1 to Registrant's Registration Statement No. 333-90273 on Form S-4, filed with the SEC on November 3, 1999.

*10.2 1998 Stock Incentive Plan of The Fidelity Deposit and Discount Bank, as assumed by Registrant. Incorporated by reference to Exhibit 10.2 of Registrant's Registration Statement No. 333-90273 on Form S-4, filed with the SEC on

November 3, 1999.

*10.3 Registrant's 2000 Dividend Reinvestment Plan. Incorporated by reference to Exhibit 4 to Registrant's Registration Statement No. 333-45668 on Form S-1, filed with the SEC on September 12, 2000 and as amended by Pre-Effective Amendment No. 1 on October 11, 2000, by Post-Effective Amendment No. 1 on May 30, 2001, by Post-Effective Amendment No. 2 on July 7, 2005, by Registration Statement No. 333-152806 on Form S-3 filed on August 6, 2008 and by Post-Effective Amendment No. 1 on January 25, 2010.

*10.4 Registrant's 2000 Independent Directors Stock Option Plan. Incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement No. 333-64356 on Form S-8 filed with the SEC on July 2, 2001.

*10.5 Amendment, dated October 2, 2007, to the Registrant's 2000 Independent Directors Stock Option Plan. Incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed with the SEC on October 4, 2007.

*10.6 Registrant's 2000 Stock Incentive Plan. Incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement No. 333-64356 on Form S-8 filed with the SEC on July 2, 2001.

*10.7 Amendment, dated October 2, 2007, to the Registrant's 2000 Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed with the SEC on October 4, 2007.

*10.8 Registrant's 2002 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement No. 333-113339 on Form S-8 filed with the SEC on March 5, 2004.

*10.9 Change of Control Agreement with Salvatore R. DeFrancesco, Registrant and The Fidelity Deposit and Discount Bank, dated March 21, 2006. Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed with the SEC on March 27, 2006.

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*10.10 Amended and Restated Executive Employment Agreement between Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank and Daniel J. Santaniello, dated March 23, 2011. Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2011.

*10.11 Amended and Restated Executive Employment Agreement between Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank and Timothy P. O'Brien, dated March 23, 2011. Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2011.

*10.12 Change in Control and Severance Agreement between Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank and John T. Piszak, dated March 23, 2011. Incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2011.

11 Statement regarding computation of earnings per share. Included herein in Note No. 5, "Earnings per share," contained within the Notes to Consolidated Financial Statements, and incorporated herein by reference.

31.1 Rule 13a-14(a) Certification of Principal Executive Officer, filed herewith.

31.2 Rule 13a-14(a) Certification of Principal Financial Officer, filed herewith.

32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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* Management contract or compensatory plan or arrangement.

Signatures

FIDELITY D & D BANCORP, INC.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Fidelity D & D Bancorp, Inc.
Date: May 11, 2011	/s/ Daniel J. Santaniello Daniel J. Santaniello, President and Chief Executive Officer Fidelity D & D Bancorp, Inc.
Date: May 11, 2011	/s/ Salvatore R. DeFrancesco, Jr. Salvatore R. DeFrancesco, Jr., Treasurer and Chief Financial Officer

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