

2010 NOTICE OF ANNUAL
SHAREHOLDERS MEETING
AND
PROXY STATEMENT





April 27, 2010

Dear Shareholder,

On behalf of our entire Board of Directors, I cordially invite you to attend our annual meeting of shareholders on Thursday, May 20, 2010. At the meeting, we will review our performance for fiscal year 2009.

A notice of the meeting and proxy statement follow. You will also find enclosed your proxy voting card and the 2009 Annual Report. I would like to take this opportunity to remind you that your vote is important. Please take a moment now to complete, sign and date the enclosed proxy voting card and return it in the postage-paid envelope we have provided.

I look forward to seeing you on May 20, 2010.

Sincerely,

A handwritten signature in black ink, appearing to read 'Russell Breeden III'.

Russell Breeden, III
Chairman and Chief Executive Officer

NOTICE OF THE 2010 ANNUAL MEETING
OF THE
SHAREHOLDERS
AND
PROXY STATEMENT



NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the “Annual Meeting”) of Blue River Bancshares, Inc. (the “Company”) will be held on Thursday, May 20, 2010 at 10:00 a.m., at Indiana Wesleyan University, 2325 Intelliplex Drive, Shelbyville, Indiana, to consider and take action on the following matters:

1. Election of one director to serve a three year term expiring in 2013,
2. Ratification of the appointment of Crowe Horwath LLP as the Company’s independent auditors for fiscal year 2010, and
3. Transaction of any other business that is properly raised at the meeting.

Only common shareholders of record at the close of business on April 15, 2010 are entitled to notice of, and to vote at, the Annual Meeting, or any postponements or adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read 'Randy Collier', is written over a light blue horizontal line.

Randy J. Collier, Secretary

Shelbyville, Indiana

April 27, 2010

The board of directors unanimously recommends that you approve (1) the election of one director as described in the accompanying proxy statement; and (2) the ratification of the appointment of Crowe Horwath LLP as the Company’s independent auditors for fiscal year 2010.

Whether or not you plan to be present in person at the Annual Meeting, please vote by executing, dating and returning the enclosed proxy in the accompanying envelope so that your stock will be voted. This will not prevent you from voting in person at the Meeting. It will, however, help to assure a quorum and help to avoid additional solicitation costs. The envelope requires no postage if mailed from within the United States.

BLUE RIVER BANCSHARES, INC.
29 East Washington Street
Shelbyville, Indiana 46176

PROXY STATEMENT

ANNUAL MEETING INFORMATION

This proxy statement contains information related to the annual meeting of shareholders of Blue River Bancshares, Inc. to be held on May 20, 2010, beginning at 10:00 a.m. Eastern Standard Time, at Indiana Wesleyan University, 2325 Intelliplex Drive, Shelbyville, Indiana, and at any postponements or adjournments thereof. It may not contain all of the information that is important to you. This proxy statement was prepared under the direction of the Company's Board of Directors to solicit your proxy for use at the annual meeting. This proxy statement and form of proxy were first mailed to shareholders on or about April 29, 2010.

As of the close of business on April 15, 2010, the record date for determining shareholders entitled to notice of and to vote at the annual meeting, we had a total of 2,999,149 shares of common stock issued and outstanding.

PROPOSAL ONE - ELECTION OF ONE DIRECTOR

One director will be elected at the annual meeting. The director will serve a three-year term until the 2013 annual meeting or until his earlier resignation or removal. The director nominee will be elected by a plurality of votes cast at the annual meeting. A plurality is generally defined as the excess of the votes cast in favor of a director nominee over those cast in favor of any other nominee, but not less than a majority of the votes cast.

Our Board of Directors currently consists of eight persons, divided into three classes, serving staggered terms of three years. John R. Owens has notified the Company that he has decided to not stand for re-election as a director of the Company. The Board of Directors has not yet identified a suitable candidate to fill the vacancy created by Mr. Owens. If the Board of Directors is unable to identify a candidate to replace Mr. Owens, the Board of Directors may vote to amend the bylaws of the Company to reduce the size of the Board of Directors.

This year's nominee for election to the Board of Directors is as follows:

Robert J. Salyers
Director since 2004
Age 63

ROBERT J. SALYERS. Mr. Salyers practices law with the firm of Salyers and Eiteljorg, P.C. in Indianapolis, Indiana. Mr. Salyers served as the Acting General Manager of the Indiana Pacers from 1981 through 1983, and then as President of the Indiana Pacers and Market Square Arena until 1986.

Mr. Salyers served as a member of the Board of Directors of Standard Management Corporation, Indianapolis, Indiana, from 2001 to 2005.

Mr. Salyers is a 1968 graduate of Purdue University with a BS degree in Animal Science and a 1973 graduate of the Indiana University Law School. He served in the U.S. Army from 1968 through May of 1970.

He has served as a member of the board of the Eiteljorg Museum of American Indians and Western Art since 1991 and was Chairman of the Board in 1997 and 1998. He served on the committee that founded the Lutheran High School of Indianapolis. He has served on the mission's board and the board of Christian Education for St. John Lutheran Church and School and currently serves on the Board of Directors of the St. John Endowment Fund for Church and School Ministry, Inc.

Mr. Salyers is a member of the Indiana State Bar Association, Indianapolis Bar Association and the Veterans of Foreign Wars. Our Board of Directors has determined that, if elected, Mr. Salyers will be an independent director.

Our Board of Directors recommends that you vote FOR the director nominee.

PROPOSAL TWO - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has appointed Crowe Horwath LLP to serve as our independent auditors for the fiscal year ending December 31, 2010 and is soliciting your ratification of that selection. The holders of a majority of the shares having voting power present at the meeting (in person or by proxy) must vote for this proposal in order for it to pass.

In their role as our independent auditors, Crowe Horwath LLP reports on our financial statements.

Your ratification of the Audit Committee's appointment of Crowe Horwath LLP is not necessary because the Audit Committee of the Board of Directors has sole authority for appointment of our independent auditors. However, the Audit Committee of the Board of Directors will take your vote on this proposal into consideration when selecting our independent auditors in the future.

Our Audit Committee recommends a vote FOR the ratification of the appointment of Crowe Horwath LLP as our independent auditors for the fiscal year ending December 31, 2010.

In making its recommendation for the shareholders of the Company to ratify the appointment of Crowe Horwath LLP as the Company's independent auditors for the fiscal year ending December 31, 2010, the Audit Committee has considered whether services other than audit and audit-related services provided by Crowe Horwath LLP are compatible with maintaining the independence of Crowe Horwath LLP.

A representative of Crowe Horwath LLP may be present at the annual meeting of shareholders of the Company. The representative will have an opportunity to make a statement and will be available to respond to appropriate questions.

OTHER INFORMATION YOU NEED TO MAKE AN INFORMED DECISION

Who is on our Board of Directors?

The directors of the Company are listed in the table below. Each director serves a term of three years and until the election and qualification of his successor. The following directors have been determined to be independent: Wendell L. Bernard, Peter G. DePrez, John Eckart, John R. Owens, Wayne C. Ramsey and Robert J. Salyers.

<u>NAME</u>	<u>DIRECTOR SINCE</u>	<u>TERM EXPIRES</u>	<u>POSITION WITH THE COMPANY</u>
Steven R. Abel	1997	2012	Director; Vice Chairman since May 2004; Chief Credit Officer of SCB Bank from April, 2005 to July 2007; Chairman of SCB Bank from June 1998 to July, 2007; Chairman of Officer's Loan Committee of SCB Bank since July 2007; Director of SCB Bank since June 1998
Wendell L. Bernard	1998	2012	Director; Director of SCB Bank from June 1998 to July 2007

<u>NAME</u>	<u>DIRECTOR SINCE</u>	<u>TERM EXPIRES</u>	<u>POSITION WITH THE COMPANY</u>
Russell Breeden, III	2002	2012	Director; Chairman since May 2004; Chief Executive Officer since August 2003; President since October 2004; Chairman of the Executive Committee since September 2002; Chairman of SCB Bank since July, 2007; Director of SCB Bank since September 2002
Peter G. DePrez	1999	2011	Director; Director of SCB Bank since January 1999
John Eckart	2005	2011	Director
Wayne C. Ramsey	2002	2011	Director
John R. Owens	2004	2010	Director
Robert J. Salyers	2004	Nominee	Director

Board Committees and Meeting Attendance. The Board of Directors had six (6) standing committees in 2009, the Executive Committee, the Independent Directors' Committee, the Audit Committee, the Compensation and Benefits Committee, the Nominating and Corporate Governance Committee and the Investment Committee. Committees report their actions to the full Board at its next regular meeting.

COMMITTEE MEMBERSHIP AND MEETINGS HELD

<u>NAME</u>	<u>EXECUTIVE</u>	<u>INDEPENDENT DIRECTORS</u>	<u>AUDIT</u>	<u>COMPENSATION</u>	<u>NOMINATING</u>	<u>INVESTMENT</u>
Steven R. Abel	/				/	
Wendell L. Bernard		/	*			
Russell Breeden, III	*					*
Peter G. DePrez		/		/	/	
Wayne C. Ramsey	/	/		*		/
John R. Owens		/	/	/		
Robert J. Salyers		/				
John Eckart		*	/		*	
No. of Meetings in Fiscal 2009	0	4	11	3	1	0

/ Member

* Chairperson

*** The Board held 8 meetings in 2009. No director attended fewer than 75% of all meetings of the Board of Directors held during the period for which that person has been a director and committees of the Board of Directors held during the period for which that person served.

Code of Conduct and Ethics

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer or controller or persons performing similar functions.

Availability of Corporate Governance Documents

The charters for the Audit Committee and the Nominating and Corporate Governance Committee of the Board of Directors as well as the Employees, Officers and Directors Code of Ethics and the Senior Officers Code of Ethics may be obtained by writing to the Company’s Secretary at: Attn: Secretary, Blue River Bancshares, Inc., 29 E. Washington Street, Shelbyville, Indiana 46176.

Shareholder communication with the Board of Directors

Any shareholder who desires to contact the Board of Directors or any member of the Board of Directors may do so in writing. Communication should be addressed to the “Board of Directors”, Attn: Secretary, Blue River Bancshares, Inc., 29 E. Washington Street, Shelbyville, Indiana 46176. Communications received are distributed to the Chairman of the Board or the other members of the Board as appropriate, depending on the facts and circumstances outlined in the communications. If any complaints regarding accounting, internal accounting controls and auditing matters need to be communicated, then the shareholder should contact the Chairman of the Audit Committee at: Audit Committee, Blue River Bancshares, P.O. Box 585, Shelbyville, Indiana 46176. This address can be accessed only by the Internal Auditor and all correspondence will be forwarded to the Chairman of the Audit Committee for review.

Written recommendations for director nominees and proposals for any new business should be delivered to the Secretary, Blue River Bancshares, Inc., 29 East Washington Street, Shelbyville, Indiana 46176. Any shareholder desiring to make a nomination for director or a proposal for any new business must notify the Secretary of the Company at least 120 days prior to the meeting. Notification must include certain information detailed in the Company’s Articles of Incorporation.

How was our Board of Directors paid in 2009?

A director who is an officer or employee of the Company or its subsidiaries is not compensated for serving on the Board of Directors or its committees unless that director is not compensated by the Company or a subsidiary for their service as an officer or employee of the Company or subsidiary. Non-employee directors and non-compensated employee directors may receive:

- \$600 per month for directors of the Company,
- \$600 per month for directors of SCB Bank,
- \$500 per month for chairing the Audit Committee,
- \$3,000 per month for chairing the Director's Loan Committee,
- \$200 per month for non-chairperson member of the Audit Committee,
- Health, life and disability insurance premiums paid for directors Abel, Bernard, DePrez and Breeden, and
- grant of nonqualified stock options.

EXECUTIVE OFFICERS OF THE COMPANY

Who are our Senior Executive Officers?

<u>NAME</u>	<u>AGE</u>	<u>OFFICE AND BUSINESS EXPERIENCE</u>
Russell Breeden, III	60	Director; Chairman since May 2004; Chief Executive Officer since August 2003; President since October 2004; Chairman of the Executive Committee since September 2002; director of SCB Bank since September 2002.
Patrice M. Lima.....	55	Vice President and Controller since July 2002; Senior Vice President and Chief Financial Officer of SCB Bank since July 2002; Vice President and Controller of SCB Bank from January 2000 to July 2002; Vice President and Controller, Libertyville Bank & Trust Corp. (Libertyville, Illinois); Senior Accounting, Management and Operational management positions, First Colonial Bank Northwest (Niles, Illinois); Bachelor of Arts, Magna cum laude, Florida Atlantic University.
Randy J. Collier.....	50	Executive Vice President since October 2002; Secretary since 2004; Director of SCB Bank since February 2005; President of SCB Bank since October 2004; Chief Credit Officer of SCB Bank since October 2002; Executive Vice President of SCB Bank from October 2002 to October 2004; Senior Lender, Key Bank (Indianapolis, Indiana); President, Harrington Bank (Indianapolis, Indiana); Multiple lending functions with National City, Merchants National Bank and American Fletcher National Bank (Indianapolis, Indiana); Bachelor of Science, Indiana University.

How are our Senior Executive Officers paid?

Summary Compensation Table

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Option Awards</u>	<u>All Other Compensation</u>	<u>Total</u>
Russell Breeden, III Chairman, Chief Executive Officer and President	2009	\$208,562	–	–	\$ 20,505 ¹	\$226,067
	2008	\$200,769	–	–	\$ 22,394 ²	\$223,163
	2007	\$200,765	\$10,000	–	\$ 22,678	\$233,443
Randy J. Collier, Executive Vice President	2009	\$182,718	\$ 65,866	\$ 9,535	\$ 26,684 ³	\$284,803
	2008	\$176,499	\$ 65,355	\$ 9,319	\$ 25,381 ⁴	\$276,554
	2007	\$171,890	\$ 75,279	\$10,150	\$ 23,780	\$281,099
Patrice M. Lima, Vice President, Controller	2009	\$ 94,148	\$ 13,286	\$ 397	\$ 20,605 ⁵	\$128,436
	2008	\$ 88,077	\$ 9,401	\$ 397	\$ 9,630 ⁶	\$107,505
	2007	\$ 86,169	\$ 16,813	\$ 1,477	\$ 8,969	\$113,428

¹ Includes \$12,197 in insurance premiums and \$8,308 in 401(K) employer matching contributions.

² Includes \$14,394 in insurance premiums and \$8,000 in 401(K) employer matching contributions.

³ Includes \$18,154 in insurance premiums and \$7,432 in 401(K) employer matching contributions.

⁴ Includes \$17,138 in insurance premiums and \$7,063 in 401(K) employer matching contributions.

⁵ Includes \$16,863 in insurance premiums and \$3,742 in 401(K) employer matching contributions.

⁶ Includes \$ 6,107 in insurance premiums and \$3,523 in 401(K) employer matching contributions.

Change in Control Agreement with Senior Executive Officers

Randy J. Collier is the only Senior Executive Officer of the Company or the Bank that has a change in control agreement. The agreement, which was the result of an arms-length negotiation between Mr. Collier, the Company and SCB Bank, provides that Mr. Collier will be provided with a two year employment term following a change in control. This agreement will not be effective until a change in control of the Company occurs. As of the date of this proxy statement, no event has occurred which would qualify as a change in control of the Company as defined in this agreement. Following a change in control, Mr. Collier will receive a stated minimum salary during the term of his employment. The change in control agreement also provides among other things, for participation in other fringe benefits and benefit plans available to executive officers of the Company. Mr. Collier may terminate his employment upon three months written notice to the Company if his position changes or the location of the Company offices are moved more than thirty-five miles from its current location. The Company could discharge Mr. Collier if he becomes disabled, if he dies or “for cause”. If Mr. Collier terminates his employment as described in the change in control agreement, Mr. Collier will receive his remaining aggregate cash compensation for the term of the change in control agreement in a single lump sum. If the Company terminates Mr. Collier’s employment due to a disability, Mr. Collier will continue to receive his salary for the remainder of the term of the change in control agreement. If the Company terminates Mr. Collier’s employment “for cause”, Mr. Collier will not receive any additional payments following the date of his termination. If Mr. Collier’s employment is terminated due to his death, his beneficiary will receive payment for the remainder of the term equal to 50% of his salary. The change in control agreement also contains non-disclosure, non-solicitation and non-competition restrictions.

Outstanding Equity Awards at Fiscal Year-End

Option Awards

Name	Number of	Number of Securities	Equity Incentive Plan	Option	Option
	Securities Underlying Unexercised Options (#) Exercisable	Underlying Unexercised Options (#) Unexercisable	Awards: Number of Securities Underlying Unexercised Unearned Options (#)		
Randy J. Collier	17,500	-	-	\$4.75	10/04/12
Randy J. Collier	5,000	-	-	\$6.00	6/22/14
Randy J. Collier	4,000	-	-	\$5.34	3/22/15
Randy J. Collier	10,000	-	-	\$5.25	1/24/16
Randy J. Collier	8,000	2,000	-	\$5.92	1/23/17
Randy J. Collier	6,000	4,000	-	\$5.00	1/22/18
Randy J. Collier	4,000	6,000	-	\$2.98	1/27/19
Patrice M. Lima	5,000	-	-	\$5.25	5/31/12
Patrice M. Lima	500	-	-	\$6.00	6/22/14
Patrice M. Lima	800	200	-	\$5.92	1/23/17

2004 Stock Option Plan. The Board of Directors of the Company adopted a stock option plan which provides for the grant of “incentive stock options” within the meaning of Section 422 of the Code and of nonqualified stock options. The 2004 Stock Option Plan provides for the award of stock options to officers, key employees and members of the Board of Directors of the Company and its subsidiaries. The exercise price per share for all options granted under the 2004 Employee Stock Option Plan will not be less than the fair market value of a share on the date of grant. No option will be granted under the 2004 Stock Option Plan after May 13, 2014. The 2004 Stock Option Plan was approved by the shareholders of the Company. The Compensation Committee administers the 2004 Stock Option Plan.

Options will be exercisable in whole or in part upon such terms and conditions as may be determined by the Committee, but in no event will any incentive stock options be exercisable later than ten years after date of grant.

The maximum number of shares to be delivered upon exercise of all options granted under the 2004 Stock Option Plan will not exceed seven percent of the outstanding shares of the Company, from time to time less the number of shares covered by outstanding or exercised options under the 1997 Key Employee Stock Option Plan, the 2000 Employee Stock Option Plan, the 2002 Employee Stock Option Plan, the 1997 Directors' Stock Option Plan or the 2000 Directors' Stock Option Plan. As of the date of this proxy statement, 45,140 shares of common stock of the Company are available for future stock option grants under the 2004 Stock Option Plan.

2002 Key Employee Stock Option Plan. The Board of Directors of the Company adopted a stock option plan which provides for the grant of "incentive stock options" within the meaning of Section 422 of the Code and of nonqualified stock options. The 2002 Employee Stock Option Plan provides for the award of stock options to elected officers and key employees of the Company and its subsidiaries. The exercise price per share for all options granted under the 2002 Employee Stock Option Plan will not be less than the fair market value of a share on the date of grant. No option will be granted under the 2002 Employee Stock Option Plan after March 25, 2012. The 2002 Employee Stock Option Plan was approved by the shareholders of the Company.

Options may be granted under the 2002 Employee Stock Option Plan only to officers and other key employees who are in positions to make significant contributions to the success of the Company. The Compensation Committee administers the 2002 Employee Stock Option Plan.

Options will be exercisable in whole or in part upon such terms and conditions as may be determined by the Committee, but in no event will any incentive stock options be exercisable later than ten years after date of grant.

The maximum number of shares to be issued under the 2002 Employee Stock Option Plan shall not exceed 103,000 less the number of shares that may be or already have been purchased under the 2000 and 1997 Employee Stock Option Plans. As of this proxy statement, a total of 39,000 shares of common stock are outstanding under the 2002 Employee Stock Option Plan. As of the date of this proxy statement, options for -0- shares are available for future stock option grants under all of the 2002 Employee Stock Option Plans.

2000 Key Employee Stock Option Plan. The Board of Directors of the Company adopted a stock option plan which provides for the grant of "incentive stock options" within the meaning of Section 422 of the Code and of nonqualified stock options. The 2000 Employee Stock Option Plan provides for the award of stock options to elected officers and key employees of the Company and its subsidiaries. The exercise price per share for all options granted under the 2000 Employee Stock Option Plan will not be less than the fair market value of a share on the date of grant. No option will be granted under the 2000 Employee Stock Option Plan after March 27, 2011. The 2000 Employee Stock Option Plan was approved by the shareholders of the Company.

Options may be granted under the 2000 Employee Stock Option Plan only to officers and other key employees who are in positions to make significant contributions to the success of the Company. The Compensation Committee administers the 2000 Employee Stock Option Plan.

Options will be exercisable in whole or in part upon such terms and conditions as may be determined by the Committee, but in no event will any incentive stock options be exercisable later than ten years after date of grant.

The maximum number of shares to be issued under the 2000 Employee Stock Option Plan shall not exceed 103,000 less the number of shares that may be or already have been purchased under the 1997 Employee Stock Option Plan. As of this proxy statement, a total of -0- shares of common stock are outstanding under the 2000 Employee Stock Option Plan.

1997 Key Employee Stock Option Plan. The Board of Directors of the Company adopted a stock option plan which provided for the grant of "incentive stock options" within the meaning of Section 422 of the Code and of nonqualified stock options (the "1997 Employee Stock Option Plan"). The 1997 Employee Stock Option Plan provides for the award of stock options to elected officers and key employees of the Company and its subsidiaries. The exercise price per share for all options granted under the 1997 Employee Stock Option Plan will not be less than the greater of \$12.00 per share or the fair market value of a share on the date of grant. No option will be granted

under the 1997 Employee Stock Option Plan after August 27, 2007. The 1997 Employee Stock Option Plan was approved by the shareholders of the Company.

Options were granted under the 1997 Employee Stock Option Plan only to officers and other key employees in positions to make significant contributions to the success of the Company. The Compensation Committee administers the 1997 Employee Stock Option Plan.

Options are exercisable in whole or in part upon such terms and conditions as may be determined by the Committee, but in no event will any incentive stock options be exercisable later than ten years after date of grant.

A total of 50,000 shares of common stock were reserved for issuance under the 1997 Employee Stock Option Plan. As of the date of this proxy statement, options for -0- shares of common stock are outstanding under the 1997 Employee Stock Option Plan.

The 1997 Directors' Stock Option Plan. The 1997 Directors' Stock Option Plan provided for the grant of nonqualified stock options with an exercise price per share of the greater of the public offering price of \$12.00 per share or the fair market value of a share on the date of grant. As of the date of this proxy statement, options for 30,800 shares of common stock are outstanding under the 1997 Directors' Stock Option Plan.

Options granted under the 1997 Directors' Stock Option Plan become exercisable on the date of grant to the extent of 20 percent of the shares covered by the option and will vest with respect to an additional 20 percent of the shares on each anniversary of the date of the grant. The unexercised portion of each option automatically expires, and is no longer exercisable, on the earlier to occur of the following: (i) 15 years after the option is granted, (ii) three months after the person who was granted the option ceases to be a director, other than due to permanent disability, death, or for cause, (iii) one year following the death or permanent disability of the director, or (iv) termination of the director's services for cause. No additional options will be granted under the 1997 Directors' Stock Option Plan.

Savings Plan. The Blue River Bancshares, Inc. 401(k) Profit Sharing Plan (the "Savings Plan") is a qualified salary reduction plan within the meaning of Section 401(k) of the Code. Under the Savings Plan, all regular employees of the Company and its affiliates are eligible participants under the Savings Plan on the next plan entry date (as defined in the Savings Plan). An employee who has satisfied this eligibility requirement may participate in the Savings Plan by directing his or her employer to make before-tax salary reduction contributions to the Savings Plan. Contributions may be directed in any integral percentage between 1% and 15% of the employee's basic compensation (as defined in the Savings Plan) subject to an annual dollar limitation under the Code (currently \$16,500). Before-tax salary reduction contributions are fully vested at all times and are invested by participants in investment funds made available by SCB Bank, the trustee of the Savings Plan.

The Company may also make contributions to the Savings Plan, as determined in its sole discretion. If the Company elects to do so, it will contribute a percentage of the compensation deferrals the participants made that year. Further, the Company, in its discretion, may make a profit sharing contribution to the Savings Plan irrespective of whether the Company has any current or accumulated net profits. Prior to the retirement or death or disability of a participant, the amount of the matching contribution account and profit sharing contribution account that will be vested and payable to each participant upon termination of employment will be determined according to the following schedule:

<u>YEARS OF SERVICE</u>	<u>PERCENTAGE VESTED AND PAYABLE</u>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more.....	100%

SCB Bank Executive Bonus Plan

The SCB Bank Executive Bonus Plan, which was adopted in 2005, is intended to motivate and reward the successful achievement of certain pre-determined financial objectives at SCB Bank. Randy J. Collier and Patrice Lima are the only Senior Executive Officers that participate in the SCB Executive Bonus Plan.

Under the Bonus Plan, the grant of cash-based awards to eligible participants is contingent upon the achievement of certain performance goals as determined by the Compensation Committee. The Compensation Committee uses a variety of measures, including, without limitation, the (i) net earnings after tax, (ii) total assets, (iii) amount of the loan loss provision, (iv) credit quality, and (v) amount of other real estate and non-accrual loans, as the measure of performance when establishing annual performance objectives for the Senior Executive Officers. Using these measures, the Committee establishes, on an annual basis, specific targets that determine the size of payouts under the incentive program.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Who determines how much the Executive Officers are paid?

The Compensation Committee establishes and oversees the Company's executive compensation policies and programs. The Compensation Committee also recommends to the Board of Directors base salaries, target bonus levels, actual bonuses, and long-term incentive awards to be paid to executive officers. In carrying out these functions, we believe it is important to align executive compensation with business objectives and strategies, management initiatives, financial performance and enhanced shareholder value.

In 2009, our Compensation Committee was comprised of 3 directors whom the Board determined to be independent. Compensation for each executive officer is determined by the Compensation Committee under the process described in this report.

What are our goals, policies, and objectives?

The executive compensation program is designed to attract and retain key executives with outstanding abilities and to motivate them to perform to the full extent of their abilities. We believe that executives should have a greater portion of their compensation at risk than other employees, and that executive compensation, as stated above, should be tied to the performance of the business and be aligned with benefits realized by the Company's shareholders.

Compensation for Company executives consists of both cash and equity based opportunities. The annual cash compensation consists of (i) base salary and (ii) annual bonus opportunity. Equity based opportunities are provided on a long-term basis under the Company's 2002 Key Employees' Stock Option Plan and 2004 Stock Option Plan.

The Compensation Committee determines base salary ranges for executive officers based upon competitive pay practices in the business in which the Company competes.

Annually the Compensation Committee reviews actual salaries of executive officers based on judgments of past performance, job duties, scope and responsibilities, and expected future contributions. The most recent past performance is the prime determinant.

Each year the Compensation Committee reviews business results and the individual performance of each executive officer and determines cash bonus payments.

This Report by:

Wayne C. Ramsey, Chairman
Peter G. DePrez
John R. Owens

**FEES TO INDEPENDENT AUDITORS
FOR FISCAL YEARS 2009 AND 2008**

The following table sets forth the aggregate fees billed by Crowe Horwath LLP for 2009 and 2008 for audit services rendered in connection with the consolidated financial statements and reports for fiscal year 2009 and 2008, and for other services rendered during fiscal year 2009 and fiscal year 2008 on behalf of the Company and its subsidiaries, as well as all out-of-pocket costs incurred in connection with these services, which have been billed to the Company:

	Fiscal 2009	Fiscal 2008
Audit Fees	\$ 82,500	\$ 65,674
Audit Related Fees	\$ 10,575	\$ 12,000
Tax Fees	\$ 22,970	\$ 28,435
All Other Fees	\$ <u>2,268</u>	\$ <u>2,582</u>
 Total Fees	 \$ 118,313	 \$ 108,692

Audit Fees consist of fees billed or expected to be billed for professional services rendered for (i) the audit of the Company’s consolidated financial statements, (ii) the review of interim condensed consolidated financial statements, (iii) the services that are normally provided by the independent auditor in connection with the statutory and regulatory filings or engagements, and (iv) attest services, except those not required by statute or regulation.

Audit-Related Fees consist of fees billed for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported under “Audit Fees”.

Tax fees consist of fees billed to the Company for professional services rendered for tax compliance, preparation and other tax services. Tax compliance and preparation fees consists of fees billed for professional services related to federal and state tax compliance, assistance with tax audits and appeals and assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning and for preparation of income tax returns.

All other fees consist of fees for all other services other than those reported above.

All of the fees and services described above under “audit fees”, “audit-related fees” and “all other fees” were pre-approved by the Audit Committee. The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for pre-approval of services provided by the Company’s independent auditors. Under the policy, pre-approval is detailed as to the particular service or category of services and is subject to a specific budget.

In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the Company’s independent auditors is required to provide detailed back-up documentation at the time of approval. The Audit Committee may delegate pre-approval authority to one or more of its members. Such a member must report any decisions to the Audit Committee at its next scheduled meeting.

SECURITIES OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

How much stock do our Executive Officers and Directors own?

The following table sets forth certain information regarding beneficial ownership of the Company's common stock as of April 15, 2010 by (i) each person known by the Company to be the beneficial owner of more than five percent of the outstanding shares of the Company's common stock; (ii) each of the Company's directors, nominees and the Senior Executive Officers; and (iii) all current directors and executive officers as a group.

Name	Number of Shares Owned	Percent of Outstanding Shares ¹
Steven R. Abel	24,591	1.73
Wendell L. Bernard	12,500	.50
Russell Breeden, III	501,171	16.71
Peter G. DePrez	33,755	1.16
Wayne C. Ramsey	121,565	4.05
L. Gene Tanner	122,783	4.09
John R. Owens	10,000	.43
Robert J. Salyers	10,026	.43
Randy J. Collier	4,000	1.95
John Eckart	10,000	.43
Directors and Executive Officers as a group (12 persons including those listed above)	853,391	32.10
Russell Breeden, III, Wayne C. Ramsey and L. Gene Tanner as a group	745,519	24.86

¹ Percentage calculated by combining the number of shares owned with the number of shares that can be acquired.

