SEVERN BANCORP INC
Form 10-Q
November 10, 2010

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

FORM 10-Q

(mark one)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number 0-49731

SEVERN BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	52-1726127 (I.R.S. employer identification no.)
200 Westgate Circle, Suite 200 Annapolis, Maryland (Address of principal executive offices)	21401 (Zip Code)

410-260-2000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o

Non- accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Number of shares of the registrant's Common Stock, $0.01 par value, outstanding as of the close of business on November 10, 2010: 10,066,679 shares.

SEVERN BANCORP, INC. AND SUBSIDIARIES

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PART I– FINANCIAL INFORMATION

Item 1. Financial Statements

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
(dollars in thousands, except per share amounts)

	September 30, 2010	December 31, 2009
ASSETS		
Cash and due from banks	$ 32,416	$ 34,092
Interest bearing deposits in other banks	20,154	197
Federal funds sold	18,534	17,112
Cash and cash equivalents	71,104	51,401
Investment securities held to maturity	27,312	8,031
Loans held for sale	8,684	4,845
Loans receivable, net of allowance for loan losses of $30,335 and $34,693, respectively	786,391	814,234
Premises and equipment, net	28,531	29,104
Foreclosed real estate	18,783	21,574
Federal Home Loan Bank stock at cost	7,992	8,609
Accrued interest receivable and other assets	27,097	29,990
Total assets	$ 975,894	$ 967,788
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	$ 717,319	$ 710,329
Long-term borrowings	125,000	125,000
Subordinated debentures	24,119	24,119
Accrued interest payable and other liabilities	3,643	2,109
Total liabilities	870,081	861,557
Stockholders’ Equity		
Preferred stock, $0.01 par value, 1,000,000 shares authorized;		
Preferred stock series “A”, 437,500 shares issued and outstanding	4	4
Preferred stock series “B”, 23,393 shares issued and outstanding	-	-
Common stock, $0.01 par value, 20,000,000 shares authorized;		
10,066,679 shares issued and outstanding	101	101
Additional paid-in capital	74,242	73,920

Retained earnings		31,466		32,206
Total stockholders' equity		105,813		106,231
Total liabilities and stockholders' equity	$	975,894	$	967,788

The accompanying notes to consolidated financial statements are an integral part of these statements.

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SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest Income				
Loans, including fees	$ 11,930	$ 13,278	$ 37,476	$ 39,760
Securities, taxable	106	33	157	65
Other	47	36	91	11
Total interest income	12,083	13,347	37,724	39,836
Interest Expense				
Deposits	3,465	4,727	10,627	15,551
Short-term borrowings	-	-	-	12
Long-term borrowings and subordinated debentures	1,441	1,569	4,254	4,821
Total interest expense	4,906	6,296	14,881	20,384
Net interest income	7,177	7,051	22,843	19,452
Provision for loan losses	1,000	8,909	4,544	25,944
Net interest income (loss) after provision for loan losses	6,177	(1,858)	18,299	(6,492)
Non-interest Income				
Real estate commissions	160	108	390	519
Real estate management fees	154	231	438	551
Mortgage banking activities	202	37	423	241
Other	208	194	573	604
Total non-interest income	724	570	1,824	1,915
Non-Interest Expenses				
Compensation and related expenses	2,467	2,408	7,425	7,072
Occupancy	405	343	1,158	985
Foreclosed real estate expenses, net	1,065	1,339	4,328	3,005
Legal fees	379	308	988	731
FDIC assessments and regulatory expense	594	593	1,723	1,414
Other	1,121	989	3,406	3,027

Total non-interest expenses	6,031	5,980	19,028	16,234
Income (loss) before income tax provision (benefit)	870	(7,268)	1,095	(20,811)
Income tax provision (benefit)	385	(2,909)	545	(8,234)
Net income (loss)	$ 485	$ (4,359)	$ 550	$ (12,577)
Amortization of discount on preferred stock	(68)	(68)	(203)	(203)
Dividends on preferred stock	(362)	(363)	(1,087)	(1,068)
Net income (loss) available to common stockholders	$ 55	$ (4,790)	$ (740)	$ (13,848)
Basic earnings (loss) per share	$ .01	$ (.48)	$ (.07)	$ (1.38)
Diluted earnings (loss) per share	$ .01	$ (.48)	$ (.07)	$ (1.38)
Common stock dividends declared per share	$ -	$ .03	$ -	$ .09

The accompanying notes to consolidated financial statements are an integral part of these statements.

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	For the Nine Months Ended September 30, 2010	2009
Cash Flows from Operating Activities		
Net income (loss)	$ 550	$ (12,577)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred loan fees	(1,158)	(1,602)
Net amortization of premiums and discounts	57	2
Provision for loan losses	4,544	25,944
Provision for depreciation	924	959
Gain on sale of loans	(423)	(241)
Loss on sale of foreclosed real estate	299	83
Provision for foreclosed asset losses	2,907	2,258
Proceeds from loans sold to others	33,856	24,660
Loans originated for sale	(37,272)	(25,384)
Stock-based compensation expense	119	96
(Increase) decrease in net deferred tax asset	2,117	(8,607)
(Increase) decrease in accrued interest receivable and other assets	776	(2,422)
Increase (decrease) in accrued interest payable and other liabilities	1,534	(466)
Net cash provided by operating activities	8,830	2,703
Cash Flows from Investing Activities		
Purchase of investment securities held to maturity	(20,359)	(7,999)
Proceeds from maturing investment securities	1,000	-
Principal collected on mortgage-backed securities	21	113
Net decrease in loans	6,302	16,259
Proceeds from sale of foreclosed real estate	17,968	5,961
Investment in foreclosed real estate	(228)	(213)
Investment in premises and equipment	(351)	(127)
Proceeds from disposal of premises and equipment	-	24
Net redemption of Federal Home Loan Bank of Atlanta stock	617	85
Net cash provided by investing activities	4,970	14,103

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) CONTINUED
(dollars in thousands)

	For the Nine Months Ended September 30, 2010	2009
Cash Flows from Financing Activities		
Net increase in deposits	6,990	41,174
Repayment of borrowed funds, long-term	-	(18,000)
Common stock dividend paid	-	(906)
Series A preferred stock dividend paid	(210)	(210)
Series B preferred stock dividend paid	(877)	(858)
Net cash provided by financing activities	5,903	21,200
Increase in cash and cash equivalents	19,703	38,006
Cash and cash equivalents at beginning of year	51,401	32,305
Cash and cash equivalents at end of period	$71,104	$70,311
Supplemental disclosure of cash flows information:		
Cash paid during period for:		
Interest	$14,873	$20,667
Income taxes	$-	$2,458
Transfer of loans to foreclosed real estate	$18,155	$19,649

The accompanying notes to consolidated financial statements are an integral part of these statements.

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Principles of Consolidation

The unaudited consolidated financial statements include the accounts of Severn Bancorp, Inc. (the "Company"), and its wholly owned subsidiary, SBI Mortgage Company and SBI Mortgage Company's subsidiary, Crownsville Development Corporation, and its subsidiary, Crownsville Holdings I, LLC, and Severn Savings Bank, FSB (the "Bank"), and the Bank's subsidiaries, Louis Hyatt, Inc., Homeowners Title and Escrow Corporation, Severn Financial Services Corporation, SSB Realty Holdings, LLC, SSB Realty Holdings II, LLC, and HS West, LLC. All intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Note 2 - Basis of Presentation

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB". The FASB sets generally accepted accounting principles in the United States ("GAAP") that the Company follows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all of the disclosures required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments necessary for a fair presentation of the results of operations for the interim periods presented have been made. Such adjustments were of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010 or any other interim period. The unaudited consolidated financial statements for the three and nine months ended September 30, 2010 should be read in conjunction with the audited consolidated financial statements and related notes, which were included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. These consolidated financial statements consider events that occurred through the date the consolidated financial statements were issued.

Note 3 - Cash Flow Presentation

In the statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, Federal Home Loan Bank of Atlanta ("FHLB Atlanta") overnight deposits, and federal funds sold. Generally, federal funds are sold for one-day periods.

Note 4 – Reclassifications

Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. Such reclassifications had no impact on net income.

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

Note 5 - Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for each period. Diluted earnings (loss) per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by the Company relate to outstanding stock options, warrants, and convertible preferred stock, and are determined using the treasury stock method.

Not included in the diluted earnings per share calculation for the three and nine month periods ended September 30, 2010, because they were anti-dilutive, were 192,565 shares of common stock issuable upon exercise of outstanding stock options, 556,976 shares of common stock issuable upon exercise of a warrant and 437,500 shares of common stock issuable upon conversion of the Company's Series A Preferred Stock. For the three and nine month periods ended September 30, 2009, all of the shares of common stock issuable upon exercise of the Company's outstanding stock options, which totaled 113,740, 556,976 shares of common stock issuable upon exercise of a warrant and 437,500 shares of common stock issuable upon conversion of the Company's Series A Preferred Stock were not included in the diluted earnings per share calculation because they were anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Common shares – weighted average (basic)	10,066,679	10,066,679	10,066,679	10,066,679
Common share equivalents – weighted average	-	-	-	-
Common shares – diluted	10,066,679	10,066,679	10,066,679	10,066,679

Note 6 - Guarantees

The Company does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Generally all letters of credit, when issued, have expiration dates within one year. The credit risks involved in issuing letters of credit are similar to those that are involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. The Company had $15,536,000 of standby letters of credit outstanding as of September 30, 2010. Management believes that the proceeds obtained through a liquidation of collateral would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The amount of the liability as of September 30, 2010 and December 31, 2009 for guarantees under standby letters of credit issued was not material.

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

Note 7 - Regulatory Matters

The Bank is 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 the regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The following table presents the Bank's capital position:

	Actual at September 30, 2010	Actual at December 31, 2009	To Be Well Capitalized Under Prompt Corrective Provisions
Tangible (1)	12.1%	11.8%	N/A
Tier I Capital (2)	15.5%	14.4%	6.0%
Core (1)	12.1%	11.8%	5.0%
Total Capital (2)	16.8%	15.7%	10.0%

(1) To adjusted total assets.
(2) To risk-weighted assets.

Note 8 - Stock-Based Compensation

The Company has a stock-based compensation plan for directors, officers, and other key employees of the Company. The aggregate number of shares of common stock that may be issued with respect to the awards granted under the plan is 500,000 plus any shares forfeited under the Company's old stock-based compensation plan. Under the terms of the stock-based compensation plan, the Company has the ability to grant various stock compensation incentives, including stock options, stock appreciation rights, and restricted stock. The stock-based compensation is granted under terms and conditions determined by the Compensation Committee of the Board of Directors. Under the stock-based compensation plan, stock options generally have a maximum term of ten years, and are granted with an exercise price at least equal to the fair market value of the common stock on the date the options are granted. Generally, options granted to directors of the Company vest immediately, and options granted to officers and employees vest over a five-year period, although the Compensation Committee has the authority to provide for different vesting schedules.

The Company follows FASB ASC 718, "Compensation – Stock Compensation", to account for stock-based compensation. FASB ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the statement of operations at fair value. FASB ASC 718 requires an entity to recognize the expense of employee services received in share-based payment transactions and measure the expense based on the grant date fair value of the award. The expense is recognized over the period during which an employee is required to provide service in exchange for the award.

SEVERN BANCORP, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

On March 16, 2010, the Company granted options to certain officers and employees to purchase an aggregate of 100,000 shares of the Company's stock at prices ranging from $4.13 to $4.54 per share. The options vest over a five year period from the date of grant.

The grant-date fair value of options granted was $2.12. The fair value of the options awarded under the option plan is estimated on the date of grant using the Black-Scholes valuation model, which is dependent upon certain assumptions as presented below:

Expected life (in years)	5.00
Risk-free interest rate	2.37%
Expected volatility	58.78%
Expected dividend yield	0.00%

The expected life of the options was estimated using the average vesting period of the options granted and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is the U.S. Treasury rate commensurate with the expected life of the options on the grant date. Volatility of the Company's stock price was based on historical volatility. Dividend yield was based on management's projection of future dividends.

There were no options granted during 2009.

Stock-based compensation expense for the three and nine months ended September 30, 2010 totaled $43,000 and $119,000, respectively. Stock-based compensation expense for the three and nine months ended September 30, 2009 totaled $32,000 and $96,000, respectively. There were options to purchase an aggregate of 100,000 shares of common stock granted and no options exercised during the nine months ended September 30, 2010 and no options granted or exercised during the nine months ended September 30, 2009.

Information regarding the Company's stock-based compensation plan as of and for the nine months ended September 30, 2010 is as follows:

	2010	
	Shares	Weighted Average Price
Options outstanding, December 31, 2009	110,715	$15.88
Options granted	100,000	$4.21
Options exercised	-	-

Options forfeited	18,150	$15.62
Options outstanding, September 30, 2010	192,565	$9.84
Options exercisable, September 30, 2010	96,442	$14.61

The aggregate intrinsic value of the options outstanding as of September 30, 2010 and December 31, 2009 was $0.

SEVERN BANCORP, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

The following table summarizes the stock options outstanding and exercisable as of September 30, 2010.

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$4.13	8,667	4.46	$4.13
$4.54	2,167	4.46	$4.54
$15.62	68,970	.39	$15.62
$17.18	16,638	.39	$17.18
$4.13-$17.18	96,442	.85	$14.61

As of September 30, 2010, there was $238,000 of total unrecognized stock-based compensation expense related to non-vested stock options, which is expected to be recognized over a period of fifty-three months.

Note 9 - Investment Securities

The amortized cost and fair value of investment securities held to maturity are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(dollars in thousands)		
September 30, 2010:				
US Treasury securities	$21,083	$365	$-	$21,448
US Agency securities	5,248	5	(28)	5,225
Residential mortgage-backed securities	981	59	-	1,040
Total	$27,312	$429	($28)	$27,713
December 31, 2009:				
US Treasury securities	$6,999	$23	($1)	$7,021
Residential mortgage-backed securities	1,032	15	(13)	1,034
Total	$8,031	$38	($14)	$8,055

The estimated fair value of debt securities at September 30, 2010, by contractual maturity are shown below. Expected maturities may differ from contractual maturities, because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

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SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

	Amortized Cost	Estimated Fair Value
Due in one year or less	$7,019	$7,030
Due from one year to five years or less	19,312	19,643
Mortgage-backed securities	981	1,040
	$27,312	$27,713

On September 30, 2010 and December 31, 2009, there were $8,770,000 and $1,743,000, respectively, in US Treasury securities and mortgage-backed securities pledged as collateral.

The following tables show fair value and unrealized losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of September 30, 2010 and December 31, 2009. Included in the table are two agency securities in 2010 and one treasury security and one mortgage-backed security in 2009. Management believes that the unrealized losses are the result of interest rate levels differing from those existing at the time of purchase of the securities and actual and estimated prepayment speeds. These unrealized losses are considered temporary as they reflect fair values on September 30, 2010 and December 31, 2009 and are subject to change daily as interest rates fluctuate.

	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2010:			(dollars in thousands)			
US Agency securities	$2,185	($28)	-	-	$2,185	($28)
December 31, 2009:						
US Treasury securities	$991	$(1)	$-	$-	$991	$(1)
Mortgage-backed securities	-	-	267	(13)	267	(13)
Total	$991	$(1)	$267	($13)	$1,258	$(14)

Note 10 - Fair Values of Financial Instruments

FASB ASC 820, "Fair Value Measurements and Disclosures", establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair market hierarchy under FASB ASC 820 are as follows:

SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes the valuation of assets re-measured at fair value on a nonrecurring basis, by the above FASB ASC 820 pricing methodology as of September 30, 2010 and December 31, 2009 (dollars in thousands):

	Fair Value Measurement at September 30, 2010 Using			
	Total	Level 1	Level 2	Level 3
Loans accounted for under FASB ASC 310-10-35	$ 46,885	-	-	$ 46,885
Foreclosed real estate	18,783	-	-	18,783
	Fair Value Measurement at December 31, 2009 Using			
	Total	Level 1	Level 2	Level 3
Loans accounted for under FASB ASC 310-10-35	$ 50,403	-	-	$ 50,403
Foreclosed real estate	21,574	-	-	21,574

There were no liabilities that were required to be re-measured on a nonrecurring basis during the period ended September 30, 2010 or the period ended December 31, 2009.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments at September 30, 2010 and December 31, 2009.

Cash and cash equivalents:
The carrying amount reported in the statement of financial condition for cash and cash equivalents approximate those assets' fair values.

Investment Securities:
The Company utilizes a third party source to determine the fair value of its fixed income securities. The methodology consists of pricing models based on asset class and includes available trade, bid, other market information, broker quotes, proprietary models, various databases and trading desk quotes.

SEVERN BANCORP, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

FHLB stock:
The carrying amount of FHLB stock approximates fair value based on the redemption provisions of the FHLB. There have been no identified events or changes in circumstances that may have a significant adverse effect on the FHLB stock. Based on our evaluation, we have concluded that our FHLB stock was not impaired at September 30, 2010 and December 31, 2009.

Loans held for sale:
The fair value of loans held for sale is based primarily on investor quotes.

Loans receivable:
The fair values of loans receivable was estimated using discounted cash flow analyses and using market interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

These rates were used for each aggregated category of loans as reported on the Office of Thrift Supervision Quarterly Report.

Impaired loans are those that are accounted for under FASB ASC 310-10-35, in which the Company has measured impairment generally based on the fair value of the loan’s collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consisted of the loan balances of $60,077,000 and $65,886,000 at September 30, 2010 and December 31, 2009, respectively, less their valuation allowances of $13,192,000 and $15,483,000 at September 30, 2010 and December 31, 2009, respectively, as determined under FASB ASC 310-10-35.

Foreclosed Real Estate:
Real estate acquired through or in the process of foreclosure is recorded and included in the above disclosure at fair value less estimated disposal costs. Management periodically evaluates the recoverability of the carrying value of the real estate acquired through foreclosure using current estimates of fair value. In the event of a subsequent decline, management provides an allowance to reduce real estate acquired through foreclosure to fair value less estimated disposal cost. The fair value consisted of the foreclosed real estate balances of $21,772,000 and $24,259,000 at September 30, 2010 and December 31, 2009, respectively, less their write downs of $2,989,000 and $2,685,000 at September 30, 2010 and December 31, 2009, respectively, as determined under FASB ASC 310-10-35. Expenses incurred on foreclosed real estate prior to disposition are charged to expense. Gains or losses on the sale of foreclosed real estate are recognized upon disposition of the property.

Accrued interest receivable and payable:
The carrying amount of accrued interest receivable and accrued interest payable approximates their fair values.

Deposit liabilities:
The fair values disclosed for demand deposit accounts, savings accounts and money market deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time

deposits.

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SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

FHLB advances:
Fair values of long-term debt are estimated using discounted cash flow analysis, based on rates currently available for advances from the FHLB with similar terms and remaining maturities.

Subordinated debentures:
Current economic conditions have rendered the market for this liability inactive. As such, the Company is unable to determine a good estimate of fair value. Since the rate paid on the debentures held is lower than what would be required to secure an interest in the same debt at year end and the Company is unable to obtain a current fair value, the Company has disclosed that the carrying value approximates the fair value.

Off-balance sheet financial instruments:
Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are not significant and are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

There were no transfers of assets between fair value level 1 and level 2 for the nine months ended September 30, 2010 and 2009.

The following table summarizes the roll forward of level 3 assets for the nine months ended September 30, 2010 and 2009 (dollars in thousands):

	Impaired Loans	Foreclosed Real Estate
Balance at December 31, 2009	$ 50,403	$ 21,574
Transfer to foreclosed real estate	(20,537)	18,155
Additions	40,983	228
Reduced (additional) allowances	2,291	(2,907)
Paid off/sold	(26,255)	(18,267)
Balance at September 30, 2010	$ 46,885	$ 18,783

	Impaired Loans	Foreclosed Real Estate
Balance at December 31, 2008	$ 32,054	$ 6,317
Transfer to foreclosed real estate	(10,755)	19,649
Additions	57,507	213
Additional allowances	(11,358)	(2,258)
Paid off/sold	(18,454)	(6,044)
Balance at September 30, 2009	$ 48,994	$ 17,877

The $2,291,000 in reduced specific reserves recorded against impaired loans was included in the provision for loan losses on the statement of operations for the nine months ended September 30, 2010. The $2,907,000 of additional reserves recorded against foreclosed real estate was included in non-interest expenses on the statement of operations for the nine months ended September 30, 2010. Included in the $18,155,000 of loans transferred to foreclosed real estate were 16 loans totaling $5,585,000 that were not considered impaired per FASB ASC 310-10-35.

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SEVERN BANCORP, INC. AND SUBSIDIARIES
Annapolis, Maryland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

The estimated fair values of the Company's financial instruments as of September 30, 2010 and December 31, 2009 were as follows:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(dollars in thousands)			
Financial Assets				
Cash and cash equivalents	$ 71,104	$ 71,104	$ 51,401	$ 51,401
Investment securities	27,312	27,713	8,031	8,055
FHLB stock	7,992	7,992	8,609	8,609
Loans held for sale	8,684	8,684	4,845	4,845
Loans receivable, net	786,391	833,322	814,234	843,780
Accrued interest receivable	3,866	3,866	3,361	3,361
Financial Liabilities				
Deposits	$ 717,319	$ 721,335	$ 710,329	$ 713,299
FHLB advances	125,000	111,819	125,000	117,799
Subordinated debentures	24,119	24,119	24,119	24,119
Accrued interest payable	768	768	760	760
Off Balance Sheet Commitments	$ -	$ -	$ -	$ -

Note 11 - Recent Accounting Pronouncements

In June 2010, the FASB issued Accounting Standard Update “ASU” 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which will help investors assess the credit risk of a company’s receivables portfolio and the adequacy of its allowance for credit losses held against the portfolios by expanding credit risk disclosures.

This ASU requires more information about the credit quality of financing receivables in the disclosures to financial statements, such as aging information and credit quality indicators. Both new and existing disclosures must be disaggregated by portfolio segment or class. The disaggregation of information is based on how a company develops its allowance for credit losses and how it manages its credit exposure.

The amendments in this update apply to all public and nonpublic entities with financing receivables. Financing receivables include loans and trade accounts receivable. However, short-term trade accounts receivable, receivables measured at fair value or lower of cost or fair value, and debt securities are exempt from these disclosure amendments.

The effective date of ASU 2010-20 differs for public and nonpublic companies. For public companies, the amendments that require disclosures as of the end of a reporting period are effective for periods ending on or after December 15, 2010. The amendments that require disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. The adoption of this amendment is not expected to have a material impact on the Company’s consolidated results of operations or financial position.

In March 2010, the FASB issued ASU 2010-09, Subsequent Events (Topic 855). This update removes the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of GAAP. The FASB also clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued. The FASB believes these amendments remove potential conflicts with the SEC's literature.

In addition, the amendments in the ASU require an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date of issuance of its financial statements and must disclose such date.

All of the amendments in the ASU were effective upon issuance (February 24, 2010) except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of this update did not have a material effect on the Company's consolidated results of operations or financial position.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus increase the transparency in financial reporting. Specifically, ASU 2010-6 amends Codification Subtopic 820-10 to now require:

- A reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and
- In the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements.

In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:

- For purposes of reporting fair value measurements for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and
- A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this amendment did not have a material impact on the Company's consolidated results of operations or financial position.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company

The Company is a savings and loan holding company chartered as a corporation in the state of Maryland, and is headquartered in Annapolis, Maryland. It conducts business through three subsidiaries: the Bank, a federal savings bank, which is the Company's principal subsidiary; the Bank's primary subsidiary; Louis Hyatt, Inc., doing business as Hyatt Commercial, a commercial real estate brokerage and property management company; and SBI Mortgage Company, which holds mortgages that do not meet the underwriting criteria of the Bank, and is the parent company of Crownsville Development Corporation, doing business as Annapolis Equity Group, which acquires real estate for syndication and investment purposes. The Bank has four branches in Anne Arundel County, Maryland, which offer a full range of deposit products. The Bank originates loans in its primary market of Anne Arundel County, Maryland and, to a lesser extent, in other parts of Maryland, Delaware and Virginia. The Company's common stock trades under the symbol "SVBI" on the Nasdaq Capital Market.

Bank Competition

The Annapolis, Maryland area has a high density of financial institutions, many of which are significantly larger and have greater financial resources than the Bank, and all of which are competitors of the Bank to varying degrees. The Bank's competition for loans comes primarily from savings and loan associations, savings banks, mortgage banking companies, insurance companies and commercial banks. Its most direct competition for deposits has historically come from savings and loan associations, savings banks, commercial banks and credit unions. The Bank faces additional competition for deposits from money market mutual funds and corporate and government securities funds and investments. The Bank also faces increased competition for deposits from other financial institutions such as brokerage firms and insurance companies. The Bank is a community-oriented financial institution serving its market area with a wide selection of mortgage loan products. Management considers the Bank's reputation and customer service to be a major competitive advantage in attracting and retaining customers in its market area. The Bank also believes it benefits from its community orientation.

Forward Looking Statements

In addition to the historical information contained herein, the discussion in this report contains forward-looking statements that involve risks and uncertainties and may be affected by various factors that may cause actual results to differ materially from those in the forward-looking statements. The forward-looking statements contained herein include, but are not limited to, those with respect to the Bank's strategy; management's determination of the amount of the loan loss allowance; the effect of changes in interest rates; changes in deposit insurance premiums; ability to meet obligations; and legal proceedings. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "will "could," "should," "guidance," "potential," "continue," "project," "forecast," and similar expressions are typically used to i forward-looking statements. The Company's operations and actual results could differ significantly from those discussed in the forward-looking statements. Some of the factors that could cause or contribute to such differences include, but are not limited to, the success of the Bank's strategy; changes in the economy and interest rates both in the nation and Company's general market area; federal and state regulation; and competition and other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including "Item 1A. Risk Factors" contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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Critical Accounting Policies

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the “FASB”. The FASB sets generally accepted accounting principles in the United States (“GAAP”) that the Company follows.

The Company’s significant accounting policies are set forth in Note 1 of the audited consolidated financial statements as of December 31, 2009 which were included in the Company’s Annual Report on Form 10-K. Of these significant accounting policies, the Company considers its policy regarding the allowance for loan losses and the fair value of foreclosed real estate to be its most critical, because they require management’s most subjective and complex judgments. In addition, changes in economic conditions can have a significant impact on the allowance for loan losses and the fair value of foreclosed real estate and therefore on the provision for loan losses and the provision for losses on foreclosed real estate and, ultimately, on results of operations. The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses and the fair value of foreclosed real estate, recognizing that this process requires a number of assumptions and estimates with respect to its loan portfolio and estimated value of foreclosed real estate. The Company’s assessments may be impacted in future periods by changes in economic conditions, the impact of regulatory examinations, and the discovery of information with respect to borrowers that is not known to management at the time of the issuance of the consolidated financial statements.

Overview

The Company provides a wide range of retail and commercial banking services. Deposit services include checking, individual retirement accounts, money market, savings and time deposit accounts. Loan services include various types of commercial, consumer, and real estate lending. The Company also provides ATMs, corporate cash management services, debit cards, Internet banking including on-line bill pay, mortgage lending, safe deposit boxes, and telephone banking, among other products and services.

Management believes that the Company is beginning to experience modest improvement from the challenges it and many other financial institutions faced in 2008 and 2009 as a result of the economic recession. Those challenges, including increased loan delinquencies and a decrease in the demand for certain loan products including construction, development, and land acquisition loans, have moderated from 2009. However, financial stress on some borrowers as a result of the recession, including job losses and other factors, have continued to affect their ability to repay loans. Management believes that this economic recovery has begun to slowly cause loan delinquencies and impaired loans to decrease from 2009; however economic conditions remain challenging.

The interest rate spread between the Company’s cost of funds and what it earns on loans has increased from 2009 levels. The increase in interest rate spread was caused by a decrease in non-accrual loans in which interest income was not recorded, and decreases in interest rates paid on deposits and other borrowings outpacing the decrease in interest earned on loans.

If interest rates increase, demand for borrowing may remain low and the Company’s interest rate spread could decrease. The Company will continue to manage loan and deposit pricing against the risks of rising costs of its deposits and borrowings. Interest rates are outside the control of the Company, so it must attempt to balance its pricing and duration of its loan portfolio against the risks of rising costs of its deposits and borrowings.

The continued success and attraction of Anne Arundel County, Maryland, and vicinity, will also be important to the Company’s ability to originate and grow mortgage loans and deposits, as will the Company’s continued focus on maintaining a low overhead.

If the volatility in the market and the economy continues or worsens, our business, financial condition, results of operations, access to funds and the price of our stock could be materially and adversely impacted.

On November 23, 2009, the Company and the Bank each entered into a supervisory agreement with the OTS which primarily addressed the issues identified in the OTS' reports of examination of the Company's and the Bank's operations and financial condition in 2009. See "Item 1. Business – Supervisory Agreements" in our Annual Report on Form 10-K for more information.

Regulatory Reform and Legislation

On July 21, 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years. The discussion below generally discusses the material provisions of the Dodd-Frank Act applicable to the Company and the Bank and is not complete or meant to be an exhaustive discussion.

Certain provisions of the Dodd-Frank Act are expected to have a near term impact on the Company. For example, the new law provides that the Office of Thrift Supervision, which currently is the primary federal regulator for the Company and the Bank, will cease to exist one year from the date of the new law's enactment. State-chartered thrifts will be regulated by the Federal Deposit Insurance Corporation. The Board of Governors of the Federal Reserve System will supervise and regulate all savings and loan holding companies that were formerly regulated by the Office of Thrift Supervision, including the Company. The Office of the Comptroller of the Currency will have some rulemaking authority relating to both state and federal thrifts.

Also effective one year after the date of enactment is a provision of the Dodd-Frank Act that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts.

The Dodd-Frank Act directs the Federal Deposit Insurance Corporation to redefine the base for deposit insurance assessments paid by banks. Assessments will now be based on the average consolidated total assets less tangible equity of a financial institution. This change may proportionally shift deposit insurance funding away from banks that rely primarily on deposits for funding operations, like the Bank. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor. The Dodd-Frank Act also effectively extends the FDIC's program of insuring non-interest bearing transaction accounts on an unlimited basis through December 31, 2012. The minimum reserve ratio for the Deposit Insurance Fund is increased from 1.15% to 1.35% of estimated insured deposits and requires the FDIC to take the necessary steps for the reserve ratio to reach the new minimum reserve ratio by September 30, 2020.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Savings institutions with $10 billion or less in assets, such as the Bank, will continued to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws. The Dodd-Frank Act also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives.

The Dodd-Frank Act also imposes new capital requirements on bank and thrift holding companies, permits interest on demand deposits, imposes new restrictions on transactions between banks and thrifts and their affiliates and insiders, relaxes de novo branching and imposes additional requirements for interstate bank acquisitions and mergers.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on savings and loan holding companies and banks. The Dodd-Frank Act and resulting rules and regulations may impact the profitability of our business or change certain of our business practices, including our ability to offer new products, make loans and achieve satisfactory interest spreads, and could expose us to additional costs, including increased regulatory compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to our operations in order to comply, and could materially adversely affect our business, results of operations and financial condition.

Results of Operations

Net income increased by $4,844,000 to a net income of $485,000 for the third quarter of 2010, compared to a net loss of $4,359,000 for the third quarter of 2009. Basic and diluted earnings (loss) per share increased by $.49 to $.01 for the third quarter of 2010 compared to ($.48) for the third quarter of 2009. Net income increased by $13,127,000 to a net income of $550,000 for the nine months ended September 30, 2010, compared to a net loss of $12,577,000 for the same period in 2009. Basic and diluted loss per share improved by $1.31 to ($.07) for the nine months ended September 30, 2010 compared to ($1.38) for the same period in 2009. The increase in net income and basic and diluted earnings (loss) per share over last year was primarily the result of improvement in the Company's loan portfolio which required less provisioning for potential loan losses. In addition, the Company's interest rate spread increased by 0.86%, to 3.37% for the nine months ended September 30, 2010, compared to 2.51% for the same period in 2009. The interest rate spread is the difference between the Company's cost of funds and yield on earning assets.

Net interest income, which is interest earned net of interest expense, increased by $126,000, or 1.8%, to $7,177,000 for the third quarter of 2010, compared to $7,051,000 for the third quarter of 2009. Net interest income increased by $3,391,000, or 17.4%, to $22,843,000 for the nine months ended September 30, 2010, compared to $19,452,000 for the same period in 2009. The primary reasons for the increase in net interest income was a decrease in non-accrual loans, and that the interest rates earned on the Company's loan portfolio have increased while the interest rates paid on the Company's interest bearing liabilities have decreased. Net interest margin for the nine months ended September 30, 2010 was 3.42%, compared to 2.81% for the same period in 2009.

The provision for loan losses decreased by $7,909,000, or 88.8%, to $1,000,000 for the third quarter of 2010, compared to $8,909,000 for the third quarter of 2009. The provision for loan losses for the nine months ended September 30, 2010 decreased by $21,400,000, or 82.5%, to $4,544,000, compared to $25,944,000 for the same period in 2009. The provision for loan losses and allowance for loan losses are based on management's judgment and evaluation of the loan portfolio. Management assesses the adequacy of the allowance for loan losses and the need for any addition thereto, by considering the nature and size of the loan portfolio, overall portfolio quality, review of specific problem loans, economic conditions that may affect the borrowers' ability to pay, the value of property securing loans and other relevant factors. Management believes that the Company is beginning to experience a modest improvement in the challenges faced by many financial institutions resulting from the slowdown in the economy and real estate markets, including increased loan delinquencies. For additional discussion, see "Asset Quality" below.

Total non-interest income increased by $154,000, or 27.0%, to $724,000 for the third quarter of 2010, compared to $570,000 for the third quarter of 2009. The primary reason for the increase in non-interest income was an increase in real estate commissions by Hyatt Commercial from the sale and lease of commercial property and an increase in income on loans sold on the secondary market, partially offset by a decrease in real estate management fees. Mortgage banking activity increased $165,000, or 445.9%, to $202,000 for the third quarter of 2010, compared to $37,000 for the third quarter of 2009. The primary reason for this increase was the increase in loan refinancing activity in 2010 compared to 2009. Total non-interest income decreased by $91,000, or 4.8%, to $1,824,000 for the nine months ended September 30, 2010, compared to $1,915,000 for the same period in 2009. The primary reason for the decrease during the first nine months of 2010, compared to the first nine months of 2009 was a decrease in commercial real estate commissions and real estate management fees, partially offset by an increase in mortgage banking activities. Real estate commissions decreased $129,000, or 24.9%, to $390,000 for the nine months ended September 30, 2010, compared to $519,000 for the same period in 2009 due to a reduction in commercial sales and leasing activity in 2010.

Total non-interest expenses increased by $51,000, or 0.9%, to $6,031,000 for the third quarter of 2010, compared to $5,980,000 for the third quarter of 2009. Total non-interest expenses increased by $2,794,000, or 17.2%, to $19,028,000 for the nine months ended September 30, 2010, compared to $16,234,000 for the same period in 2009. Compensation and related expenses increased by $59,000, or 2.5%, to $2,467,000 for the third quarter of 2010, compared to $2,408,000 for the same period in 2009. Total compensation and related expenses increased by $353,000, or 5.0%, to $7,425,000 for the nine months ended September 30, 2010 compared to $7,072,000 for the same period in 2009. This increase was primarily because of an increase in salary expense due to additional employees and related health insurance costs. Net occupancy costs increased by $62,000, or 18.1%, to $405,000 for the third quarter of 2010, compared to $343,000 for the third quarter of 2009. Net occupancy costs increased by $173,000, or 17.6%, to $1,158,000 for the nine months ended September 30, 2010, compared to $985,000 for the same period in 2009. This increase was the result of an increase in net rents, partially offset by decreases in utilities and depreciation expenses. Foreclosed real estate expenses, net decreased by $274,000, or 20.5%, to $1,065,000 for the third quarter of 2010, compared to $1,339,000 for the same period in 2009. Foreclosed real estate expenses, net increased by $1,323,000, or 44.0%, to $4,328,000 for the nine months ended September 30, 2010, compared to $3,005,000 for the same period in 2009. This year to date increase was the result of additional foreclosure expenses incurred due to the economic environment and the increase in loan foreclosures experienced by the Company. Legal fees increased by $71,000, or 23.1%, to $379,000 for the third quarter of 2010, compared to $308,000 for the same period in 2009. Legal fees increased by $257,000, or 35.2%, to $988,000 for the nine months ended September 30, 2010, compared to $731,000 for the same period in 2009. This increase was the result of increased legal activity relating to loan delinquencies. FDIC assessments and regulatory expense increased by $1,000, or 0.2%, to $594,000 for the third quarter of 2010, compared to $593,000 for the same period in 2009. FDIC assessments and regulatory expenses increased by $309,000, or 21.9%, to $1,723,000 for the nine months ended September 30, 2010, compared to $1,414,000 for the same period in 2009. This increase was due to higher assessment rates in 2010 compared to 2009. Other non-interest expense increased by $132,000, or 13.3%, to $1,121,000 for the third quarter of 2010, compared to $989,000 for the same period in 2009. Other non-interest expense increased by $379,000, or 12.5%, to $3,406,000 for the nine months ended September 30, 2010, compared to $3,027,000 for the same period in 2009. This increase was the result of an increase in maintenance expense, on-line charges and office expense partially offset by a decrease in short sale mortgages and security expense.

Income Taxes

The income tax provision increased by $3,294,000 to $385,000 for the third quarter of 2010 compared to a tax benefit of $2,909,000 for the third quarter of 2009. The income tax provision for the first nine months of 2010 increased by $8,779,000 to $545,000 compared to a tax benefit of $8,234,000 for the first nine months of 2009. The increase is consistent with the increase in pretax income. The effective tax rate for the quarter ended September 30, 2010 was 44.3% compared to (40.0%) for the third quarter of 2009. The effective tax rate for the nine months ended September 30, 2010 was 49.8% compared to (39.6%) for the same period in 2009. The change in the effective tax rate was primarily due to the Company having income before taxes in 2010 compared to a loss before taxes in 2009, and to a valuation allowance placed on a portion of the deferred tax asset resulting from current state operating loss carryforwards.

Analysis of Financial Condition

Total assets increased $8,106,000, or 0.8%, to $975,894,000 at September 30, 2010, compared to $967,788,000 at December 31, 2009. Cash and cash equivalents increased by $19,703,000, or 38.3%, to $71,104,000 at September 30, 2010, compared to $51,401,000 at December 31, 2009. This increase was primarily in federal funds sold and interest bearing deposits in other banks due to management's decision to not purchase investments with the excess funds. Net loans receivable decreased $27,843,000, or 3.4%, to $786,391,000 at September 30, 2010, compared to $814,234,000 at December 31, 2009. This decrease was the result of the transfer of approximately $18,200,000 of net loans to foreclosed real estate and net loan activity. Loans held for sale increased $3,839,000, or 79.2%, to $8,684,000 at September 30, 2010, compared to $4,845,000 at December 31, 2009. This increase was primarily due to the timing of loans pending sale as of September 30, 2010. Foreclosed real estate decreased $2,791,000, or 12.9% to $18,783,000 at September 30, 2010 compared to $21,574,000 at December 31, 2009. Total deposits increased $6,990,000, or 1.0%, to $717,319,000 at September 30, 2010 compared to $710,329,000 at December 31, 2009. The increase was primarily the result of the Company's continued marketing of the Safe Harbor savings account, and in-house programs to attract new deposits, partially offset by the maturity of brokered deposits. FHLB Atlanta borrowings remained at $125,000,000 at September 30, 2010, compared to December 31, 2009.

Stockholders' Equity

Total stockholders' equity decreased $418,000, or 0.4%, to $105,813,000 at September 30, 2010 compared to $106,231,000 as of December 31, 2009. This decrease was primarily a result of the net income for the first nine months being less than the dividends paid to its preferred stockholders.

Asset Quality

Non-performing assets consist of non-accrual loans and other real estate owned (foreclosed properties). Loans are placed in non-accrual status, when in the opinion of management, the collection of additional interest is unlikely or a specific loan meets the criteria for non-accrual status established by regulatory authorities (those loans 90 or more days in arrears). No interest is taken into income on non-accrual loans. A loan remains on non-accrual status until the loan is current as to both principal and interest and collectability is reasonably assured.

Foreclosed real estate includes properties that have been repossessed or acquired in complete or partial satisfaction of debt. Such properties, which are held for resale, are carried at fair value, less a reduction for the estimated selling expenses.

The following table presents the Company's non-performing assets as of September 30, 2010 and December 31, 2009 (dollars in thousands):

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		September 30, 2010		Number of loans		December 31, 2009		Number of loans
Loans accounted for on a non-accrual basis:								
Mortgage loans:								
Residential - consumer	$	30,351		69	$	38,889		83
Residential - builder		19,823		41		16,626		38
Commercial		3,307		9		5,237		10
Non-mortgage loans:								
Consumer loans		82		4		-		-
Commercial loans		-		-		56		1
Total non-accrual loans	$	53,563		123	$	60,808		132
Accruing loans greater than 90 days past due	$	-			$	-		
Foreclosed real-estate	$	18,783			$	21,574		
Total non-performing assets	$	72,346			$	82,382		
Total troubled debt restructurings	$	58,968		86	$	44,716		78
Total non-accrual loans to net loans		6.8	%			7.5	%	
Allowance for loan losses	$	30,335			$	34,693		
Allowance to total loans		3.7	%			4.1	%	
Allowance for loan losses to total non-performing loans, including loans contractually past due 90 days or more		56.6	%			57.1	%	
Total non-accrual and accruing loans greater than 90 days past due to total assets		5.5	%			6.3	%	
Total non-performing assets to total assets		7.4	%			8.5	%	

The allowance for loan losses is based on management's judgment and evaluation of the loan portfolio. Management assesses the adequacy of the allowance for loan losses and the need for any addition thereto, by considering the nature and size of the loan portfolio, overall portfolio quality, review of specific problem loans, economic conditions that may affect the borrowers' ability to pay or the value of property securing loans, and other relevant factors. Management continues to work with troubled borrowers that are making a good faith attempt to resolve their debt issues. There were 86 loans totaling $58,968,000 classified as troubled debt restructurings at September 30, 2010, compared to 78 loans totaling $44,716,000 at December 31, 2009. While management believes the current allowance is adequate, changing economic and market conditions may require future adjustments to the allowance for loan losses.

The following table summarizes the change in impaired loans for the nine months ended September 30, 2010 (dollars in thousands):

Impaired loans at December 31, 2009	$122,941
Added to impaired loans	47,813
Gross loans transferred to foreclosed real estate	(24,732)
Paid off prior to foreclosure	(28,177)
Impaired loans at September 30, 2010	$117,845

Included in the above impaired loans amount at September 30, 2010 was $64,282,000 of loans that were not in non-accrual status. In addition, there was a total of $68,234,000 of residential real estate loans included in impaired loans at September 30, 2010, of which $49,690,000 were to consumers and $18,544,000 were to builders. Impaired loans are individually analyzed to determine if a specific reserve is necessary to reduce the loans carrying value down to the current fair value of the underlying collateral. Management uses current appraisals or broker price opinions to determine the fair value of the underlying collateral, and a specific reserve is established, if necessary, for the difference between the original carrying value of any loan and its estimated fair value.

As of September 30, 2010, the Company had foreclosed real estate consisting of 63 residential properties with a carrying value of $18,783,000. During the nine month period ended September 30, 2010, the Company sold 61 properties previously included in foreclosed real estate. The following table summarizes the changes in foreclosed real estate for the nine months ended September 30, 2010 (dollars in thousands):

Foreclosed real estate at December 31, 2009	$21,574
Transferred from impaired loans, net of charge-offs of $6,577	18,155
Property improvements	228
Property sold	(18,267)
Additional allowances	(2,907)
Foreclosed real estate at September 30, 2010	$18,783

Liquidity

The Company's liquidity is determined by its ability to raise funds through several sources including borrowed funds, capital, deposits, loan repayments, maturing investments, and the sale of loans. Additionally, loan payments, maturities, deposit growth and earnings contribute a flow of funds available to meet liquidity requirements.

In assessing its liquidity, the management of the Company considers operating requirements, anticipated deposit flows, expected funding of loans, deposit maturities and borrowing availability, so that sufficient funds may be available on short notice to meet obligations as they arise or to take advantage of business opportunities.

Management believes the Company has sufficient cash flow and liquidity to meet its current commitments through the next 12 months. Certificates of deposit, which are scheduled to mature in less than one year, totaled $189,600,000 at September 30, 2010. Based on past experience, management believes that a significant portion of such deposits will remain with the Company. At September 30, 2010, the Company had commitments to originate mortgage loans of $2,480,000, unadvanced home equity lines of credit of $16,626,000, unadvanced construction commitments of $30,321,000, unused lines of credit of $27,210,000, and commitments under standby letters of credit of $15,536,000. The Company has the ability to reduce its commitments for new loan originations, adjust other cash outflows, and borrow from FHLB Atlanta should the need arise. As of September 30, 2010, outstanding FHLB Atlanta borrowings totaled $125,000,000, and the Company had available to it an additional $74,490,000 in borrowing availability from FHLB Atlanta.

Net cash provided by operating activities increased $6,127,000 to $8,830,000 for the nine months ended September 30, 2010, compared to $2,703,000 for the same period in 2009. This increase was primarily the result of net income of $550,000 in 2010 compared to a net loss of $12,577,000 in 2009. Net cash provided by investing activities for the nine months ended September 30, 2010 was $4,970,000 compared to $14,103,000 provided by investing activities for the same period in 2009, a decrease of $9,133,000. This decrease was primarily due to lower proceeds from a lower net decrease in loans and an increase in the purchase of investment securities partially offset by higher proceeds from the sale of foreclosed real estate in the nine months ended September 30, 2010, compared to the same period in 2009. Net cash provided by financing activities for the nine months ended September 30, 2010, decreased by $15,297,000 to $5,903,000, compared to $21,200,000 for the same period in 2009. This decrease was primarily due to a decrease in deposit growth in 2010 partially offset by repayments of FHLB Atlanta borrowings in 2009.

Federal Home Loan Bank of Atlanta Line of Credit

The Bank has an available line of credit, secured by various loans in its portfolio, in the amount of twenty percent (20%) of its total assets, with the FHLB Atlanta. As of September 30, 2010, the total available line of credit with the FHLB Atlanta was approximately $199,490,000, of which $125,000,000 was outstanding. The Bank, from time to time, utilizes the line of credit when interest rates are more favorable than obtaining deposits from the public. The following table sets forth information concerning the interest rates and maturity dates of the advances from the FHLB Atlanta as of September 30, 2010 (dollars in thousands):

Principal Amount	Rate	Maturity
$ 10,000	5.000%	2010
-	-	2011
-	-	2012
-	-	2013
25,000	2.94% to 4.21%	2014
90,000	2.58% to 4.34%	Thereafter
$ 125,000		

Subordinated Debentures

As of September 30, 2010, the Company had outstanding $20,619,000 principal amount of Junior Subordinated Debt Securities Due 2035 (the "2035 Debentures"). The 2035 Debentures were issued pursuant to an Indenture dated as of December 17, 2004 (the "2035 Indenture") between the Company and Wells Fargo Bank, National Association, as Trustee. The 2035 Debentures pay interest quarterly at a floating rate of interest of LIBOR (0.52594% as of September 30, 2010) plus 200 basis points, and mature on January 7, 2035. Payments of principal, interest, premium and other amounts under the 2035 Debentures are subordinated and junior in right of payment to the prior payment in full of all senior indebtedness of the Company, as defined in the 2035 Indenture. The 2035 Debentures were first redeemable, in whole or in part, by the Company on January 7, 2010.

The 2035 Debentures were issued and sold to Severn Capital Trust I (the "Trust"), of which 100% of the common equity is owned by the Company. The Trust was formed for the purpose of issuing corporation-obligated mandatorily redeemable Capital Securities ("Capital Securities") to third-party investors and using the proceeds from the sale of such Capital Securities to purchase the 2035 Debentures. The 2035 Debentures held by the Trust are the sole assets of the Trust. Distributions on the Capital Securities issued by the Trust are payable quarterly at a rate per annum equal to the interest rate being earned by the Trust on the 2035 Debentures. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the 2035 Debentures. The Company has entered into an agreement which, taken collectively, fully and unconditionally guarantees the Capital Securities subject to the terms of the guarantee.

On November 15, 2008, the Company completed a private placement offering consisting of a total of 70 units, at an offering price of $100,000 per unit, for gross proceeds of $7.0 million. Each unit consists of 6,250 shares of the Company's Series A 8.0% Non-Cumulative Convertible Preferred Stock and the Company's Subordinated Note in the original principal amount of $50,000.

The aggregate principal amount of Subordinated Notes outstanding at September 30, 2010 was $3,500,000. The Subordinated Notes earn interest at an annual rate of 8.0%, payable quarterly in arrears on the last day of March, June, September and December commencing December 31, 2008. The Subordinated Notes are redeemable in whole or in part at the option of the Company at any time beginning on December 31, 2009 until maturity, which is December 31, 2018. Debt issuance costs totaled $245,000 and are being amortized over 10 years.

Preferred Stock

The Company issued a total of 437,500 shares of its Series A 8.0% Non-Cumulative Convertible Preferred Stock ("Series A Preferred Stock") as part of the private placement offering completed on November 15, 2008. The liquidation preference is $8.00 per share. Each share of Series A Preferred Stock is convertible at the option of the holder into one share of the Company's common stock, subject to adjustment upon certain corporate events. The initial conversion rate is equivalent to an initial conversion price of $8.00 per share of the Company's common stock. At the option of the Company, on and after December 31, 2013, at any time and from time to time, some or all of the Series A Preferred Stock may be converted into shares of the Company's common stock at the then-applicable conversion rate. Costs related to the issuance of the preferred stock totaled $247,000 and were netted against the proceeds.

If declared by the Company's board of directors, cash dividends at an annual rate of 8.0% will be paid quarterly in arrears on the last day of March, June, September and December commencing December 31, 2008. Dividends will not be paid on the Company's common stock in any quarter until the dividend on the Series A Preferred Stock has been paid for such quarter; however, there is no requirement that the Company's board of directors declare any dividends on the Series A Preferred Stock and any unpaid dividends shall not be cumulative.

On November 21, 2008, the Company entered into an agreement with the United States Department of the Treasury ("Treasury"), pursuant to which the Company issued and sold (i) 23,393 shares of its Series B Fixed Rate Cumulative Perpetual Preferred Stock, par value $0.01 per share and liquidation preference $1,000 per share, (the "Series B Preferred Stock") and (ii) a warrant (the "Warrant") to purchase 556,976 shares of the Company's common stock, par value $0.01 per share, for an aggregate purchase price of $23,393,000. Costs related to the issuance of the preferred stock and warrants totaled $45,000 and were netted against the proceeds. The Series B Preferred Stock qualifies as Tier 1 capital and will pay cumulative compounding dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter.

The Series B Preferred Stock has no maturity date and ranks pari passu with the Company's existing Series A Preferred Stock, in terms of dividend payments and distributions upon liquidation, dissolution and winding up of the Company.

The Series B Preferred Stock is non-voting, other than class voting rights on certain matters that could adversely affect the Series B Preferred Stock. If dividends on the Series B Preferred Stock have not been paid for an aggregate of six quarterly dividend periods or more, whether consecutive or not, the Company's authorized number of directors will be automatically increased by two and the holders of the Series B Preferred Stock, voting together with holders of any then outstanding voting parity stock, will have the right to elect those directors at the Company's next annual meeting of stockholders or at a special meeting of stockholders called for that purpose. These preferred share directors will be elected annually and serve until all accrued and unpaid dividends on the Series B Preferred Stock have been paid.

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The Warrant has a 10-year term and is immediately exercisable at an exercise price of $6.30 per share of Common Stock. The exercise price and number of shares subject to the Warrant are both subject to anti-dilution adjustments. Pursuant to the Purchase Agreement, Treasury has agreed not to exercise voting power with respect to any shares of Common Stock issued upon exercise of the Warrant.

The Company's ability to declare dividends on its common stock are limited by the terms of the Company's Series A preferred stock and Series B preferred stock. The Company may not declare or pay any dividend on, make any distributions relating to, or redeem, purchase, acquire or make a liquidation payment relating to, or make any guarantee payment with respect to its common stock in any quarter until the dividend on the Series A Preferred Stock has been declared and paid for such quarter, subject to certain minor exceptions. Additionally, prior to November 21, 2011, unless the Company has redeemed the Series B preferred stock or the Treasury Department has transferred the Series B preferred stock to a third party, the Company may not, without the consent of the Treasury (1) declare or pay any dividend or make any distribution on its common stock (other than regular quarterly cash dividends of not more than $0.06 per share) or (2) redeem, purchase or acquire any shares of our common stock or other equity or capital securities, other than in connection with benefit plans consistent with past practice and certain other circumstances specified in the Letter Agreement with the Treasury Department.

On November 23, 2009, the Company and the Bank entered into supervisory agreements with its regulators. The agreements require, among other things, that the Company and the Bank must obtain prior regulatory approval before any dividends or capital distributions can be made.

Effects of Inflation

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America and practices within the banking industry which require the measurement of financial condition and operating results in terms of historical dollars, without considering the changes in the relative purchasing power of money over time due to inflation. Unlike industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation.

Average Balance Sheet

The following table presents the Company's distribution of the average consolidated balance sheets and net interest analysis for the nine months ended September 30, 2010 and September 30, 2009:

	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
	Average Volume	Interest	Yield/Cost	Average Volume	Interest	Yield/Cost
			(dollars in thousands)			
ASSETS						
Loans (1)	$827,989	$37,476	6.03%	$888,331	$39,760	5.97%
Held to maturity securities (2)	15,917	157	1.32%	3,132	65	2.77%
Other interest-earning assets (3)	47,575	91	0.26%	31,748	11	0.05%
Total interest-earning assets	891,481	37,724	5.64%	923,211	39,836	5.75%
Non-interest earning assets	91,250			63,301		
Total assets	$982,731			$986,512		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Savings and checking deposits	$285,247	3,119	1.46%	$178,616	2,749	2.05%
Certificates of deposit	439,330	7,508	2.28%	514,098	12,802	3.32%
Borrowings	149,119	4,254	3.80%	145,249	4,833	4.44%
Total interest-bearing liabilities	873,696	14,881	2.27%	837,963	20,384	3.24%
Non-interest bearing liabilities	4,426			29,740		
Stockholders' equity	104,609			118,809		
Total liabilities and stockholders’ equity	$982,731			$986,512		
Net interest income and interest rate spread		$22,843	3.37%		$19,452	2.51%
Net interest margin			3.42%			2.81%
Average interest-earning assets to average interest-bearing liabilities			102.04%			110.17%

(1) Non-accrual loans are included in the average balances and in the computation of yields.

(2) The Company does not have any tax-exempt securities.

(3) Other interest-earning assets includes interest-bearing deposits in other banks, federal funds sold and FHLB stock investments.

Off-Balance Sheet Arrangements

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk in excess of the amount recognized in the statement of financial position. The contract amounts of these instruments express the extent of involvement the Company has in each class of financial instruments.

The Company's exposure to credit loss from non-performance by the other party to the above mentioned financial instruments is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers. No amount has been recognized in the statement of financial condition at September 30, 2010 as a liability for credit loss.

Off-balance sheet financial instruments whose contract amounts represent credit risk are summarized as follows (dollars in thousands):

Financial Instruments Whose Contract Amounts Represent Credit Risk	Contract Amount At September 30, 2010
Standby letters of credit	$15,536
Home equity lines of credit	16,626
Unadvanced construction commitments	30,321
Mortgage loan commitments	2,480
Lines of credit	27,210
Loans sold with limited repurchase provisions	22,182

Recent Accounting Pronouncements

For information concerning recent accounting pronouncements, see Note 11 to the Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in market risk since December 31, 2009, as reported in the Company's Form 10-K filed with the SEC on March 15, 2010.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2010. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2010, the Company's disclosure controls and procedures were effective in reaching a reasonable level of assurance that (i) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are various claims pending involving the Company, arising in the normal course of business. Management believes, based upon consultation with legal counsel, that liabilities arising from these proceedings, if any, will not be material to the Company’s financial condition and results of operations.

Item 1A. Risk Factors

The risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, should be carefully considered by you. If any of the risks actually occur, the Company’s business, financial condition or results of operations could be materially and adversely affected. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations. This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. The Company’s actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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.

SEVERN BANCORP, INC.

November 10, 2010	_Alan J. Hyatt___________________________ Alan J. Hyatt, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
November 10, 2010	_Thomas G. Bevivino______________________ Thomas G. Bevivino, Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit Index

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002