

FIDELITY D & D BANCORP INC
Form DEF 14A
April 01, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-12

FIDELITY D & D BANCORP, INC.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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[FIDELITY D & D BANCORP, INC. LETTERHEAD]

April 1, 2010

Dear Fellow Shareholders of Fidelity D & D Bancorp, Inc.:

On behalf of the Board of Directors, we are pleased to invite you to attend our Annual Meeting of Shareholders of Fidelity D & D Bancorp, Inc. to be held on Tuesday, May 4, 2010 at 3:00 p.m., Eastern Daylight Time, at the main office of Fidelity D & D Bancorp, Inc., at Blakely and Drinker Streets, Dunmore, Pennsylvania, 18512. At the annual meeting, you will have the opportunity to ask questions and to make comments. Enclosed are your notice of meeting, proxy statement, proxy card and the Company's 2009 Annual Report to Shareholders. These materials are also available online at www.bankatfidelity.com/proxymaterials.

The principal business of the meeting is to elect two Class C Directors, ratify the selection of our independent registered public accounting firm, consider a shareholder proposal and to transact any other business that is properly presented at the annual meeting. The notice of meeting and proxy statement accompanying this letter describe the specific business to be acted upon in more detail.

We are delighted you have chosen to invest in the Company. We look forward to you joining us. Whether or not you expect to attend the annual meeting in person, we hope that you will vote as soon as possible by completing, signing and returning the enclosed proxy in the envelope provided. The prompt return of your proxy will save the Company expenses involved in further communications. Your vote is important. Voting by written proxy will ensure your representation at the annual meeting, if you do not attend in person.

We look forward to seeing you on May 4, 2010.

Sincerely,

/s/ Patrick J.
Dempsey
Patrick J.
Dempsey
Chairman of the
Board

FIDELITY D & D BANCORP, INC.

Blakely and Drinker Streets
Dunmore, Pennsylvania 18512
(570) 342-8281

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 4, 2010

The Board of Directors is distributing this proxy statement to shareholders
on or about April 1, 2010

OTC Bulletin Board trading symbol: FDDB

www.bankatfidelity.com

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 4, 2010

TO THE SHAREHOLDERS OF FIDELITY D & D BANCORP, INC.:

NOTICE IS HEREBY GIVEN that Fidelity D & D Bancorp, Inc. will hold its Annual Meeting of Shareholders on Tuesday, May 4, 2010 at 3:00 p.m., Eastern Daylight Time, at the main office of Fidelity D & D Bancorp, Inc., at Blakely and Drinker Streets, Dunmore, Pennsylvania, 18512, to consider and vote upon the following proposals:

- (1) Election of two Class C Directors to serve for a three-year term and until their successors are properly elected and qualified;
- (2) To ratify the selection of ParenteBeard LLC as the Company's independent registered public accounting firm for the year ending December 31, 2010;
- (3) To consider a shareholder proposal requesting that the Board of Directors take the necessary steps to declassify the Board of Directors; and
- (4) To transact any other business that may properly come before the annual meeting and any adjournment or postponement of the meeting.

Shareholders of record at the close of business on March 11, 2010, are entitled to notice of the meeting and may vote at the annual meeting, either in person or by proxy.

Management welcomes your attendance at the annual meeting. Whether or not you expect to attend the annual meeting in person, we ask you to complete, sign, date and promptly return the enclosed proxy in the accompanying postage-paid envelope. The prompt return of your proxy will save expenses involved in further communications. Even if you return a proxy, you may vote in person if you give written notice to the Secretary of the Company and attend the annual meeting. Promptly returning your completed proxy will ensure that your shares are voted in accordance with your wishes and will guarantee the presence of a quorum.

The Board of Directors is distributing this proxy statement, form of proxy, and Fidelity D & D Bancorp, Inc.'s 2009 Annual Report on or about April 1, 2010.

By Order of the Board of Directors,

/s/ John T. Cognetti
John T. Cognetti
Secretary

Dunmore, Pennsylvania
April 1, 2010

YOUR VOTE IS IMPORTANT.
PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY CARD.

Important Notice Regarding Internet Availability of Proxy Materials for the Shareholder Meeting to be held on May 4, 2010. The Proxy Statement, Proxy Card and 2009 Annual Report are available at www.bankatfidelity.com/proxymaterials.

PROXY STATEMENT

Date, Time and Place of the Annual Meeting

Fidelity D & D Bancorp, Inc. (the “Company”) is furnishing this proxy statement in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting of Shareholders of the Company. The annual meeting will be held at the main office of Fidelity D & D Bancorp, Inc., Blakely and Drinker Streets, Dunmore, Pennsylvania, 18512, on Tuesday, May 4, 2010 at 3:00 p.m., Eastern Daylight Time. The telephone number for the Company is (570) 342-8281. Please direct all inquiries to Salvatore R. DeFrancesco, Jr., Treasurer and Chief Financial Officer of the Company.

Description of the Company

Fidelity D & D Bancorp, Inc., a Pennsylvania corporation and registered bank holding company, was organized in 1999 and became the holding company for The Fidelity Deposit and Discount Bank (the “Bank”) on June 30, 2000. The Bank, the Company’s wholly-owned, sole subsidiary, was established in 1902 as a commercial banking institution under the laws of Pennsylvania. In 1997, the Bank acquired trust powers. The Bank offers a full range of traditional banking and trust services as well as alternative financial products and services.

The Board of Directors encloses a copy of the annual report for the fiscal year ended December 31, 2009, with this proxy statement. The annual report is also available online at www.bankatfidelity.com/proxymaterials. You may obtain additional print copies of the Company’s annual report for the 2009 fiscal year at no cost by contacting Salvatore R. DeFrancesco, Jr., Treasurer and Chief Financial Officer, Fidelity D & D Bancorp, Inc., Blakely and Drinker Streets, Dunmore, Pennsylvania 18512, telephone (570) 342-8281.

We have not authorized anyone to provide you with information. You should rely only on the information contained in this document or in documents to which we refer you. Although we believe we have provided you with all the information you will need to make your decision to vote, events may occur at the Company subsequent to printing this proxy statement that might affect your decision or value of your stock.

PROXY AND VOTING PROCEDURES

Solicitation and Voting of Proxies

The Board of Directors is sending this proxy statement and proxy to shareholders on or about April 1, 2010. The Board of Directors of the Company solicits this proxy for use at the 2010 Annual Meeting of Shareholders of the Company. The directors, officers and other employees of the Company or the Bank may solicit proxies in person or by telephone, facsimile, or other electronic means. The Company will pay the cost of preparing, assembling, printing, mailing and soliciting proxies and any additional material that the Company sends to shareholders. The Company will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of stock held by these persons. The Company will reimburse these persons for their reasonable forwarding expenses.

Only shareholders of record as of the close of business on Thursday, March 11, 2010, the voting record date, may vote at the annual meeting. On all matters to come before the annual meeting, shareholders may cast one vote for each share held. Cumulative voting rights do not exist with respect to the election of directors.

By properly completing a proxy card, the shareholder appoints the proxy holders named on the proxy card to vote his or her shares as specified on the proxy card. Any signed proxy card, which does not specify how the shares are to be voted, will be voted FOR:

- Election of Brian J. Cali, Esquire and Patrick J. Dempsey, as Class C Directors of the Company, each for three-year terms expiring in 2013; and
- Ratification of the selection of ParenteBeard LLC as the Company's independent registered public accounting firm for the year ending December 31, 2010.

And AGAINST:

- Consideration of a shareholder proposal requesting that the Board of Directors take the necessary steps to declassify the Board of Directors.

If a shareholder is a participant in the Fidelity D & D Bancorp, Inc. Dividend Reinvestment Plan, the enclosed proxy will also serve as a proxy for the shares held in the plan. The Register and Transfer Company, as the administrator of the plan, will not provide plan participants with separate proxies covering the shares held in the Dividend Reinvestment Plan. Each holder of common stock is entitled to one vote, in person or by proxy, for each whole share of common stock held as of the record date. If your proxy is signed but does not indicate your voting preferences, the proxy holders will vote your shares for all nominees; in favor of the proposal to ratify the Company's independent registered public accounting firm and against the shareholder proposal. If you do not return a proxy, your shares will not be voted.

Quorum and Vote For Approval

The Company's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of common stock. At the close of business on February 28, 2010, the Company had 2,110,614 shares of common stock outstanding, without par value. The Company's Articles of Incorporation also authorize the issuance of up to 5,000,000 shares of preferred stock. The Company has not issued preferred stock.

To hold the annual meeting, a "quorum" of shareholders must be present. Under Pennsylvania law and the by-laws of the Company, the presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote is necessary to constitute a quorum for the transaction of business at the meeting. Votes withheld and abstentions will be counted in determining the presence of a quorum for the particular matter. The Company will not count broker non-votes in determining the presence of a quorum. A broker non-vote occurs when a broker nominee, holding shares for a beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item, and has not received instructions from the beneficial owner. Those shareholders present, in person or by proxy, may adjourn the meeting to another time and place if a quorum is lacking.

Assuming the presence of a quorum, the nominees in each class of directors receiving the highest number of votes cast by shareholders entitled to vote for the election of directors shall be elected. Votes withheld from a nominee and broker non-votes will not be cast for a nominee. The Company's Articles of Incorporation do not permit cumulative voting in the election of directors. A majority of votes cast by shareholders, either in person or by proxy, are required to approve the shareholder proposal to request elimination of the classified Board of Directors. The proxy holders will not cast abstentions or broker non-votes against the shareholder proposal.

Revocability of Proxy

Shareholders who sign and return proxies to the Company may revoke them at any time before they are voted by:

- Delivering written notice of revocation to John T. Cognetti, Secretary of Fidelity D & D Bancorp, Inc., at Blakely and Drinker Streets, Dunmore, Pennsylvania 18512; or
 - Delivering a properly executed proxy bearing a later date to John T. Cognetti, Secretary of Fidelity D & D Bancorp, Inc., at Blakely and Drinker Streets, Dunmore, Pennsylvania 18512; or
- Attending the meeting and voting in person, after giving written notice to John T. Cognetti, Secretary of the Company.

You have the right to vote and, if desired, to revoke your proxy any time before the annual meeting. Should you have any questions, please call John T. Cognetti, Secretary, at (570) 342-8281.

Methods of Voting

Voting by Proxy

- - Mark your selections.
 - Date your proxy and sign your name exactly as it appears on your proxy.
 - Mail in the enclosed, postage-paid envelope.

Voting in Person

- - Attend the annual meeting and show proof of eligibility to vote.
 - Obtain a ballot.
 - Mark your selections.
- Date your ballot and sign your name exactly as it appears in the transfer books of the Company.

GOVERNANCE OF THE COMPANY

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices which the Board and senior management believe promote this purpose, are sound and represent best practices. We continually review these governance practices, Pennsylvania law (the state in which we are incorporated), the rules and listing standards of Nasdaq, and SEC regulations, as well as best practices suggested by recognized governance authorities.

Board Leadership Structure

The Company typically separates the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day operation and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer and presides over meetings of the Board. However currently, Mr. Patrick J. Dempsey, our Chairman, who has been a director for over 24 years, including serving as Chairman the past five years, was named Interim President and Chief Executive Officer in September 2009 until such time as a permanent candidate is identified, which we expect to occur during the second quarter of 2010. The Board believes the separated roles of Chief Executive Officer and Chairman are in the best interest of shareholders because it promotes both strategic

development and facilitates information flow between management and the Board, both essential for effective governance.

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The Company's Board of Directors oversees all business, property and affairs of the Company. The Chairman and the Company's Officers keep the members of the Board informed of the Company's business through discussions at Board meetings and by providing them with reports and other materials. The directors of the Company also serve as the directors of the Company's wholly owned bank subsidiary, The Fidelity Deposit and Discount Bank, upon election by the Company.

Currently, our Board of Directors has six members. Under the Nasdaq listing standards for independence, Michael J. McDonald, David L. Tressler, Sr., Mary E. McDonald, Brian J. Cali and John T. Cognetti meet the Nasdaq standards for independence. In determining the Director's independence, the Board of Directors considered loan transactions between the Company and the Director, their immediate family members and businesses with whom they are associated. This constitutes more than a majority of our Board of Directors.

The table below includes a description of other categories or types of transactions, SEC rules and regulations, and relationships or arrangements considered by the Board of Directors, in addition to those listed above, in reaching their determination that the directors are independent under Nasdaq rules.

Name	Independent	Other transactions, Relationships or Arrangements
Brian J. Cali	Yes	Legal services
John T. Cognetti	Yes	Real Estate services
Michael J. McDonald	Yes	None
David L. Tressler, Sr.	Yes	None
Mary E. McDonald	Yes	None

In each case, the Board of Directors determined that none of the transactions above impaired independence of the Director. For more information, please refer to "Certain Business Relationships and Transactions with Management."

Risk Management

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The Board receives reports from the various committees of the Board. The Chair of the respective committee reports on the discussion to the full Board during the committee minutes report agenda section of the Board meetings. This enables to the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. As part of its charter, the Audit Committee discusses, with respect to audit and risk review, the adequacy and effectiveness of internal accounting controls, financial systems or financial statements, and the accuracy of management reporting and compliance with laws, regulations and Company policy.

Meetings and Committees of the Board of Directors

During 2009, the Company's Board of Directors maintained three standing committees, and the Bank's Board of Directors maintained eight standing committees. The Board of Directors of the Company has a standing Executive Committee, Audit Committee and Human Resource/Employee Stock Incentive Committee. In addition, the full Board of Directors of the Company performs the functions of a Nominating Committee. The Board of Directors of the Bank has an Asset/Liability Committee, Audit and Compliance Committee, Credit Administration Committee, Executive Committee, Human Resource and Compensation Committee, Loan Application Committee, Trust/401(k)/Investment Committee, and a Building Committee.

Executive Committee. The Executive Committee acts as the Compensation Committee for named executives and does not have a charter. Members of the Company's Executive Committee were Patrick J. Dempsey, Chairman, Michael J. McDonald, and Brian J. Cali. All members of the Executive Committee, except Mr. Dempsey, meet the Nasdaq listing standards for independence. The principal duties of the Executive Committee are to act on behalf of the Board between meetings to take action on loan approvals, to review and approve compensation paid to senior executive officers and to evaluate governance issues and strategic plans. The Executive Committee did not officially meet in 2009.

Audit Committee. Members of the Company's Audit Committee were Michael J. McDonald, Chairman, Mary E. McDonald and David L. Tressler, Sr. All members are independent under Nasdaq and SEC standards. The Board of Directors has determined that David L. Tressler, Sr. is an "audit committee financial expert" and "independent" as defined under applicable SEC and Nasdaq rules. The principal duties of the Audit Committee, as set forth in its charter, which is available on our website, www.bankatfidelity.com, under Investor Relations – Governance Documents, include reviewing significant audit and accounting principles, policies and practices, reviewing performance of internal auditing procedures, reviewing reports of examination received from regulatory authorities and recommending annually, to the Board of Directors, the engagement of an independent registered public accounting firm. The Audit Committee met five (5) times during 2009.

Human Resource/Employee Stock Incentive Committee. Members of the Company's Human Resource/Employee Stock Incentive Committee were Patrick J. Dempsey, Chairman, John T. Cagnetti and Michael J. McDonald. This committee determines which key employees are eligible for participation in the Company's Incentive Stock Option Plan. This committee also administers the Company's Employee Stock Purchase Plan. The committee did not meet in 2009.

Nominating Committee. The entire Board of Directors, each of whom is a non-employee director, desires to participate on and performs the functions of a Nominating Committee. All members of the Board meet the Nasdaq listing standards for independence. Because of full Director participation, the Board of Directors believes there is no need to have a separate standing committee to perform similar functions. The principal duties of a Nominating Committee include developing and recommending the criteria for selecting qualified director candidates, identifying individuals qualified to become Board members, evaluating and selecting or recommending director nominees for each election of directors, considering committee member qualifications, appointment and removal, recommending codes of conduct and codes of ethics applicable to the Company and providing oversight in the evaluation of the Board and each committee. Because of the rare occurrence of shareholder recommendations, the Board of Directors has not developed a formal policy to consider potential director candidates recommended by shareholders, but will give due consideration to any and all such candidates. If a shareholder wishes to recommend a potential director candidate, the shareholder should mail the information regarding the candidate as required by the Company's by-law provision 9.1 to the Secretary of the Company at the Company's offices at Blakely and Drinker Streets, Dunmore, PA 18512. The Board acting as a Nominating Committee met one (1) time during 2009.

Human Resource and Compensation Committee. Members of the Bank's Human Resources and Compensation Committee were David L. Tressler, Sr., Chairman, Patrick J. Dempsey, and Mary E. McDonald. The principal duties of the Human Resource and Compensation Committee include the establishment of policies dealing with employee compensation, retirement and welfare benefit plans for the Bank. The Human Resource and Compensation Committee met two (2) times during 2009.

Composition Table of the Company and Bank Committees

	HR/EMPLOYEE		CREDIT		STOCK		HUMAN		TRUST/ 401K/	
	AUDIT*	ALCO	ADM.	INCENTIVE	EXEC.*	RESCS.	LOAN	NOM*	INVEST.	BUILDING
Brian J. Cali			X		X		X	X		X
John T. Cognetti			X	X			X	X		X
Patrick J. Dempsey		X		X	X	X	X	X	X	
Mary E. McDonald	X	X				X	X	X	X	
Michael J. McDonald	X		X	X	X		X	X		
David L. Tressler, Sr.	X					X	X	X		X
Meetings held in 2009	5	4	4	0	0	2	24	1	4	3

*Committee jointly serves both the Company and Bank.

The Board of Directors of the Company met 24 times during 2009. There were a total of 47 meetings of the various committees of the Board of Directors in 2009. All directors attended at least 75% or more of the meetings of the Board of Directors and of the various committees on which they served. The Board of Directors has no policy regarding annual meeting attendance. All Directors, with the exception of Samuel C. Cali, who passed away May 21, 2009, attended the 2009 Annual Meeting of Shareholders and plan to attend the 2010 meeting.

Shareholder Communications

The Board of Directors has not adopted a formal process for shareholders to send communications to the Board. Due to the infrequency of shareholder communications, the Board does not believe that a formal process is necessary. Written communications received by the Company from shareholders are shared with the full Board no later than the next regularly scheduled Board meeting.

Nomination of Directors

In considering whether to recommend any candidate for inclusion as a nomination for director, including candidates recommended by shareholders, the Board of Directors has determined that the Board must have the right diversity. This includes the candidate's integrity, business acumen, age, experience, commitment, diligence, conflicts of interest and the ability to act in the best interests of all shareholders. The Board seeks nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

Under the Company's by-laws, nominations for director may be made by the Board of Directors or by a shareholder of record entitled to vote. In order for a shareholder to make a nomination, the shareholder must provide a notice along with the additional information and materials required by the by-laws to the Company's Secretary not less than 60 days prior to the date of any meeting of shareholders called for the election of directors. For our annual meeting in the year 2011, we must receive this notice on or before March 3, 2011. You can obtain a copy of the full text of the by-law provision by writing to John T. Cognetti, Secretary, Blakely and Drinker Streets, Dunmore, PA. A copy of our by-laws has been filed with the Securities and Exchange Commission as an exhibit to Registrant's current report on Form 8-K, filed with the SEC on November 21, 2007.

Submission of Shareholder Proposals

Any shareholder who, in accordance with the proxy rules of the SEC, wishes to submit a proposal for inclusion in the Company's proxy statement for its 2011 Annual Meeting of Shareholders must deliver such proposal in writing to the Secretary of Fidelity D & D Bancorp, Inc. at its principal executive office, Blakely and Drinker Streets, Dunmore, Pennsylvania 18512, not later than December 2, 2010.

A shareholder may have other business brought before the 2011 Annual Meeting by submitting the proposal to the Company's Secretary, in accordance with our by-laws. The proposal must be delivered to our executive offices at Blakely and Drinker Streets, Dunmore, PA 18512, to the attention of the Company's Secretary. We are not required to include any proposal received after December 2, 2010 in our proxy materials for the 2011 annual meeting.

Employee Code of Ethics

Since 1993, the Bank has had a Code of Ethics. As required by law and regulation, the Board of Directors amended the Code of Ethics as of March 16, 2004, so that our Code of Ethics is applicable to the Company's and the Bank's directors, officers and employees, including the Chief Executive Officer and senior financial officers.

The Code of Ethics encourages individuals to report any conduct that they believe in good faith to be an actual or apparent violation of the code of ethics. The Board of Directors periodically receives reports on our compliance program. The Code of Ethics is posted on our website at www.bankatfidelity.com, through the Investor Relations link under Governance Documents. We have also filed a copy of the Code of Ethics with the SEC as Exhibit 14 to our December 31, 2003 Annual Report on Form 10-K.

ELECTION OF DIRECTORS (PROPOSAL NO. 1)

Qualification and Nomination of Directors

The Company's by-laws provide that the Board of Directors consist of at least three directors and be classified into three classes. Each class is elected for a term of three years. Accordingly, the terms of the classes expire at successive annual meetings. The Board may fix the number of directors and their respective classifications within the foregoing limits. A majority of the Board may also fill vacancies on the Board, and the person appointed to fill the vacancy serves, until the expiration of the term of office of the class of directors to which he or she was appointed.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSAL TO ELECT THE TWO NOMINEES LISTED BELOW AS CLASS C DIRECTORS OF THE COMPANY.

Currently, Class A consists of two directors, Class B consists of two directors, and Class C consists of two directors. Shareholders will elect two Class C directors at the annual meeting to serve for a three year term that expires at the Company's annual meeting in the year 2013.

The proxy holders will vote the proxies for the election of each of the nominees named below, unless you indicate that your vote should be withheld from any or all of them. Each nominee elected as a director will continue in office until his or her successor has been duly elected and qualified, or until his or her death, resignation or retirement.

The Board of Directors is proposing the following nominees for election as Class C Directors at the annual meeting:

Brian J. Cali, Esquire

Patrick J. Dempsey

The Board of Directors recommends a vote FOR the election of the above named nominees for directors.

BOARD OF DIRECTORS AND MANAGEMENT

Information as to Directors and Nominees

The following biographies contain selected information with respect to the directors of the Company. The information includes each person's age as of March 11, 2010, and principal occupation for at least the past five years.

Current Class A Directors (to serve until 2012)

John T. Cognetti

Mr. Cognetti, age 60, has been a Director of the Company since 1999. He has served as a member of the Bank's Board of Directors since 1988. Mr. Cognetti is President of Hinerfeld Commercial Real Estate, in Scranton, Pennsylvania. In addition to his formal education, Mr. Cognetti's experience in real estate provides value in the commercial division of the bank and having managed many employees over the years gave him the ability to provide guidance on management and personnel issues.

Michael J. McDonald, Esquire

Mr. McDonald, age 55, has been a Director of the Company since 1999. Mr. McDonald has served as a member of the Bank's Board of Directors since 1994. He is a partner with the law firm of Foley, McLane, Foley, McDonald and MacGregor, in Scranton, Pennsylvania.

Current Class B Directors (to serve until 2011)

Mary E. McDonald

Mrs. McDonald, age 76, has been a Director of the Company since 2000. She has been a member of the Bank's Board of Directors since 2000. Mrs. McDonald is a retired educator.

David L. Tressler, Sr.

Mr. Tressler, age 73, has been a Director of the Company since 1999. Mr. Tressler has been a member of the Bank's Board of Directors since 1998. He is currently a consultant for The Quandel Group, Inc., in Scranton, Pennsylvania. Mr. Tressler has a broad knowledge from his many years of banking experience which included 16 years as Chairman and CEO of a regional bank.

Current Class C Directors (to serve until 2010) and Nominees (to serve until 2013, if re-elected)

Brian J. Cali, Esquire

Mr. Cali, age 57, has been a Director of the Company since February of 2001. Mr. Cali has served as a member of the Bank's Board of Directors since February of 2001. He is a self-employed attorney for 32 years practicing in Dunmore, Pennsylvania and is also affiliated with several businesses located in Northeastern Pennsylvania.

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Patrick J. Dempsey

Mr. Dempsey, age 76, has been a Director of the Company since 1999. Mr. Dempsey has also served as a member of the Bank's Board of Directors since 1985. He is the founder and Chairman of the Board of Dempsey Uniform & Linen Supply, Inc., in Jessup, Pennsylvania. In addition to his formal education, Mr. Dempsey has gained extensive knowledge in Human Resources, Finance, Marketing/Sales and Operations.

Family Relationships

Director Mary E. McDonald is the aunt of Director Michael J. McDonald.

Executive Officers of the Company and Bank

Daniel J. Santaniello, age 44, has served as Vice President and Chief Operating Officer of the Company since May 2004. Mr. Santaniello has been employed by the Bank since July 2001 and serves as Executive Vice President and Chief Operating Officer.

Salvatore R. DeFrancesco, Jr., CPA, age 40, has served as Treasurer and Chief Financial Officer of the Company since January 2003. Mr. DeFrancesco has been employed by the Bank since January 2003 and serves as Executive Vice President and Chief Financial Officer.

Timothy P. O'Brien, age 58, has been employed by the Bank since January 2008 and serves as Executive Vice President and Chief Commercial Banking Officer. Prior to joining the Bank, Mr. O'Brien was a member of Senior Management as Commercial Loan Officer of Community Bank and Trust Company in Clarks Summit, Pennsylvania.

John T. Piszak, age 63, has been employed by the Bank since January 2004 and currently serves as Executive Vice President and Chief Risk Officer.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is comprised of directors who meet the Nasdaq standards for independence. The Audit Committee operates under a written charter adopted in 2004 by the Board of Directors, which was reviewed and revised in February 2008, and is avail