ROCKWELL AUTOMATION INC
Form 4
December 10, 2012

FORM 4

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

OMB APPROVAL

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
CRANDALL THEODORE D

(Last) (First) (Middle)

1201 SOUTH SECOND STREET

(Street)

MILWAUKEE, WI 53204

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ROCKWELL AUTOMATION INC [ROK]

3. Date of Earliest Transaction (Month/Day/Year)
12/06/2012

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)
Sr.VP and CFO

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

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

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								3,550.1835	I	By Savings Plan (1)
Common Stock	12/06/2012		A		1,570 (7)	A	$ 0	74,363.6663	D (8)	

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

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SEC 1474 (9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securitie (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amoun Numbe Shares
Common Stock Share Equivalents	(2)							(3)	(4)	Common Stock	1,870
Employee Stock Option (Right to Buy)	$ 80.11	12/06/2012(6)		A		19,900		12/06/2013	12/06/2022	Common Stock	19,

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CRANDALL THEODORE D 1201 SOUTH SECOND STREET MILWAUKEE, WI 53204			Sr.VP and CFO	

Signatures

Karen A. Balistreri, Attorney-in-Fact for Theodore D. Crandall	12/07/2012
**Signature of Reporting Person	Date

Explanation of Responses:

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

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

(1) Shares represented by Company stock fund units acquired under the Company Savings Plan, based on information furnished by the Plan Administrator as of 10/31/2012.

(2) Each unit is the economic equivalent of one share of Company common stock.

(3) The share equivalents are payable in cash upon retirement or after termination of employment.

(4) The share equivalents are payable in cash upon retirement or after termination of employment.

(5) Includes share equivalents represented by Company stock fund units acquired under the Company Nonqualified Savings Plan since the day of the last ownership report for this person, based on information furnished by the Plan Administrator as of 10/31/2012.

(6) The option vests in three substantially equal annual installments beginning on the date exercisable.

(7) Restricted stock award under the Company's 2012 Long Term Incentives Plan.

(8) 8,760 shares are held by Company to implement restrictions on transfer unless and until certain conditions are met.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ccount market interest rates, the remaining terms and present credit worthiness of the counterparties. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements.

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MID PENN BANCORP, INC. **Notes to Consolidated Financial Statements**

The following table summarizes the carrying value and fair value of financial instruments at March 31, 2010 and December 31, 2009.

	March 31, 2010		December 31, 2009	
(Dollars in thousands)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$ 27,084	$ 27,084	$ 8,960	$ 8,960
Interest-bearing balances with other financial institutions	37,729	37,729	38,604	38,604
Investment securities	50,232	50,232	47,345	47,345
Net loans and leases	466,661	480,383	472,699	487,476
Restricted investment in bank stocks	4,029	4,029	4,029	4,029
Accrued interest receivable	2,652	2,652	2,781	2,781
Financial liabilities:				
Deposits	$ 536,724	$ 542,778	$ 500,015	$ 506,616
Short-term borrowing	3,054	3,054	16,044	16,044
Long-term debt	28,014	28,810	38,057	39,578
Accrued interest payable	1,899	1,899	1,750	1,750
Off-balance sheet financial instruments:				
Commitments to extend credit	$	$	$	$
Financial standby letters of credit				

9. Preferred Stock

On December 19, 2008, Mid Penn entered into and closed a Letter Agreement with the United States Department of the Treasury (the Treasury) pursuant to which the Treasury invested $10,000,000 in Mid Penn under the Treasury s Capital Purchase Program (the CPP).

Under the CPP, the Treasury received (1) 10,000 shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock, $1,000 liquidation preference, and (2) Warrants to purchase up to 73,099 shares of Mid Penn s common stock at an exercise price of $20.52 per share. The $10,000,000 in new capital is treated as Tier 1 Capital.

The Series A Preferred Stock pays cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. Pursuant to the American Recovery and Reinvestment Act of 2009, the Secretary of the Treasury is required to permit, subject to consultation with the appropriate Federal banking agency, Mid Penn to redeem the Series A Preferred Stock. Mid Penn may do so without regard to the source of the funds to be used to redeem the Series A Preferred Stock or any minimum waiting period. If Mid Penn elects to redeem the Series A Preferred Stock prior to February 15, 2012, and receives approval from the Treasury and the Board of Governors of the Federal Reserve System, it must redeem at least $2,500,000 of the Series A Preferred Stock. Upon redemption of the Series A Preferred Stock, the Secretary of the Treasury must liquidate the warrants associated with Mid Penn s participation in the CPP at the current market price. Upon the appropriate approval, Mid Penn may redeem the Series A Preferred Stock at the original purchase price plus accrued but unpaid dividends, if any. The related Warrants expire in ten years and are immediately exercisable upon their issuance.

To participate in the program, Mid Penn is required to meet certain standards, including; (1) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risk that threaten the value of Mid Penn; (2) requiring a clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (3) prohibiting Mid Penn from making any golden parachute payment to a senior executive based on applicable Internal Revenue Code provisions; and (4) agreeing not to deduct for tax purposes executive compensation in excess of $500,000 for each senior executive.

Based on the Program term sheet provided by the Treasury, the following are the effects on holders of common stock from the issuance of Senior Preferred stock to the Treasury under the Program:

Restrictions on Dividends

For as long as any Senior Preferred shares are outstanding, no dividends can be declared or paid on common shares, nor can Mid Penn repurchase or redeem any common shares, unless all accrued and unpaid dividends for all past dividend periods on the Senior Preferred shares have been fully paid. In addition, the consent of the Treasury is required for any increase in the per share dividends on common shares until the third anniversary of the date of the Senior Preferred investment unless prior to such third anniversary, the Senior Preferred shares have been redeemed in whole or the Treasury has transferred all of the Senior Preferred shares to third parties.

Repurchases

The Treasury s consent is required for any share repurchases (other than (1) repurchases of the Senior Preferred shares and (2) repurchases of common shares in connection with any benefit plan in the ordinary course of business consistent with past practice) until the third anniversary of the date of this investment unless prior to such third anniversary the Senior Preferred shares have been redeemed in whole or the Treasury has transferred all of the Senior Preferred shares to third parties. In addition, there can be no share repurchases of common shares if prohibited as described under Restrictions on Dividends above.

Voting Rights

The Senior Preferred shares are non-voting, other than class voting rights on (1) any authorization or issuance of shares ranking senior to the Senior Preferred shares, (2) any amendment to the rights of Senior Preferred, or (3) any merger, exchange or similar transaction which would adversely affect the rights of the Senior Preferred. If dividends on the Senior Preferred shares are not paid in full for six dividend periods, whether or not consecutive, the Senior Preferred shareholder(s) have the right to elect two directors. The right to elect directors would end when full dividends have been paid for four consecutive dividend periods.

10. Investment Securities

Securities to be held for indefinite periods, but not intended to be held to maturity, are classified as available for sale and carried at fair value. Securities held for indefinite periods include securities that management intends to use as part of its asset and liability management strategy and that may be sold in response to liquidity needs, changes in interest rates, resultant prepayment risk, and other factors related to interest rate and resultant prepayment risk changes.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. Unrealized gains and losses on investment securities available for sale are based on the difference between book value and fair value of each security. These gains and losses are credited or charged to other comprehensive income, whereas realized gains and losses flow through the Mid Penn s results of operations.

ASC Topic 320, Investments Debt and Equity Securities , clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. Previously, this assessment required management to assert it has both the intent and the ability to hold a security for a period of time sufficient to allow for an anticipated recovery in fair value to avoid recognizing other-than-temporary impairment. This change does not affect the need to forecast recovery of the value of the security through either cash flows or market price.

In instances when a determination is made that other-than-temporary impairment exists but the investor does not intend to sell the debt security and it is not more likely than not that it will be required to sell the debt security prior to its anticipated recovery, this guidance changes the presentation and amount of the other-than-temporary impairment recognized in the income statement. The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

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MID PENN BANCORP, INC. **Notes to Consolidated Financial Statements**

At March 31, 2010 and December 31, 2009, amortized cost, fair value, and unrealized gains and losses on investment securities are as follows:

(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Available-for-sale securities:				
U.S. Treasury and U.S. government agencies	$ 15,273	$ 378	$ 11	$ 15,640
Mortgage-backed U.S. government agencies	6,841	63		6,904
State and political subdivision obligations	26,892	649	98	27,443
Equity securities	250		5	245
	$ 49,256	$ 1,090	$ 114	$ 50,232

(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2009				
Available-for-sale securities:				
U.S. Treasury and U.S. government agencies	$ 15,291	$ 409	$	$ 15,700
Mortgage-backed U.S. government agencies	4,522	97		4,619
State and political subdivision obligations	26,044	828	91	26,781
Equity securities	250		5	245
	$ 46,107	$ 1,334	$ 96	$ 47,345

Estimated fair values of debt securities are based on quoted market prices, where applicable. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments, adjusted for differences between the quoted instruments and the instruments being valued.

Included in equity securities is an investment in Access Capital Strategies, an equity fund that invests in low to moderate income financing projects. This investment was purchased in 2004 to help fulfill the Bank s regulatory requirement of the Community Reinvestment Act and at March 31, 2010 and December 31, 2009, is reported at fair value.

Investment securities having a fair value of $37,235,000 at March 31, 2010, and $37,434,000 at December 31, 2009, were pledged to secure public deposits and other borrowings.

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MID PENN BANCORP, INC. **Notes to Consolidated Financial Statements**

The following table presents gross unrealized losses and fair value of investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2010 and December 31, 2009.

	Less Than 12 Months		12 Months or More		Total	
(Dollars in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
March 31, 2010						
Available-for-sale securities:						
U.S. Treasury and U.S. government agencies	$ 4,500	$ 11	$	$	$ 4,500	$ 11
State and political subdivision obligations	7,144	98			7,144	98
Equity securities			245	5	245	5
Total temporarily impaired available for sale securities	$ 11,644	$ 109	$ 245	$ 5	$ 11,889	$ 114

	Less Than 12 Months		12 Months or More		Total	
(Dollars in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2009						
Available-for-sale securities:						
State and political subdivision obligations	$ 4,321	$ 91	$	$	$ 4,321	$ 91
Equity securities			245	5	245	5
Total temporarily impaired available for sale securities	$ 4,321	$ 91	$ 245	$ 5	$ 4,566	$ 96

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis; and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, and the financial condition and near term prospects of the issuer. In addition, for debt securities, Mid Penn considers (a) whether management has the intent to sell the security, (b) it is more likely than not that management will be required to sell the security prior to its anticipated recovery, and (c) whether management expects to recover the entire amortized cost basis. For equity securities, management considers the intent and ability to hold securities until recovery of unrealized losses.

At March 31, 2010, Mid Penn had 15 debt securities with unrealized losses. These securities have depreciated 0.93% from their amortized cost basis. At December 31, 2009, 8 debt securities with unrealized losses had depreciated 2.07% from the amortized cost basis. These securities are issued by either the U.S. Government or other governmental agencies. These unrealized losses were determined principally by reference to current interest rates for similar types of securities. In analyzing an issuer s financial condition, management considers whether the U.S. Government or its agencies issued the securities, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer s financial condition. Based on the above conditions management has determined that no declines are deemed to be other-than-temporary.

The table below is the maturity distribution of investment securities at amortized cost and fair value at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in 1 year or less	$ 520	$ 522	$ 1,022	$ 1,026
Due after 1 year but within 5 years	11,362	11,592	11,878	12,121
Due after 5 years but within 10 years	18,419	19,055	17,662	18,417

Due after 10 years	11,864	11,914	10,773	10,917
	42,165	43,083	41,335	42,481
Mortgage-backed securities (avg. life 2.9 years)	6,841	6,904	4,522	4,619
Equity securities	250	245	250	245
	$ 49,256	$ 50,232	$ 46,107	$ 47,345

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MID PENN BANCORP, INC. **Notes to Consolidated Financial Statements**

11. Recent Accounting Pronouncements

ASU 2009-16:

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-16, *Transfers and Servicing (Topic 860) Accounting for Transfers of Financial Assets.* This Update amends the Codification for the issuance of FASB Statement No. 166, *Accounting for Transfers of Financial Assets-an amendment of FASB Statement No. 140*.

The amendments in this Update improve financial reporting by eliminating the exceptions for qualifying special-purpose entities from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. In addition, the amendments require enhanced disclosures about the risks that a transferor continues to be exposed to because of its continuing involvement in transferred financial assets. Comparability and consistency in accounting for transferred financial assets will also be improved through clarifications of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting.

This guidance became effective January 1, 2010, and did not have a significant impact on Mid Penn s financial condition or results of operations.

ASU 2010-06:

The FASB has 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 2010-06 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 measurement 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 January 1, 2010, 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. Mid Penn adopted the required provisions of ASU 2010-06, with no significant impact on its financial condition or results of operations.

ASU 2010-09:

The FASB has issued ASU 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements.* The amendments in the ASU remove 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 U.S. 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 and the date the revised 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. Mid Penn adopted the required provisions of ASU 2010-09, with no significant impact on its financial condition or results of operations.

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is Management s Discussion of Consolidated Financial Condition as of March 31, 2010, compared to year-end 2009, and the Results of Operations for the three months ended March 31, 2010, compared to the same period in 2009.

This discussion should be read in conjunction with the financial tables, statistics, and the audited financial statements and notes thereto included in Mid Penn s Annual Report on Form 10-K for the year ended December 31, 2009. The results of operations for interim periods are not necessarily indicative of operating results expected for the full year.

Certain of the matters discussed in this document and in documents incorporated by reference herein, including matters discussed under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations, may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mid Penn to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words expect , anticipates , intend , plan , believe , estimate , and similar expressions are intended to identify such forward-looking statements.

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

- The effects of future economic conditions on Mid Penn and its customers;
- Governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters;
- The risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements, as well as interest rate risks;
- The effects of economic deterioration on current customers, specifically the effect of the economy on loan customers ability to repay loans;
- The effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in Mid Penn s market area and elsewhere, including institutions operating locally, regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the internet;
- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- Technological changes;

Acquisitions and integration of acquired businesses;

The failure of assumptions underlying the establishment of reserves for loan and lease losses and estimations of values of collateral and various financial assets and liabilities;

Acts of war or terrorism;

Volatilities in the securities markets;

Deteriorating economic conditions.

Mid Penn undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in the documents that we periodically file with the SEC, including Mid Penn s Annual Report on Form 10-K for the year ended December 31, 2009.

Critical Accounting Estimates

Mid Penn s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and conform to general practices within the banking industry. Application of these principles involves significant judgments and estimates by management that have a material impact on the carrying value of certain assets and liabilities. The judgments and estimates that we used are based on historical experiences and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and estimates that we have made, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of our operations.

Management of the Mid Penn considers the accounting judgments relating to the allowance for loan and lease losses and the evaluation of Mid Penn s investment securities for other-than-temporary impairment to be the accounting areas that require the most subjective and complex judgments.

The allowance for loan and lease losses represents management s estimate of probable incurred credit losses inherent in the loan and lease portfolio. Determining the amount of the allowance for loan and lease losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan and lease portfolio also represents the largest asset type on the consolidated balance sheet. Throughout the remainder of this report, the terms loan or loans refers to both loans and leases.

Valuations for the investment portfolio are determined using quoted market prices, where available. If quoted market prices are not available, investment valuation is based on pricing models, quotes for similar investment securities, and observable yield curves and spreads. In addition to valuation, management must assess whether there are any declines in value below the carrying value of the investments that should be considered other than temporary or otherwise require an adjustment in carrying value and recognition of the loss in the consolidated statement of operations.

Results of Operations

Overview

Net income available to common shareholders was $607,000 or $0.17 per common share for the quarter ended March 31, 2010, as compared to net income available to common shareholders of $85,000 or $0.02 per common share for the quarter ended March 31, 2009.

The net interest margin compression experienced throughout 2009 has begun to abate somewhat with net interest income increasing to $4,501,000 during the three months ended March 31, 2010 from $3,956,000 during the same period in 2009. These increases have been spurred by a moderating cost of funds and increasing levels of average earning assets.

The provision for loan and lease losses in the first quarter of 2010 was $160,000, as compared to $933,000 in the first quarter of 2009. The decreased provision reflects the efforts undertaken in the fourth quarter of 2009 to aggressively identify potential problem credits and take proactive steps to properly provision against these credits.

Net income as a percent of average assets (return on average assets or ROA) and shareholders equity (return on average equity or ROE) were as follows on an annualized basis:

	Three Months Ended March 31,	
	2010	**2009**
Return on average assets	0.49%	0.15%
Return on average equity	6.32%	1.54%

Total assets increased to $620,255,000 at March 31, 2010, from $606,010,000 at December 31, 2009. This asset increase was driven by strong core deposit growth to this point of 2010 with total deposits of $536,724,000 at March 31, 2010 compared to $500,015,000 at December 31, 2009, an increase of approximately $37 million. This growth in core deposits led to an increase in federal funds sold and is being deployed into loans and investments to maximize the return on these new funds.

The funding side of Mid Penn has continued the transformation begun in 2009. Deposit growth was strong, as noted above, during the first three months of 2010. This increase in deposits was primarily caused by successfully securing two long-term deposit relationships with local school districts and the building of relationship-based core deposit accounts from the extensive portfolio of commercial real estate borrowers. In addition to the ongoing efforts to place these funds into loans and investments, during the first three months of 2010, $10,000,000 of long-term FHLB debt has matured and been replaced with core deposits at a more advantageous rate structure. These strategies have improved the cost of funds and energized the net interest margin despite increasing levels of nonaccrual loans.

Net Interest Income/Funding Sources

Net interest income, Mid Penn s primary source of revenue, is the amount by which interest income on loans and investments exceeds interest incurred on deposits and borrowings. The amount of net interest income is affected by changes in interest rates and changes in the volume and mix of interest-sensitive assets and liabilities. Net interest income and corresponding yields are presented in the analysis below on a taxable-equivalent basis. Income from tax-exempt assets, primarily loans to or securities issued by state and local governments, is adjusted by an amount equivalent to the federal income taxes which would have been paid if the income received on these assets was taxable at the statutory rate of 34%. The following table includes average balances, rates, interest income and expense, interest rate spread, and net interest margin:

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MID PENN BANCORP, INC. **Management s Discussion and Analysis**

Average Balances, Effective Interest Differential and Interest Yields

Interest rates and interest differential taxable equivalent basis

	For the Three Months Ended March 31, 2010			For the Three Months Ended March 31, 2009		
(Dollars in thousands)	**Average Balance**	**Interest**	**Rate (%)**	**Average Balance**	**Interest**	**Rate (%)**
ASSETS:						
Interest Earning Balances	$ 37,306	$ 216	2.35%	$ 45,506	$ 456	4.06%
Investment Securities:						
Taxable	21,185	166	3.18%	25,905	178	2.79%
Tax-Exempt	24,506	304	5.03%	25,151	432	6.97%
Total Investment Securities	45,691			51,056		
Federal Funds Sold	6,528	3	0.19%	728	1	
Loans and Leases, Net:						
Taxable	459,245	6,531	5.77%	427,812	6,488	6.15%
Tax-Exempt	16,402	214	5.29%	13,253	235	7.19%
Total Loans and Leases, Net	475,647			441,065		
Restricted Investment in Bank Stocks	4,029		0.00%	3,723	1	0.11%
Total Earning Assets	569,201	7,434	5.30%	542,078	7,791	5.83%
Cash and Due from Banks	8,351			6,580		
Other Assets	26,484			23,591		
Total Assets	$ 604,036			$ 572,249		
LIABILITIES & SHAREHOLDERS EQUITY:						
Interest Bearing Deposits:						
NOW	$ 41,594	7	0.07%	$ 35,576	8	0.09%
Money Market	125,917	446	1.44%	76,413	359	1.91%
Savings	26,789	4	0.06%	25,858	6	0.09%
Time	262,665	2,015	3.11%	256,542	2,529	4.00%
Short-term Borrowings	8,159	11	0.55%	14,537	19	0.53%
Long-term Debt	31,646	370	4.74%	53,924	688	5.17%
Total Interest Bearing Liabilities	496,770	2,853	2.33%	462,850	3,609	3.16%
Demand Deposits	54,550			47,993		
Other Liabilities	5,538			5,418		
Shareholders Equity	47,178			55,988		
Total Liabilities and Shareholders Equity	$ 604,036			$ 572,249		
Net Interest Income		$ 4,581			$ 4,182	
Net Yield on Interest Earning Assets:						

Total Yield on Earning Assets	5.30%	5.83%
Rate on Supporting Liabilities	2.33%	3.16%
Average Interest Spread	2.97%	2.67%
Net Interest Margin	3.26%	3.13%

For the three months ended March 31, 2010, Mid Penn s taxable-equivalent net interest margin increased to 3.26% from 3.13% as compared to the three months ended March 31, 2009, driven primarily by a reduction in cost of supporting liabilities. Net interest income, on a taxable-equivalent basis, in the first three months of 2010 increased to $4,581,000 from $4,182,000 in the first three months of 2009, helped by the growth in average earning assets, which increased 5.00% from March 31, 2009 to March 31, 2010.

Although the effective interest rate impact on earning assets and funding sources can be reasonably estimated at current interest rate levels, the options selected by customers, and the future mix of the loan, investment, and deposit products in the Bank s portfolios, may significantly change the estimates used in the simulation models. In addition, our net interest income may be impacted by further interest rate actions of the Federal Reserve Bank.

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Provision for Loan Losses

The provision for loan and lease losses is the expense necessary to maintain the allowance for loan and lease losses at a level adequate to absorb management s estimate of probable losses in the loan and lease portfolio. Mid Penn s provision for loan and lease losses is based upon management s monthly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans and leases, analyze delinquencies, ascertain loan and lease growth, evaluate potential charge-offs and recoveries, and assess general economic conditions in the markets we serve.

During the first three months of 2010, Mid Penn continued to experience a challenging economic and operating environment. Given the economic pressures that impact some borrowers, Mid Penn has increased the allowance for loan and lease losses in accordance with Mid Penn s assessment process, which took into consideration the decrease in collateral values from December 31, 2009 to March 31, 2010. The provision for loan and lease losses was $160,000 for the three months ended March 31, 2010, as compared to $933,000 for the three months ended March 31, 2009. For further discussion of factors affecting the provision for loan and lease losses please see *Credit Quality, Credit Risk, and Allowance for Loan and Lease Losses* in the Financial Condition section of this Management s Discussion and Analysis.

Noninterest Income

Noninterest income decreased $125,000, or 13.3% during the first quarter of 2010 versus the first quarter of 2009. The following components of noninterest income showed significant changes:

	Three Months Ended March 31,			
(Dollars in Thousands)	**2010**	**2009**	**$ Variance**	**% Variance**
Gain on life insurance proceeds	$	$ 158	$ (158)	-100.0%

The gain on life insurance proceeds in the first quarter of 2009 was the result of recognition of insurance proceeds due to the death of a former Director.

Noninterest Expenses

Noninterest expenses increased by $401,000, or 10.4% during the first quarter of 2010, versus the same period in 2009. The increases were primarily a result of the following components of noninterest expense:

	Three Months Ended March 31,			
(Dollars in Thousands)	**2010**	**2009**	**$ Variance**	**% Variance**
Occupancy expense, net	$ 255	$ 205	$ 50	24.4%
Equipment expense	358	238	120	50.4%
FDIC Assessment	201	128	73	57.0%
Marketing and advertising expense	68	194	(126)	-64.9%
Computer expense	136	60	76	126.7%
Loss on sale/write-down of foreclosed assets	132	32	100	312.5%
Other expenses	594	501	93	18.6%

The increase in occupancy expense was primarily due to the escalating cost of utilities and snow removal costs incurred in January and February 2010. Another area of impact was the opening in April 2009 of Mid Penn s new operations facility in Halifax and the fourth quarter 2009 renovations of the Millersburg office. These projects increased equipment expense, primarily depreciation costs, but provided much needed space for current operations and future growth. The increase in FDIC Assessment was driven by the increase in assessment rates which was experienced by all FDIC insured institutions. The computer expense increase was the result of increased license and service contacts associated with expansions in hardware and software infrastructure necessary to improve products and service levels to customers. Also during the first quarter of 2010, Mid Penn wrote down the value of several foreclosed assets to better reflect current economic conditions. The other expenses category was negatively impacted by increased levels of loan collection costs. A positive variance was the decrease in marketing and advertising expense. This is reflective of the ongoing focus on spending only mission critical dollars.

Income Taxes

The provision for income taxes was $153,000 for the three months ended March 31, 2010, as compared to a benefit from income taxes of ($117,000) in the same period last year. The effective tax rate, for the three months ended March 31, 2010, was 17.2 % compared to (121.9)% for the three months ended March 31, 2009. Generally, our effective tax rate is below the statutory rate due to earnings on tax-exempt loans, investments, and bank-owned life insurance, and the impact of tax credits. The realization of deferred tax assets is dependent on future earnings. As a result of Mid Penn s adoption of ASC Topic 740, Income Taxes , no significant income tax uncertainties were identified; therefore, Mid Penn recognized no

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adjustment for unrealized income tax benefits for the periods ended March 31, 2010 and March 31, 2009. We currently anticipate that future earnings will be adequate to fully utilize deferred tax assets.

Financial Condition

Credit Quality, Credit Risk, and Allowance for Loan and Lease Losses

During the first three months of 2010, Mid Penn had net charge-offs of $400,000 as compared to net charge-offs of $174,000 during the same period of 2009. Mid Penn may need to make future adjustments to the allowance and the provision for loan and lease losses, if economic conditions or loan credit quality differs substantially from the assumptions used in making Mid Penn s evaluation of the level of the allowance for loan losses as compared to the balance of outstanding loans.

Analysis of the Allowance for Loan and Lease Losses:

(Dollars in thousands)	**Three Months Ended March 31, 2010**	**Three Months Ended March 31, 2009**
Average total loans outstanding (net of unearned income)	$ 475,647	$ 441,065
Period ending total loans outstanding (net of unearned income)	$ 474,107	$ 448,950
Balance, beginning of period	$ 7,686	$ 5,505
Loans charged off during period	(436)	(210)
Recoveries of loans previously charged off	36	36
Net chargeoffs	(400)	(174)
Provision for loan and lease losses	160	933
Balance, end of period	$ 7,446	$ 6,264
Ratio of net loans charged off to average loans outstanding (annualized)	0.34%	0.16%
Ratio of allowance for loan losses to net loans at end of period	1.57%	1.40%

Other than as described herein, we do not believe there are any trends, events or uncertainties that are reasonably expected to have a material impact on future results of operations, liquidity, or capital resources. Further, based on known information, we believe that the effects of current and past economic conditions and other unfavorable business conditions may influence certain borrowers abilities to comply with their repayment terms. Mid Penn continues to monitor closely the financial strength of these borrowers.

At March 31, 2010, total nonperforming loans amounted to $20,383,000, or 4.30% of loans and leases net of unearned income, as compared to levels of $15,241,000, or 3.17%, at December 31, 2009 and $3,562,000, or 0.79%, at March 31, 2009.

Schedule of Nonperforming Assets:

(Dollars in thousands)	March 31, 2010	December 31, 2009	March 31, 2009
Nonperforming Assets:			
Nonaccrual loans	$ 20,078	$ 14,933	$ 3,443
Loans renegotiated with borrowers	305	308	119
Total nonperforming loans	20,383	15,241	3,562
Foreclosed real estate	506	663	1,209
Other repossessed property			53
Total non-performing assets	20,889	15,904	4,824
Accruing loans 90 days or more past due	150	661	366
Total risk elements	$ 21,039	$ 16,565	$ 5,190
Nonperforming loans as a % of total loans outstanding	4.30%	3.17%	0.79%
Nonperforming assets as a % of total loans outstanding and other real estate	4.40%	3.31%	1.07%
Ratio of allowance for loan losses to nonperforming loans	36.53%	50.43%	175.86%

Mid Penn considers a loan or lease to be impaired when, based upon current information and events, it is probable that all interest and principal payments due according to the contractual terms of the loan or lease agreement will not be collected. An insignificant delay or shortfall in the amounts of payments would not cause a loan or lease to be considered impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan or lease and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. Larger groups of small-balance loans, such as residential mortgages and consumer installment loans are collectively evaluated for impairment. Accordingly, individual consumer and residential loans are not separately identified for impairment disclosures unless such loans are the subject of a restructuring agreement. Mid Penn determines the fair value of impaired loans on a case-by-case basis based primarily upon the fair value of the underlying collateral using Level 3 inputs comprised of customized collateral value discounting analyses.

As of March 31, 2010, Mid Penn had several unrelated loan relationships, with an aggregate carrying balance of $18,276,000, deemed impaired that have been placed in nonaccrual status. This pool of loans is further broken down into a group of loans with an aggregate carrying balance of $8,044,000 for which specific allocations totaling $2,407,000 have been included within the loan loss reserve for these loans. The remaining $10,232,000 of loans requires no specific allocation within the loan loss reserve. The $18,276,000 pool of impaired loan relationships is comprised of $10,027,000 in real estate secured commercial relationships and $8,249,000 in business relationships. The Bank has specific allocations against the real estate secured pool totaling $593,000, of which $280,000 is with one large relationship. The remaining $313,000 is spread among five relationships composed primarily of customers engaged in real estate investment activities. The group of impaired business relationships with specific allocations is made up of ten relationships primarily engaged in various forms of manufacturing and a specific allocation of $1,814,000 has been set aside against these credits. Three manufacturing relationships account for $1,016,000 of the specific allocations due to the negative effects of the economy on their businesses and the subsequent collateral devaluation. One additional large commercial participation loan in this pool has shown exceptional collateral devaluation and is responsible for a specific allocation of $400,000 of the total pool attributable to this segment. Management currently believes that the specific reserves are adequate to cover potential future losses related to these relationships.

The allowance for loan losses is a reserve established in the form of a provision expense for loan and lease losses and is reduced by loan charge-offs net of recoveries. When loans are deemed to be uncollectible, they are charged off. Management has established a reserve that it believes is adequate for probable losses in the loan and lease portfolio. In conjunction with an internal loan review function that operates independently of the lending function, management monitors the loan portfolio to identify risk on a monthly basis so that an appropriate allowance is maintained. Based on an evaluation of the loan portfolio, management presents a monthly review of the allowance for loan and lease losses to the Board of Directors, indicating any changes in the allowance since the last review. In making the evaluation, management considers the results of recent regulatory examinations, which typically include a review of the allowance for loan and lease losses an integral part of the examination process.

In establishing the allowance, management evaluates on a quantitative basis individual classified loans and nonaccrual loans, and determines an aggregate reserve for those loans based on that review. In addition, an allowance for the remainder of the loan and lease portfolio is determined based on historical loss experience within certain components of the portfolio. These allocations may be modified if current conditions indicate that loan and lease losses may differ from historical experience.

In addition, a portion of the allowance is established for losses inherent in the loan and lease portfolio which have not been identified by the

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MID PENN BANCORP, INC. **Management s Discussion and Analysis**

quantitative processes described above. This determination inherently involves a higher degree of subjectivity, and considers risk factors that may not have yet manifested themselves in historical loss experience. These factors include:

- Changes in local, regional, and national economic and business conditions affecting the collectability of the portfolio, the values of underlying collateral, and the condition of various market segments.
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans.
- Changes in the experience, ability, and depth of lending management and other relevant staff as well as the quality of the institution s loan review system.
- Changes in the nature and volume of the portfolio and the terms of loans generally offered.
- The existence and effect of any concentrations of credit and changes in the level of such concentrations.

While the allowance for loan and lease losses is maintained at a level believed to be adequate by management for covering estimated losses in the loan and lease portfolio, determination of the allowance is inherently subjective, as it requires estimates, all of which may be susceptible to significant change. Changes in these estimates may impact the provisions charged to expense in future periods.

Management believes, based on information currently available, that the allowance for loan and lease losses of $7,446,000 is adequate as of March 31, 2010.

Liquidity

Mid Penn Bank s objective is to maintain adequate liquidity to meet funding needs at a reasonable cost and to provide contingency plans to meet unanticipated funding needs or a loss of funding sources, while minimizing interest rate risk. Adequate liquidity provides resources for credit needs of borrowers, for depositor withdrawals and for funding corporate operations. Sources of liquidity are as follows:

- A growing core deposit base;
- Proceeds from the sale or maturity of investment securities;
- Proceeds from certificates of deposit in other financial institutions;
- Payments received on loans and mortgage-backed securities; and,
- Overnight correspondent bank borrowings on various credit lines; and,

Borrowing capacity available from the FHLB.

We believe that our core deposits are stable even in periods of changing interest rates. Liquidity and funds management are governed by policies and are measured on a monthly basis. These measurements indicate that liquidity generally remains stable and exceeds our minimum defined levels of adequacy. Other than the trends of continued competitive pressures and volatile interest rates, there are no known demands, commitments, events, or uncertainties that will result in, or that are reasonably likely to result in, liquidity increasing or decreasing in any material way.

Capital Resources

Shareholders equity, or capital, is evaluated in relation to total assets and the risk associated with those assets. The greater a corporation s capital resources, the more likely it is to meet its cash obligations and absorb unforeseen losses. Too much capital, however, indicates that not enough of the corporation s earnings have been paid to shareholders and the buildup makes it difficult for a corporation to offer a competitive return on the shareholders capital going forward. For these reasons capital adequacy has been, and will continue to be, of paramount importance.

Capital growth is achieved primarily by retaining more earnings than are paid out to shareholders. Shareholders equity increased during the quarter ended March 31, 2010 by $438,000 or 0.94%, from December 31, 2009. Capital was negatively impacted in 2009 by the net loss of $2,809,000 and the payment of cash dividends to common shareholders of $1,809,000. Capital was positively impacted in 2008 by the addition of $10,000,000 from the U.S. Treasury s Capital Purchase Program. The program was designed to provide well-capitalized, secure financial institutions with additional capital in order to increase the flow of credit into the economy. The program details are discussed in the following section.

The FDIC also adopted a prepayment of projected deposit insurance premiums for a three-year period that was paid on December 30, 2009. The prepayment was $2,903,000 for Mid Penn. The prepayment will be carried as a prepaid expense in other assets on the balance sheet and amortized into expense in the operating period to which it applies.

Certain restrictions exist regarding the ability of the Bank to transfer funds to Mid Penn in the form of cash dividends, loans or advances. At March 31, 2010, $0 of undistributed earnings of the Bank included in the consolidated shareholders equity was available for distribution to Mid Penn as dividends without prior regulatory approval, subject to regulatory capital requirements below.

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MID PENN BANCORP, INC. **Management s Discussion and Analysis**

Mid Penn maintained the following regulatory capital levels, leverage ratios, and risk-based capital ratios in its bank subsidiary as of March 31, 2010, and December 31, 2009, as follows:

(Dollars in thousands)	Actual: Amount	Actual: Ratio	Capital Adequacy Minimum Capital Required: Amount	Ratio	To Be Well-Capitalized Under Prompt Corrective Action Provisions: Amount	Ratio
As of March 31, 2010:						
Tier 1 Capital (to Average Assets)	$ 45,113	7.5%	$ 23,972	4.0%	$ 29,965	5.0%
Tier 1 Capital (to Risk Weighted Assets)	45,113	9.3%	19,424	4.0%	29,135	6.0%
Total Capital (to Risk Weighted Assets)	51,201	10.5%	38,847	8.0%	48,559	10.0%
As of December 31, 2009:						
Tier 1 Capital (to Average Assets)	$ 44,434	7.4%	$ 23,913	4.0%	$ 29,892	5.0%
Tier 1 Capital (to Risk Weighted Assets)	44,434	9.2%	19,329	4.0%	28,993	6.0%
Total Capital (to Risk Weighted Assets)	50,496	10.4%	38,658	8.0%	48,322	10.0%

Capital Purchase Program Participation

On December 19, 2008, Mid Penn entered into an agreement (including the Securities Purchase Agreement Standard Terms) (the Purchase Agreement) with the United States Department of the Treasury (the Treasury) pursuant to which the Treasury invested $10,000,000 in Mid Penn under the Treasury s Capital Purchase Program (the CPP).

Under the Purchase Agreement, the Treasury received (1) 10,000 shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock, $1,000 liquidation preference, and (2) Warrants to purchase up to 73,099 shares of the Mid Penn s common stock at an exercise price of $20.52 per share.

The preferred shares pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The preferred shares are non-voting, other than class voting rights on certain matters that could adversely affect the preferred shares. If dividends on the preferred shares have not been paid for an aggregate of six quarterly dividend periods or more, whether consecutive or not, Mid Penn s authorized number of directors will automatically be increased by two, and holders of the preferred stock, voting together with holders of any then outstanding parity stock, will have the right to elect those directors at Mid Penn s next annual meeting of shareholders or special meeting of shareholders called for that purpose. These preferred share directors would be elected annually and serve until all accrued and unpaid dividends on the preferred shares have been paid.

Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), the Secretary of the Treasury is required to permit, subject to consultation with the appropriate Federal banking agency, Mid Penn to redeem the Series A Preferred Stock. Mid Penn may do so without regard to the source of the funds to be used to redeem the Series A Preferred Stock or any minimum waiting period. If Mid Penn elects to redeem the Series A Preferred Stock prior to February 15, 2012, and receives approval from the Treasury and the Board of Governors of the Federal Reserve System, it must redeem at least $2,500,000 of the Series A Preferred Stock. Upon redemption of the Series A Preferred Stock, the Secretary of the Treasury is required to liquidate the warrants associated with Mid Penn s participation in the CPP at the current market price. Any redemption is subject to the consent of the Board of Governors of the Federal Reserve System. Until December 19, 2011, or such earlier time as all preferred shares have been redeemed by Mid Penn or transferred by Treasury to third parties that are not affiliated with Treasury, Mid Penn may not, without Treasury s consent, increase its dividend rate per share of common stock above the per share quarterly amount in effect immediately prior to October 14, 2008 ($0.20 per share) or, with certain limited exceptions, repurchase its common stock.

The warrants are immediately exercisable and have a 10-year term. The exercise price and number of shares subject to the warrants are both subject to anti-dilution adjustments. Treasury has agreed not to exercise voting power with respect to any shares of common stock issued upon exercise of the warrants; however, this agreement not to vote the shares does not apply to any person who may acquire such shares.

The preferred shares and the warrants were issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933. Mid Penn has filed a shelf registration statement covering the preferred shares, the warrants, and the common stock underlying the warrants. Treasury and other future holders of the preferred shares, the warrants, or the common stock issued pursuant to the warrants also have piggyback and demand registration rights with respect to these securities. None of the preferred shares, the warrants, or the shares issuable upon exercise of the warrants are subject to any contractual restrictions on transfer.

In the Purchase Agreement, Mid Penn agreed that, until such time as the Treasury ceases to own any securities acquired from Mid Penn pursuant to the Purchase Agreement, Mid Penn will take all necessary action to ensure that benefit plans with respect to our senior executive officers comply with

Section 111(b) of the Emergency Economic Stability Act of 2008 (the EESA) and applicable guidance or regulations issued by the Secretary of the Treasury. The applicable executive compensation requirements apply to the compensation of Mid Penn s Chief Executive Officer, Chief Financial Officer, and certain other highly compensated executive officers.

These requirements, the compliance of which must be annually certified by Mid Penn s chief executive officer and chief financial officer, include:

1. limits on compensation that exclude incentives for senior executive officers of Mid Penn to take unnecessary and excessive risks that threaten the value of Mid Penn during the period in which any obligation arising from financial assistance provided under the TARP remains outstanding;

2. a provision for the recovery by Mid Penn of any bonus, retention award, or incentive compensation paid to a senior executive officer and any of the next 20 most highly-compensated employees of Mid Penn based on statements of earnings, revenues, gains, or other criteria that are later found to be materially inaccurate;

3. a prohibition on Mid Penn making any golden parachute payment to a senior executive officer or any of the next five most highly-compensated employees of Mid Penn during the period in which any obligation arising from financial assistance provided under the TARP remains outstanding;

4. a prohibition on Mid Penn paying or accruing any bonus, retention award, or incentive compensation to the most highly compensated employees of Mid Penn during the period in which any obligation arising from financial assistance provided under the TARP remains outstanding, except that any prohibition shall not apply to the payment of long-term restricted stock by Mid Penn, provided that such long-term restricted stock

    i. Does not fully vest during the period in which any obligation arising from financial assistance provided to Mid Penn remains outstanding;

    ii. Has a value in an amount that is not greater than one-third of the total amount of annual compensation of the employee receiving the stock; and

    iii. Is subject to such other terms and conditions as the Secretary of the Treasury may determine is in the public interest;

5. a prohibition on any compensation plan that would encourage manipulation of the reported earnings of Mid Penn to enhance the compensation of any of its employees; and

6. a requirement that Mid Penn s compensation committee remains entirely independent and meets at least semiannually to discuss and evaluate employee compensation plans in light of an assessment of any risk posed to Mid Penn from such plans.

In compliance with the EESA and ARRA, on February 27, 2009, Rory G. Ritrievi entered into a Capital Purchase Plan Executive Compensation Restriction Agreement with Mid Penn Bancorp, Inc. and Mid Penn Bank. The agreement prohibits, during the period which any obligation to the Federal Government remains outstanding, any payment to Mr. Ritrievi (including bonus payments and payments upon a termination) which would violate the EESA and ARRA, despite Mr. Ritrievi having an employment agreement requiring payments upon certain terminations.

In addition to these requirements, Mid Penn must have in place a company-wide policy regarding excessive or luxury expenditures and must permit a separate nonbinding shareholder vote to approve the compensation of executives as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission. Mid Penn has adopted such a luxury and expense policy and it appears on Mid Penn s website at www.midpennbank.com.

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MID PENN BANCORP, INC.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a financial institution, Mid Penn s primary source of market risk is interest rate risk. Interest rate risk is the exposure to fluctuations in Mid Penn s future earnings (earnings at risk) resulting from changes in interest rates. This exposure or sensitivity is a function of the repricing characteristics of Mid Penn s portfolio of assets and liabilities. Each asset and liability reprices either at maturity or during the life of the instrument. Interest rate sensitivity is measured as the difference between the volume of assets and liabilities that are subject to repricing in a future period.

The principal purpose of asset-liability management is to maximize current and future net interest income within acceptable levels of interest rate risk while satisfying liquidity and capital requirements. Net interest income is increased by increasing the net interest margin and by volume growth. Thus, the goal of interest rate risk management is to maintain a balance between risk and reward such that net interest income is maximized while risk is maintained at an acceptable level.

Mid Penn utilizes an asset-liability management model to measure the impact of interest rate movements on its interest rate sensitivity position. Mid Penn s management also reviews the traditional maturity gap analysis regularly. Mid Penn does not attempt to achieve an exact match between interest sensitive assets and liabilities because it believes that an actively managed amount of interest rate risk is inherent and appropriate in the management of Mid Penn s profitability.

No material changes in the market risk strategy occurred during the current period and no material changes have been noted in Mid Penn s equity value at risk. A detailed discussion of market risk is provided in the Form 10-K for the year ended December 31, 2009. Mid Penn enjoys a closely balanced position that does not place it at undue risk under any interest rate scenario. Deposit dollars in transaction accounts are discretionarily priced so management maintains significant pricing flexibility.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Mid Penn maintains controls and procedures designed to ensure that information required to be disclosed in the reports that Mid Penn files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures as of March 31, 2010, Mid Penn s management, with the participation of the Principal Executive Officer and Principal Financial and Accounting Officer, concluded that the disclosure controls and procedures were effective as of such date.

Changes in Internal Controls

During the three months ended March 31, 2010, there were no changes in Mid Penn s internal control over financial reporting, that have materially affected, or are reasonable likely to materially affect, Mid Penn s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Management is not aware of any litigation that would have a material adverse effect on the consolidated financial position of Mid Penn. There are no proceedings pending other than the ordinary routine litigation incident to the business of Mid Penn. In addition, management does not know of any material proceedings contemplated by governmental authorities against Mid Penn or any of its properties.

ITEM 1A RISK FACTORS

There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2009.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

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MID PENN BANCORP, INC.

ITEM 4 (Removed and Reserved)

ITEM 5 OTHER INFORMATION

None

ITEM 6 EXHIBITS

Exhibit 3(i) The Registrant s Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3(i) to Registrant s Quarterly Report on form 10-Q filed with the Securities and Exchange Commission on May 11, 2009.)

Exhibit 3(ii) Statement with Respect to Shares for Series A Preferred Stock. (Incorporated by reference to Exhibit 3.1 to Registrant s Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 22, 2008.)

Exhibit 3(iii) The Registrant s Amended and Restated By-laws (Incorporated by reference to Exhibit 3(iii) to Registrant s Quarterly Report on form 10-Q filed with the Securities and Exchange Commission on May 11, 2009.)

Exhibit 4 Warrants for Purchase of Shares of Common Stock. (Incorporated by reference to Exhibit 4.1 to Registrant s Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 22, 2008.)

Exhibit 11 Statement regarding the computation of Per Share Earnings. (Incorporated by reference to Part I Item 1 of this Quarterly Report on Form 10-Q.)

Exhibit 31.1 Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a) as added by Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a) as added by Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002.

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MID PENN BANCORP, INC.

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.

Mid Penn Bancorp, Inc.

(Registrant)

By /s/ RORY G. RITRIEVI
Rory G. Ritrievi

President and CEO

(Principal Executive Officer)

Date: May 7, 2010

By /s/ KEVIN W. LAUDENSLAGER
Kevin W. Laudenslager

Treasurer

(Principal Financial Officer)

Date: May 7, 2010