Oak Ridge Financial Services, Inc.
Form 10-Q
May 13, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

Commission File Number: 000-52640

OAK RIDGE FINANCIAL SERVICES, INC

(Exact name of registrant as specified in its charter)

North Carolina	**20-8550086**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**

Post Office Box 2

2211 Oak Ridge Road

Oak Ridge, North Carolina 27310

(Address of principal executive offices)

(336) 644-9944

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

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

The number of shares outstanding of each of the registrant s classes of common stock, as of May 6, 2010, was as follows:

Class	Number of Shares
Common Stock, no par value	**1,791,474**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This form contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements represent expectations and beliefs of Oak Ridge Financial Services, Inc. (hereinafter referred to as the Company) including but not limited to the Company s and its subsidiary s operations, performance, financial condition, growth or strategies. These forward-looking statements are identified by words such as expects , anticipates , should , estimates , believes and variations of these words and other similar statements. For this purpos any statements contained in this form that are not statements of historical fact may be deemed to be forward-looking statements. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. These forward-looking statements involve estimates, assumptions, risks and uncertainties that could cause actual results to differ materially from current projections depending on a variety of important factors, including without limitation:

revenues are lower than expected;

credit quality deterioration which could cause an increase in the provision for credit losses;

competitive pressure among depository institutions increases significantly;

changes in consumer spending, borrowings and savings habits;

The Company s ability to successfully integrate acquired entities or to achieve expected synergies and operating efficiencies within expected time-frames or at all;

technological changes and security and operations risks associated with the use of technology;

the cost of additional capital is more than expected;

a change in the interest rate environment reduces interest margins;

asset/liability repricing risks, ineffective hedging and liquidity risks;

counterparty risk;

general economic conditions, particularly those affecting real estate values, either nationally or in the market area in which we do or anticipate doing business, are less favorable than expected;

the effects of the Federal Deposit Insurance Corporation deposit insurance premiums and assessments;

the effects of and changes in monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;

- volatility in the credit or equity markets and its effect on the general economy;
- demand for the products or services of the Company and the Bank of Oak Ridge, as well as their ability to attract and retain qualified people;
- the costs and effects of legal, accounting and regulatory developments and compliance; and
- regulatory approvals for acquisitions cannot be obtained on the terms expected or on the anticipated schedule.

The Company undertakes no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, by or on behalf of the Company.

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Consolidated Balance Sheets

March 31, 2010 (Unaudited) and December 31, 2009 (Audited)

(Dollars in thousands, except per share data)

	2010	2009
Assets		
Cash and due from banks	$ 3,131	$ 4,140
Interest-bearing deposits with banks	25,946	6,931
Federal Funds sold		
Total cash and cash equivalents	29,077	11,071
Securities available-for-sale	40,420	47,184
Securities held-to-maturity (fair values of $9,113 in 2010 and $9,700 in 2009)	9,675	10,355
Federal Home Loan Bank Stock, at cost	1,342	1,342
Loans, net of allowance for loan losses of $3,812 in 2009 and $3,667 in 2009	248,107	247,633
Property and equipment, net	10,728	10,793
Foreclosed assets	1,200	1,288
Accrued interest receivable	1,456	1,387
Bank owned life insurance	4,670	4,627
Other assets	2,456	2,368
Total assets	$ 349,131	$ 338,048
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 22,175	$ 20,520
Interest-bearing	279,430	271,164
Total deposits	301,605	291,684
Short-term debt		
Long-term debt	9,000	9,000
Junior subordinated notes related to trust preferred securities	8,248	8,248
Accrued interest payable	299	295
Other liabilities	1,833	1,229
Total liabilities	320,985	310,456
Commitments and contingencies		
Stockholders equity		
Preferred stock, Series A, no par value, $1,000 per share liquidation preference	6,625	6,566
Common stock, no par value; 50,000,000 shares authorized; 1,791,474 issued and outstanding in 2010 and 2009	15,831	15,831
Warrants	1,361	1,361
Retained earnings	3,086	2,602
Accumulated other comprehensive income	1,243	1,232
Total stockholders equity	28,146	27,592
Total liabilities and stockholders equity	$ 349,131	$ 338,048

See Notes to Consolidated Financial Statements

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Consolidated Statements of Operations

For the three months ended March 31, 2010 and 2009 (Unaudited)

(Dollars in thousands except per share data)

	2010	2009
Interest and dividend income		
Loans and fees on loans	$ 3,738	$ 3,791
Federal funds sold		1
Interest on deposits in banks	6	15
Federal Home Loan Bank stock dividends	1	
Taxable investment securities	888	889
Total interest and dividend income	4,633	4,696
Interest expense		
Deposits	1,262	2,062
Short-term and long-term debt	47	167
Total interest expense	1,309	2,229
Net interest income	3,324	2,467
Provision for loan losses	353	366
Net interest income after provision for loan losses	2,971	2,101
Noninterest income		
Service charges on deposit accounts	200	203
Gain on sale of securities	386	
Mortgage loan origination fees	61	156
Investment and insurance commissions	192	174
Fee income from accounts receivable financing	190	174
Debit card interchange income	104	71
Income earned on bank owned life insurance	43	31
Other service charges and fees	19	19
Total noninterest income	1,195	828
Noninterest expense		
Salaries	1,397	1,240
Employee benefits	153	158
Occupancy expense	236	186
Equipment expense	194	170
Data and item processing	155	145
Professional and advertising	434	290
Stationary and supplies	61	61
Net loss (gain) on sale of foreclosed and repossessed assets	(7)	119
Telecommunications expense	57	67
FDIC assessment	131	73
Accounts receivable financing expense	59	53
Other expense	288	213
Total noninterest expense	3,158	2,775

Income before income taxes		1,008		154
Income tax expense		369		54
Net income	$	639	$	100
Preferred stock dividends		(96)		(64)
Accretion of discount		(59)		(44)
Income available to common stockholders	$	484	$	(8)
Basic earnings per common share	$	0.27	$	0.00
Diluted earnings per common share	$	0.27	$	0.00
Basic weighted average shares outstanding		1,791,474		1,791,474
Diluted weighted average shares outstanding		1,791,474		1,791,474

See Notes to Consolidated Financial Statements

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Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income

Three months ended March 31, 2010 and 2009 (Unaudited)

(In thousands except shares of common stock)

	Preferred stock, Series A	Common Stock Number	Common Stock Amount	Common stock warrant	Retained earnings	Accumulated other comprehensive income	Comprehensive income	Total
Balance December 31, 2008	$	1,791,474	$ 15,831	$	$ 2,470	$ (106)		$ 18,195
Net income					100		$ 100	100
Net change in unrealized gain on investment securities available-for-sale, net of tax expense of $13						24	24	24
Total comprehensive income							$ 124	
Issuance of preferred stock in connection with Capital Purchase Program, net of discount on preferred stock	6,888							6,888
Issuance of common stock warrant in connection with Capital Purchase Program				812				812
Costs associated with issuance of preferred stock and common warrants	(9)			(1)				(10)
Preferred stock accretion	44				(44)			
Balance March 31, 2009	$ 6,923	1,791,474	$ 15,831	$ 811	$ 2,526	$ (82)		$ 26,009

See Notes to Consolidated Financial Statements

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Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income, continued

Three months ended March 31, 2010 and 2009 (Unaudited)

(In thousands except shares of common stock)

	Preferred stock, Series A	Common Stock Number	Common Stock Amount	Common stock warrant	Retained earnings	Accumulated other comprehensive income	Comprehensive income	Total
Balance December 31, 2009	$ 6,566	1,791,474	$ 15,831	$ 1,361	$ 2,602	$ 1,232		$ 27,592
Net income					639		$ 639	639
Net change in unrealized gain on investment securities available-for-sale, net of tax expense of $151						253	253	253
Reclassification adjustment for investment securities included in net income, net of tax expense of $144						(242)	(242)	(242)
Total comprehensive income							$ 647	
Preferred stock dividends					(96)			(96)
Preferred stock accretion	59				(59)			
Balance March 31, 2010	$ 6,625	1,791,474	$ 15,831	$ 1,361	$ 3,086	$ 1,243		$ 28,146

See Notes to Consolidated Financial Statements

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Consolidated Statements of Cash Flows

Three months ended March 31, 2010 and 2009 (Unaudited)

(In thousands)

	2010	2009
Cash flows from operating activities		
Net income	$ 639	$ 100
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	219	178
Provision for loan losses	353	366
(Gain) loss on sale of securities	(386)	
(Gain) loss on property and equipment	(7)	
Income earned on bank owned life insurance	(43)	(32)
(Gain) loss on sale of foreclosed assets	(7)	
Deferred income tax (benefit) expense	(111)	78
Income taxes payable	422	79
Net (accretion) amortization of discounts and premiums on securities	(149)	(148)
Changes in assets and liabilities:		
Accrued income	(69)	(115)
Other assets	(88)	(103)
Accrued interest payable	4	3
Other liabilities	(67)	(51)
Net cash provided by operating activities	710	355
Cash flows from investing activities		
Activity in available-for-sale securities:		
Purchases		(14,801)
Sales	4,719	
Maturities and repayments	2,569	2,215
Activity in held-to-maturity securities:		
Purchases		
Maturities and repayments	706	639
Redemptions (purchases) of Federal Home Loan Bank stock		210
Net increase in loans	(560)	(4,744)
Purchases of property and equipment	(163)	(1,380)
Proceeds from sale of property and equipment	16	
Proceeds from sale of foreclosed assets	184	
Net cash used in investing activities	7,471	(17,861)
Cash flows from financing activities		
Net increase in deposits	9,921	23,760
Repayment of borrowings		(7,000)
Net proceeds from issuance of preferred stock and warrant to purchase common stock		7,700
Dividends paid on preferred stock	(96)	
Net cash provided by financing activities	9,825	24,460
Net increase in cash and cash equivalents	18,006	6,954
Cash and cash equivalents, beginning	11,071	9,584

Cash and cash equivalents, ending	$ 29,077	$ 16,538

See Notes to Consolidated Financial Statements

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Consolidated Statements of Cash Flows, continued

Three months ended March 31, 2010 and 2009 (Unaudited)

(In thousands)

	2010	2009
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 1,305	$ 2,232
Taxes	$ 4	$ 24
Non-cash investing and financing activities		
Foreclosed assets acquired in settlement of loans	$ 82	$

See Notes to Consolidated Financial Statements

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Notes to Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Oak Ridge Financial Services, Inc. (referred to as the Company, we, our or us) was incorporated under the laws of the State of North Carolina on April 20, 2007, at the direction of the Board of Directors of the Bank of Oak Ridge (the Bank), for the purpose of serving as the bank holding company for the Bank and became the holding company for the Bank on April 20, 2007. To become the Bank s holding company, we received approval of the Federal Reserve Board as well as the Bank s shareholders. Upon receiving such approval, each share of $5.00 par value common stock of the Bank was exchanged on a one-for-one basis for the no par value common stock of the Company.

The Bank was incorporated on April 6, 2000 as a North Carolina chartered commercial bank and opened for business on April 10, 2000. Including its main office, the Bank operates five (5) full service branch offices in Oak Ridge, Summerfield, and Greensboro, North Carolina.

The Company operates for the primary purpose of serving as the holding company for the Bank. Our headquarters are located at 2211 Oak Ridge Road, Oak Ridge, North Carolina 27310.

The Bank operates for the primary purpose of serving the banking needs of individuals, and small to medium-sized businesses in its market area. The Bank offers a range of banking services including checking and savings accounts, commercial, consumer and personal loans, mortgage services and other associated financial services.

The Company formed Oak Ridge Statutory Trust I (the Trust) during 2007 to facilitate the issuance of trust preferred securities. The Trust is a statutory business trust formed under the laws of the state of Connecticut, of which all common securities are owned by the Company. Under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 810, Consolidation*,* Oak Ridge Financial Statutory Trust I is not included in the Company s consolidated financial statements. The Company s equity interests for junior subordinated debentures issued by the Company to the Trust are included in other assets.

The accounting and reporting policies of the Company follow generally accepted accounting principles and general practices within the financial services industry. In management s opinion, the financial information, which is unaudited, reflects all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial information as of and for the three month period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America (GAAP).

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expense during the reporting period. Actual results could differ from those estimates. Operating results for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010.

The balance sheet as of December 31, 2009 has been derived from audited financial statements. The unaudited financial statements of the Company have been prepared in accordance with instructions from Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included.

The organization and business of the Company, accounting policies followed by the Company and other relevant information are contained in the notes to the financial statements filed as part of the Company s Annual Report on Form 10-K for the year ended December 31, 2009 (the Annual Report). This quarterly report should be read in conjunction with the Annual Report.

Certain reclassifications have been made to the prior period s financial statements to place them on a comparable basis with the current year. Net income and stockholders equity previously reported were not affected by these reclassifications.

Basis of Presentation

The accompanying consolidated financial statements include the accounts and transactions of the Company and the Bank, its wholly owned subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

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Notes to Consolidated Financial Statements (Continued)

Note 1. Organization and Summary of Significant Accounting Policies, continued

Critical Accounting Policies

The Company s financial statements are prepared in accordance with GAAP. The notes to the audited financial statements included in the Annual Report contain a summary of its significant accounting policies. Management believes the Company s policies with respect to the methodology for the determination of the allowance for loan losses, and asset impairment judgments, such as the recoverability of intangible assets, involve a higher degree of complexity and require management to make difficult and subjective judgments that often require assumptions or estimates about highly uncertain matters. Accordingly, the Company considers the policies related to those areas as critical.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on the historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as 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 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. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 13, 2010, the date the financial statements were issued.

Note 2. Earnings Per Share

Basic Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to stock splits and dividends.

Diluted Earnings per Share

The computation of diluted earnings per share is similar to the computation of basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of those potential common shares.

Stock options outstanding of 347,483 shares and the warrant issued to the U.S. Treasury Department covering 163,850 shares were not included in the computation of diluted earnings per share because their exercise price exceeded the average market price of the Company s exercise price for the respective periods ending March 31, 2010 and 2009.

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Notes to Consolidated Financial Statements (Continued)

Note 3. Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows (dollars in thousands):

	March 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Government-sponsored enterprise securities	$ 2,038	$ 112	$	$ 2,150
FNMA mortgage-backed securities	9,341	665		10,006
Private label mortgage-backed securities	17,060	1,064		18,124
SBIC or SBA debentures	9,461	179		9,640
Other domestic debt securities	500			500
Total securities available-for-sale	$ 38,400	$ 2,020	$	$ 40,420
Held-to-maturity				
Private label mortgage-backed securities	9,675	17	(579)	9,113
Total securities available-for-sale	$ 9,675	$ 17	$ (579)	$ 9,113

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Government-sponsored enterprise securities	$ 2,039	$ 110	$	$ 2,149
FNMA mortgage-backed securities	10,069	635		10,704
Private label mortgage-backed securities	22,956	1,104		24,059
SBIC or SBA debentures	9,616	156		9,772
Other domestic debt securities	500			500
Total securities available-for-sale	$ 45,179	$ 2,005	$	$ 47,184
Held-to-maturity				
Private label mortgage-backed securities	10,355	15	(670)	9,700
Total securities available-for-sale	$ 10,355	$ 15	$ (670)	$ 9,700

Subinvestment grade available-for-sale and held-to-maturity private label mortgage-backed securities are analyzed on a quarterly basis for impairment by utilizing an independent third party that performs an analysis of the estimated principal the Bank is expected to collect on these securities. The results of this analysis determines whether the Bank records an impairment loss on these securities. There were no impairment charges recorded in the three-month period ended March 31, 2010. In 2009, the Bank recorded impairment loss of $129,000 on one private label security.

The Bank had approximately $1.3 million at March 31, 2010 and December 31, 2009, of investments in stock of the FHLB, which is carried at cost. On March 25, 2010, FHLB announced that it would pay a dividend for the first quarter of 2010 of 0.27%. The FHLB also announced that it would not repurchase activity-based excess capital stock and would continue to evaluate on a quarterly basis whether to repurchase excess capital stock. FHLB stated that the dividend and excess capital stock repurchase decisions continue to reflect the FHLB conservative financial management approach in light of continued volatility in the financial markets. Management believes that its investment in FHLB stock was not other-than-temporarily impaired as of March 31, 2010 or December 31, 2009. However, there can be no assurance that the impact of recent or future legislation on the FHLB will not also cause a decrease in the value of the FHLB stock held by the Company. Investment securities with amortized costs of $5.7 million and $6.1 million at March 31, 2010 and December 31, 2009, respectively, were pledged as collateral on public deposits or for other purposes as required or permitted by law.

Gross realized gains on the sale of securities for the three months ended March 31, 2010 were $386,000. There were no gross realized gains or losses on sale of securities for the three months ended March 31, 2009.

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Notes to Consolidated Financial Statements (Continued)

Note 3. Securities, continued

The following tables detail unrealized losses and related fair values in the Company s held-to-maturity investment securities portfolios at March 31, 2010 and December 31, 2009. There were no unrealized losses in the Company s available-for-sale portfolio at March 31, 2010 and December 31, 2009. This information is aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2010 and December 31, 2009 (dollars in thousands).

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010						
Held-to-maturity						
Private label mortgage-backed securities	4,219	(205)	3,930	(374)	8,149	(579)
Total temporarily impaired securities	$ 4,219	$ (205)	$ 3,930	$ (374)	$ 8,149	$ (579)
December 31, 2010						
Held-to-maturity						
Private label mortgage-backed securities	2,938	(142)	5,784	(528)	8,722	(670)
Total temporarily impaired securities	$ 2,938	$ (142)	$ 5,784	$ (528)	$ 8,722	$ (670)

As of March 31, 2010, management does not have the intent to sell any of the securities classified as available-for-sale in the table above and believes it is more likely than not that the Company will not have to sell any such securities before a recovery of the cost. The unrealized losses are largely due to increases in the market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or re-pricing date or if market yields for such securities decline. Management determined one private label mortgage-backed security to be impaired in the fourth quarter of 2009. Accordingly, a $129,000 realized loss was recognized as an impairment loss in 2009. Other than the security identified as impaired, management does not believe any of the unrealized losses above are due to credit quality.

Maturities of mortgage-backed securities are presented based on contractual amounts. Actual maturities will vary as the underlying loans prepay. The scheduled maturities of securities at March 31, 2010 were as follows (dollars in thousands):

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$	$	$	$
Due after one year through five years	2,038	2,150		
Due after five years through ten years	10,555	11,100		
Due after ten years	25,807	27,170	9,675	9,113
	$ 38,400	$ 40,420	$ 9,675	$ 9,113

Note 4. Stock Option Plans

The Company has adopted both the *Employee Stock Option Plan* (Incentive Plan) and the *Director Stock Option Plan* (Nonstatutory Plan). Under each plan up to 178,937 shares may be issued for a total of 357,874 shares. Options granted under both plans expire no more than 10 years from date of grant. Option exercise price under both plans shall be set by a committee of the Board of Directors at the date of grant, but shall not be less than 100% of fair market value at the date of the grant. Options granted under either plan vest according to the terms of each particular grant.

Activity under the Company plans during the three months ended March 31, 2010 is summarized below:

	Incentive Plan		**Nonstatutory Plan**	
	Available For Grant	**Granted**	**Available For Grant**	**Granted**
Balance, December 31, 2009	8,288	168,549	3	178,934
No activity				
Balance, March 31, 2010	8,288	168,549	3	178,934

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Notes to Consolidated Financial Statements (Continued)

Note 4. Stock Option Plans, continued

There were no options exercised during the three months ended March 31, 2010 and 2009.

A stock option may be exercised, in whole or in part, by giving written notice of exercise to the Corporate Secretary of the Company, or such other officer of the Company as the Committee shall designate, specifying the number of shares to be purchased along with payment in full of the exercise price. The Committee may, in the relevant award agreement, also permit a participant (either on a selective or group basis) to simultaneously exercise stock options and sell the shares of common stock thereby acquired, and use the proceeds from such sale as payment of the exercise price of such stock options. Payment instruments shall be received by the Company subject to collection. The proceeds received by the Company upon exercise of any stock option may be used by the Company for general corporate purposes.

There were no options granted, forfeited or exercised in the periods ending March 31, 2010 or 2009.

Information regarding the stock options outstanding at March 31, 2010 is as follows (dollars in thousands):

Range of Exercise Prices	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
$8.80-9.99	101,513	1.08 Years	$ 8.80	$
$10.00-10.39	139,668	4.42 Years	$ 10.00	
$10.40-11.20	106,302	4.26 Years	$ 10.70	
	347,483	3.39 Years	$ 9.86	$

The weighted average exercise price for options outstanding at January 1, 2010 was $9.86. No compensation expense was recognized in 2009 and for the three months ended March 31, 2010.

Note 5. Guaranteed Preferred Beneficial Interest in the Company s Junior Subordinated Debentures

The Oak Ridge Statutory Trust I (the Trust) was created by the Company on September 28, 2007, at which time the Trust issued $8.0 million in aggregate liquidation amount of $1 par value preferred capital trust securities that mature on September 28, 2037. Distributions are payable on the securities at the floating rate equal to the three-month London Interbank Offered Rate (LIBOR) plus 1.60%, and the securities may be prepaid at par by the Trust at any time after September 17, 2012. The principal assets of the Trust are $8.3 million of the Company s junior subordinated debentures which mature on September 17, 2037, and bear interest at the floating rate equal to the three month LIBOR plus 1.60%, and which are callable by the Company after September 28, 2012. All $248,000 in the aggregate liquidation amount of the Trust s common securities are held by the Company.

Fair value estimates are made by management at a specific point in time, based on relevant information about the financial instrument and the market. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company s entire holdings of a particular financial instrument nor are potential taxes and other expenses that would be incurred in an actual sale considered. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions and/or the methodology used could significantly affect the estimates disclosed. Similarly, the fair values disclosed could vary significantly from amounts realized in actual transactions.

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Notes to Consolidated Financial Statements (Continued)

Note 6. Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of the Company s financial instruments at March 31, 2010 and December 31, 2009 (dollars in thousands):

	March 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 29,077	$ 29,077	$ 11,071	$ 11,071
Federal funds sold				
Securities, available-for-sale	40,420	40,420	47,184	47,184
Securities, held-to-maturity	9,675	8,989	10,355	9,700
Federal Home Loan Bank Stock	1,342	1,342	1,342	1,342
Loans, net of allowance for loan losses	248,107	248,504	247,633	248,875
Bank owned life insurance	4,670	4,670	4,627	4,627
Financial liabilities				
Deposits	301,605	303,547	291,684	293,763
Short term debt				
Junior subordinated notes related to trust preferred securities	8,248	8,248	8,248	8,248
Long-term debt	9,000	9,000	9,000	9,000

The estimated fair values of net loans, deposits and long-term obligations at March 31, 2010 and December 31, 2009 are based on estimated cash flows discounted at market interest rates. The carrying values of other financial instruments, including various receivables and payables, approximate fair value. The carrying amounts and the fair values of the junior subordinated notes related to trust preferred securities and long-term debt are equal as the rates on the underlying obligations reprice every three months. Refer to Note 3 for investment securities fair value information. The fair value of off-balance sheet financial instruments is considered immaterial. These off-balance sheet financial instruments are commitments to extend credit and are either short-term in nature or subject to immediate repricing.

Fair Value Hierarchy

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

There were no changes to the techniques used to measure fair value during the period.

Following is a description of valuation methodologies used for assets recorded at fair value.

Investment Securities Available-for-Sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security s credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

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Notes to Consolidated Financial Statements (Continued)

Note 6. Fair Value of Financial Instruments, continued

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using one of several methods, including collateral value, market price and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At March 31, 2010, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

Foreclosed Assets

Foreclosed assets are adjusted to fair value upon transfer of the loans to other real estate owned. Real estate acquired in settlement of loans is recorded initially at estimated fair value of the property less estimated selling costs at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charged to earnings if the estimated fair value of the property less estimated selling costs declines below the initial recorded value. Fair value is based upon independent market prices, appraised values of the collateral or management s estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

Assets recorded at fair value on a recurring basis

March 31, 2010 (Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Government-sponsored enterprise securities	$ 2,150	$	$ 2,150	$
FNMA mortgage-backed securities	10,006		10,006	
Private label mortgage-backed securities	18,124		18,124	
SBIC or SBA debentures	9,640		9,640	
Other domestic debt securities	500			500
Investment securities available-for-sale	$ 40,420	$	$ 39,920	$ 500
Total assets at fair value	$ 40,420	$	$ 39,920	$ 500

December 31, 2009 (Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Government-sponsored enterprise securities	$ 2,149	$	$ 2,149	$
FNMA mortgage-backed securities	10,704		10,704	
Private label mortgage-backed securities	24,059		24,059	
SBIC or SBA debentures	9,772		9,772	
Other domestic debt securities	500			500
Investment securities available-for-sale	$ 47,184	$	$ 46,684	$ 500

Total assets at fair value	$ 47,184	$	$ 46,684	$ 500

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Notes to Consolidated Financial Statements (Continued)

Note 6. Fair Value of Financial Instruments, continued

Assets recorded at fair value on a nonrecurring basis

March 31, 2010 (Dollars in thousands)	Total	Level 1	Level 2	Level 3
1-4 family residential construction loans	$ 3,268	$	$	$ 3,268
Revolving, open-end loans secured by 1-4 family residential properties	129			129
Closed-end first lien loans secured by 1-4 family residential properties	389			389
Commercial and industrial loans	151			151
Loans receivable	3,937			3,937
Foreclosed assets	1,200			1,200
Total assets at fair value	$ 5,137	$	$	$ 5,137
Total liabilities at fair value	$	$	$	$

December 31, 2009 (Dollars in thousands)	Total	Level 1	Level 2	Level 3
1-4 family residential construction loans	$ 2,437	$	$	$ 2,437
Revolving, open-end loans secured by 1-4 family residential properties	129			129
Closed-end first lien loans secured by 1-4 family residential properties	710			710
Loans secured by nonfarm, nonresidential properties	192			192
Commercial and industrial loans	135			135
Loans receivable	3,603			3,603
Foreclosed assets	1,288			1,288
Total assets at fair value	$ 4,891	$	$	$ 4,891
Total liabilities at fair value	$	$	$	$

The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the three months ended March 31, 2010 and the year ended December 31, 2009.

(Dollars in thousands)	Available-for Sale Securities
Balance, January 1, 2010	$ 500
Total gains or losses (realized/unrealized):	
Included in earnings	
Included in other comprehensive income	
Purchases, issuances, and settlements	
Transfers in to/out of Level 3	
Balance, March 31, 2010	$ 500

(Dollars in thousands)	**Available-for Sale Securities**
Balance, January 1, 2009	$ 500
Total gains or losses (realized/unrealized):	
Included in earnings	
Included in other comprehensive income	
Purchases, issuances, and settlements	
Transfers in to/out of Level 3	
Balance, December 31, 2009	$ 500

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Notes to Consolidated Financial Statements (Continued)

Note 7. U.S. Treasury s Troubled Asset Relief Capital Purchase Program

On January 30, 2009, the Company entered into an agreement with the United States Department of the Treasury (Treasury). The Company issued and sold to the Treasury 7,700 shares of the Company s fixed rate cumulative preferred stock, Series A (Series A Preferred Stock). The preferred stock calls for cumulative dividends at a rate of 5% per year for the first five years, and at a rate of 9% per year in following years. The Company also issued a warrant to purchase 163,830 shares of the Company s common stock. The Company received $7.7 million in cash. This resulted in restrictions on the Company s ability to pay dividends on its common stock and to repurchase shares of its common stock. Unless all accrued dividends on the Series A Preferred Stock have been paid in full, (1) no dividends may be declared or paid on the Company s common stock, and (2) the Company may not repurchase any of its outstanding common stock. Additionally, until January 16, 2012, the Company is required to obtain the consent of the Treasury in order to declare or pay any dividend or make any distribution on its common stock, or, subject to certain exceptions, repurchase outstanding shares of our common stock, unless we have redeemed all of the Series A Preferred Stock or the Treasury has transferred all of those shares to third parties.

Note 8. Recent Accounting Pronouncements

In January 2010, fair value guidance was amended to require disclosures for significant amounts transferred in and out of Levels 1 and 2 and the reasons for such transfers and to require that gross amounts of purchases, sales, issuances and settlements be provided in the Level 3 reconciliation. The new disclosures are effective for the Company for the current quarter and have been reflected in the Fair Value of financial instruments footnote.

Guidance related to subsequent events was amended in February 2010 to remove the requirement for a Securities and Exchange Commission (SEC) filer to disclose the date through which subsequent events were evaluated. The amendments were effective upon issuance and had no significant impact on the Company s financial statements.

In March 2010, guidance related to derivatives and hedging was amended to exempt embedded credit derivative features related to the transfer of credit risk from potential bifurcation and separate accounting. Embedded features related to other types of risk and other embedded credit derivative features were not exempt from potential bifurcation and separate accounting. The amendments will be effective for the Company on July 1, 2010 although early adoption is permitted. The Company does not expect these amendments to have any impact on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company s financial position, results of operations or cash flows.

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

Management s discussion and analysis is intended to assist readers in understanding and evaluating our consolidated financial condition and results of operations. This discussion should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

We are a commercial bank holding company, incorporated in 2007. The accompanying consolidated financial statements include the accounts and transactions of the Company and its wholly owned subsidiary, the Bank. All significant intercompany transactions and balances are eliminated in consolidation.

The Bank was incorporated and began banking operations in 2000. The Bank is engaged in commercial banking predominantly in Guilford and Forsyth Counties, North Carolina. The Bank is operating under the banking laws of North Carolina and the rules and regulations of the Federal Deposit Insurance Corporation (FDIC) and the North Carolina Commissioner of Banks. The Bank s primary source of revenue is derived from loans to customers, who are predominantly individuals and small to medium size businesses in Guilford and Forsyth Counties.

Executive Summary

In the first three months of 2010, management has continued to focus on managing credit quality, building liquidity sources, managing capital, and improving operational earnings of the Company, either by developing strategies to grow existing revenue streams or by improving operational efficiencies. As always, we continue our on-going efforts of meeting the financial services needs of our customers and communities, especially in this challenging economic environment.

Managing Credit Quality

Senior management continues to work closely with credit administration and our lending staff to insure that adequate resources are in place to proactively manage through the current slowdown in the real estate markets and overall economy. When problems are identified, management remains diligent in assessing the situation, moving quickly to minimize losses, while being sensitive to the borrower s effectiveness as an operator, the long-term viability of the business or project, and the borrower s commitment to working with the Bank to achieve an acceptable resolution of the credit. If the economic slowdown continues, we will most likely continue to experience a rise in non-performing assets as we address each situation on a case-by-case basis. When faced with possible loss situations, management may determine it is in the shareholders best long-term interest to work with the borrower or oversee a viable project through to completion.

We anticipate that a prolonged economic slowdown will place significant pressure on the consumers and businesses in North Carolina. Through our Community Loan Investment Program, which is being utilized by the majority of our builders, we have been able to move 10 out of 20 jumbo homes and 10 out of 19 conventional homes out of our builder construction portfolio either to permanent mortgages placed with other lenders or permanent mortgages financed by the Bank to qualified borrowers. The program has resulted in the reduction of our exposure to jumbo homes from $10.6 million to $5.3 million, and the reduction of our exposure to conventional homes from $4.6 million to $2.1 million. We have also extended this program to cover the residential lot inventory of our development borrowers. This program can be accessed through our website at www.bankofoakridge.com.

Building Liquidity Sources

Management has continued to focus on providing additional liquidity sources, both on-balance sheet and off. During the year ended December 31, 2009, we reduced our borrowings with the FHLB from $22 million to $9 million by increasing noninterest and interest bearing deposits by approximately $21.1million. The reduction in borrowings with the FHLB has provided us with additional availability to meet unforeseen liquidity demands that may arise. We currently have securities with a market value of $5.7 million pledged to the FHLB, and have unpledged securities held in safekeeping at the FHLB with a market value of $43.3 million that could be pledged or sold if needed. The Bank also has unused Federal Funds purchased lines totaling $6.0 million with two correspondent banks. In addition, management has plans to continue to build off-balance sheet sources of liquidity. In the fourth quarter of 2009, the Bank explored pledging qualifying commercial loans as collateral through the Federal Reserve Discount Window. Management decided not to explore this alternative but in the second half of 2010 intends to explore leveraging our existing relationship with the FHLB by pledging certain commercial loans as collateral for borrowings. Additionally, the Bank has had great success in attracting core deposits in the first quarter of 2010 through increased marketing, advertising and sales activities.

Managing Capital

The Company was able to bolster its capital levels through its $7.7 million participation in the CPP on January 30, 2009. Of the total $7.7 million CPP funds received, to date $1.1 million of the CPP funds have been contributed to the Bank as additional equity capital. The remaining funds, approximately $6.6 million, are retained by the Company but could be pushed down to the Bank if needed. With total risk-based capital levels at the Bank of 11.70% and 11.45% at March 31, 2010 and December 31, 2009, respectively, the Bank is above the minimum 10% requirement to be classified as well-capitalized. If the remaining $6.6 million of available capital at the Company were contributed to the Bank as additional equity capital, the Bank s total risk-based capital ratio would be 15.1% at March 31, 2010 and would place it well above the minimum well-capitalized requirement of 10%. Despite healthy capital levels, due to significant uncertainty surrounding the depth or the length of the current economic slowdown, management continues to be diligent in its efforts to maintain healthy levels of excess capital above minimum requirements, and has had presentations with four different firms to discuss potential options for raising capital in the future.

Improving Operational Earnings

Pretax, pre-loan loss provision, post-CPP dividend payment, earnings were $879 thousand for the three months ended March 31, 2010, compared to $456 thousand for the same period in 2009, an increase of approximately $423 thousand.

	Three months ended March 31, 2010	2009
	(dollars in thousands)	
Income before income taxes	$ 1,008	$ 154
Add:		
Provision for loan losses	353	366
Subtract:		
Pretax gain on sale of securities	(386)	
Preferred stock dividends	(96)	(64)
Pretax, pre-loan loss provision, post-CPP dividend payment earnings	$ 879	$ 456

During the fourth quarter of 2008, in anticipation of receiving the CPP funds, management began implementing a strategy to invest unutilized capital at the holding company level from our 2007 trust preferred issuance in private label mortgage-backed and government agency securities, well before mortgage rates in this sector began to decline due to aggressive purchases by the Federal Reserve, the Treasury, and other community banks seeking to leverage their new CPP funds. That strategy resulted in the Company purchasing $13.1 million in private label mortgage-backed securities and government agency securities in the fourth quarter of 2008, and an additional $24.8 million of Small Business Investment Company (SBIC) debentures, Small Business Administration (SBA) debentures and private label mortgage-backed securities during the first six months of 2009. Although one private label security was determined to be impaired by management and resulted in a $129 thousand write-down during the year ended December 31, 2009, the investment purchase strategy by management has resulted in an effective deployment of part of the CPP funds, and has positively offset the Company s CPP dividends and loan loss provisions in 2009.

Our core strategies continue to be (1) grow the loan portfolio while maintaining high asset quality; (2) increase noninterest income; (3) grow core deposits; (4) manage expenses; and (5) make strategic investments in personnel and technology to increase revenue and increase efficiency.

Comparison of Results of Operations for the Three-Month Periods Ending March 31, 2010 and 2009

Net Income

In 2010, our income available to common stockholders was $484 thousand or $0.27 basic and diluted earnings per share, compared to loss available to common stockholders of $8 thousand or $0.00 basic and diluted earnings per share for 2009. The increase in earnings is primarily due to an increase in the net interest margin and noninterest income, offset by an increase in noninterest expense.

The following table shows annualized return on assets (net income divided by average assets), annualized return on equity (net income divided by average shareholders equity) and shareholders equity to assets ratio (average shareholders equity divided by average total assets) for each of the three months ended March 31 presented.

	2010	2009
Return on assets	0.76%	0.35%
Return on equity	9.20	5.81
Shareholders equity to assets	8.10	7.50

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Net Interest Income

Net interest income (the difference between the interest earned on assets, such as loans and investment securities and the interest paid on liabilities, such as deposits and other borrowings) is our primary source of operating income. The level of net interest income is determined primarily by the average balances (volume) of interest-earning assets and our interest-bearing liabilities and the various rate spreads between our interest-earning assets and interest-bearing liabilities. Changes in net interest income from period to period result from increases or decreases in the volume of interest-earning assets and interest-bearing liabilities, increases or decreases in the average interest rates earned and paid on such assets and liabilities, the ability to manage the interest-earning asset portfolio, and the availability of particular sources of funds, such as non interest-bearing deposits.

Total interest income decreased $63 thousand or 1.3% to $4.6 million in 2010 compared to $4.7 million in interest income in 2009. Increases in our average earning assets of $12.1 million in 2010 when compared to 2009 positively impacted interest income, however, the increase in average assets were more than offset by a 31 basis point decline in yields on interest-earning assets.

Total interest expense decreased $920 thousand or 41.3% to $1.3 million in 2010 from $2.2 million in 2009, primarily the result of decreased market rates paid on Bank certificates of deposit and borrowings. Our average cost of funds for 2010 was 1.81%, a decrease of 130 basis points when compared to 3.11% for 2009. The average cost on interest bearing deposit accounts decreased 155 basis points from 3.15% paid in 2009 to 1.86% paid in 2010, while our average cost of borrowed funds decreased 155 basis points during 2010 compared to 2009.

Our net interest income for 2010 was $3.3 million, an increase of $857 thousand or 34.7% when compared to net interest income of $2.5 million 2009. Our net interest margin for 2010 was 4.20% compared to 3.24% for 2009. The significant increase in the net interest margin from 2009 to 2010 was primarily due to the significant decline in rates on non interest-bearing liabilities from 2009 to 2010.

Noninterest Income

Noninterest income, principally charges and fees assessed for the use of our services, is a significant contributor to net income. The following table presents the components of noninterest income for the three months ended March 31, 2010 and 2009 (dollars in thousands).

Sources of Noninterest Income

	2010	2009
Service charges on deposit accounts	$ 200	$ 203
Gain on sale of securities	386	
Mortgage loan origination fees	61	156
Investment and insurance commissions	192	174
Fee income from accounts receivable financing	190	174
Debit card interchange income	104	71
Income earned on bank owned life insurance	43	31
Other service charges and fees	19	19
Total noninterest income	$ 1,195	$ 828

In 2010 noninterest income increased $367 thousand or 44.3% to $1.2 million compared to $828 thousand for the same period in 2009. Most of this increase was due to a gain on sale of securities of $386 thousand in 2010 compared to no gain on sale of securities in 2009. Service charges on deposit accounts were down by $3 thousand or 1.5% as we saw a decline in overdraft fees. Mortgage loan origination fees were down by $95 thousand or 60.9% due to lower refinancing and purchase activity. Investment and insurance commissions were up by $18 thousand or 10.3% due to a moderate increase in investment sales. Fee income from accounts receivable financing was up by $24 thousand or 13.7% due to a higher level of accounts receivable by our customers in 2010 compared to 2009. Debit card interchange income was up by $34 thousand or 46.5% due to the introduction of a debit cards rewards program at the end of 2009. Income earned on bank owned life insurance was up by $12 thousand or 38.7% due to higher rates in 2009 on the underlying life insurance policies. Other service changes and fees were unchanged from 2009 to 2010.

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Noninterest Expense

Noninterest expense increased $383 thousand or 13.8% to $3.2 million in 2010 compared to $2.8 million in 2009. The following table presents the components of noninterest expense for three-month periods ended March 31, 2010 and 2009 (dollars in thousands).

Sources of Noninterest Expense

	2010	2009
Salaries	$ 1,397	$ 1,240
Employee benefits	153	158
Occupancy	236	186
Equipment	194	170
Data and item processing	155	145
Professional and advertising	434	290
Stationary and supplies	61	61
Net cost of foreclosed assets and repossessed assets	(7)	119
Telecommunications expense	57	67
FDIC assessment	131	73
Accounts receivable financing expense	59	53
Other expense	288	213
Total noninterest expense	$ 3,158	$ 2,775

Salary expense increased $157 thousand or 12.7% in 2010 compared to 2009. The increase is the result of employee additions in the production and support areas of the Bank as well as cost of living, merit and promotion related salary increases. Employee benefits decreased $5 thousand or 3.2% in 2009 over the prior year principally due to an decrease in employee group insurance as a result of competitive shopping in mid 2009, offset by increases in other employee benefit expenses. At March 31, 2010, we had the equivalent of 87 full-time employees and operated 5 full service banking offices and an office housing our independent wealth management division.

Occupancy expense increased $50 thousand or 26.9% in 2010 mainly due to the completion and occupancy of the Company s new corporate headquarters in July of 2009, which led to an increase in depreciation expense of $15 thousand in 2010. Some of the increase was caused by an increase of $18 thousand in repairs and maintenance expense in 2010 compared to 2009 The increased maintenance expenses in 2010 were due to the increased number and age of facilities to maintain.

Equipment expense increased $24 thousand or 14.1% in 2010 mainly due to depreciation expense increasing $27 thousand, with this increase offset by decreases in other equipment expense accounts. The increase in depreciation expense was primarily due to the addition of furniture and computer hardware and software associated with the Company s corporate headquarters and support facility.

Data and items processing expense increased $10 thousand or 6.9% in 2010 mainly due to an increasing investment in products and services as well as an increase in the number of customers and accounts.

Professional and advertising expenses, which include audit, legal, consulting and marketing and advertising fees, increased $144 thousand or 49.7% to $434 thousand for 2010 compared to $290 thousand in 2009. Marketing and advertising expenses increased $98 thousand year over year due to a significant Move your Money advertising campaign launched in the first three months of 2010. Consulting fees increased $26 thousand in 2010 compared to 2009 due to the use of outside expertise for such matters as investment securities valuation and loan portfolio stress analyses. Increases in other expense items such as legal fees and other outside services made up the remainder of the increase.

Stationary and supplies expense was relatively unchanged from 2009 to 2010.

Net loss (gain) on sale of foreclosed and repossessed assets decreased $126 thousand or 105.9% from 2009 to 2010, as the real estate market stabilized in the latter part of 2009 and early 2010. The majority of the expense in 2009 was related to write-downs on foreclosed assets.

Telecommunication expenses, which include voice and data communications, decreased $10 thousand or 14.9% to $57 thousand for 2010 compared to $67 thousand in 2009 due to the renegotiation of long distance calls with the Company s telecommunication vendor.

FDIC insurance increased $58 thousand in 2010 due to increased assessment rates and an increase in our deposit balances from 2009 to 2010.

Accounts receivable financing expense increased $6 thousand or 11.3% to $59 thousand for 2010 compared to $53 thousand in 2009. Expenses in this line of business were up slightly due to an increase in the underlying revenue.

Other expenses increased $75 thousand or 35.2% to $288 thousand for 2010 compared to $213 thousand in 2009. Increases in this area are attributable to increased emphasis on training and education as well as increased loan servicing costs.

Income Taxes

In 2010 and 2009, we recorded income tax expense of $369 thousand and $54 thousand, respectively. Our effective tax rate for 2010 and 2009 were 36.6% and 35.1%, respectively.

Analysis of Financial Condition at March 31, 2010 and December 31, 2009

Loans Receivable

As of March 31, 2010, total loans increased to $251.9 million, up 0.2% from total loans of $251.3 million at December 31, 2009. The increase in loans is a result of the Bank s continuing expansion in the Piedmont Triad area. Although the number of loan opportunities that meet the Company s underwriting standards has declined, there are some opportunities with existing and new clients of the Company, and the Company makes every effort to extend credit to credit qualified consumers and businesses. The Company makes both commercial and consumer loans to borrowers in all neighborhoods within its market areas, including low- and moderate-income areas. The Company emphasizes commercial loans to small- and medium-sized businesses, real estate loans, and consumer loans.

Allowance for Loan Losses

We consider the allowance for loan losses adequate to cover estimated probable loan losses relating to the loans outstanding as of each reporting period. The procedures and methods used in the determination of the allowance necessarily rely upon various judgments and assumptions about economic conditions and other factors affecting our loans. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Those agencies may require us to recognize adjustments to the allowance for loan losses based on their judgments about the information available to them at the time of their examinations. No assurance can be given that we will not in any particular period sustain loan losses that are sizable in relation to the amount reserved or that subsequent evaluations of the loan portfolio, in light of conditions and factors then prevailing, will not require significant changes in the allowance for loan losses or future charges to earnings.

The following table summarizes the balances of loans outstanding, average loans outstanding, changes in the allowance arising from charge-offs and recoveries by category and additions to the allowance that have been charged to expense.

Analysis of the Allowance for Loan Losses (Dollars in thousands)

	At March 31,	
	2010	**2009**
Allowance for loan losses at beginning of period	$ 3,667	$ 2,448
Loans charged off:		
Real estate - mortgage	(210)	(65)
Home equity lines of credit		
Commercial and industrial	(5)	
Loans to individuals	(6)	(10)
Total charge-offs	(221)	(75)
Recoveries:		
Real estate - mortgage		
Home equity lines of credit		
Commercial and industrial	5	83
Loans to individuals	8	
Total recoveries	13	83

Net charge-offs	(208)	8
Provision for loan losses	353	366
Allowance for loan losses at end of period	$ 3,812	$ 2,822
Total loans outstanding at end of period	$ 251,919	$ 251,919
Average loans outstanding	$ 251,983	$ 251,983
Ratios:		
Ratio of net loan charge-offs to average loans outstanding	0.33%	(0.01)%
Ratio of allowance for loan losses to loans outstanding at period-end	1.51%	1.12%

At March 31, 2010, our allowance for loan losses as a percentage of loans was 1.51%, up from 1.46% at December 31, 2009 and 1.12% at March 31, 2009. The increase in part reflects the increase in our historical loss rate as our charge-offs have increased during the past year. Also, the increase reflects the recognition of additional loans identified as being impaired. In evaluating the allowance for loan losses, we prepare an analysis of our current loan portfolio through the use of historical loss rates, homogeneous risk analysis grouping to include probabilities for loss in each group by risk grade, estimation of years to impairment in each homogeneous grouping, analysis of internal credit processes, and past due loan portfolio performance and overall economic conditions, both regionally and nationally.

Historical loss calculations for each homogeneous risk group are based on a weighted average loss ratio calculation. The most previous quarter s loss history is used in the loss history and is adjusted to reflect current losses in the homogeneous risk groups. Current losses translate into a higher loss ratio which is further increased by the associated risk grades within the group. The impact is to more quickly recognize and increase the loss history in a respective grouping, resulting in an increase in the allowance for that particular homogeneous group. For those groups with little or no loss history, management bases the historical factor based on current economic conditions and their potential impact on that particular loan group.

Loans are considered impaired if, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. The measurement of impaired loans is based on either the fair value of the underlying collateral, the present value of the future cash flows discounted at the historical effective interest rate stipulated in the loan agreement, or the estimated market value of the loan. In measuring the fair value of the collateral, management uses a comparison to the recent selling price of similar assets, which is consistent with those that would be utilized by unrelated third parties.

While we believe that our management uses the best information available to determine the allowance for loan losses, unforeseen market conditions could result in adjustments to the allowance for loan losses, and net income could be significantly affected if circumstances differ substantially from the assumptions used in making the final determination. Because these factors and management s assumptions are subject to change, the allocation is not necessarily indicative of future loan portfolio performance.

Loans are charged-off against the Bank s allowance for loan losses as soon as the loan becomes uncollectible. Unsecured loans are considered uncollectible when no regularly scheduled monthly payment has been made within three months, the loan matured over 90 days ago and has not been renewed or extended or the borrower files for bankruptcy. Secured loans are considered uncollectible when the liquidation of collateral is deemed to be the most likely source of repayment. Once secured loans reach 90 days past due, they are placed into non-accrual status unless the loan is considered to be well secured and in process of collection. If the loan is deemed to be collateral dependent, the principal balance is either written down immediately or reserved as a write-down in the Bank s allowance model to reflect the current market valuation based on an independent appraisal which may be adjusted by management based on more recent market conditions. Included in the write-down is the estimated expense to liquidate the property and typically an additional allowance for the foreclosure discount. Generally, if the loan is unsecured the loan must be charged-off in full while if it is secured the loan is charged down to the net liquidation value of the collateral.

Net charge-offs of $208 thousand in the first three months of 2010 increased $216 thousand when compared to the same period in 2009. Charge-offs from real estate secured loans were $210 thousand and $65 thousand in 2010 and 2009, respectively. There were no charge-offs from home equity lines of credit in the first three months of 2010 and 2009. Charge-offs from commercial and industrial loans were $5 thousand in the first three months of 2010 compared to no charge offs during the same period in 2009. Charge-offs from loans to individuals was $6 thousand and $10 thousand in the first three months of 2010 and 2009, respectively. There were minimal recoveries in the first three months of 2010, however, there were $83 thousand in commercial and industrial loan recoveries during the same period in 2009. Asset quality remains a top priority of the Bank. For the three months ended March 31, 2010, annualized net loan charge-offs were 0.33% of average loans compared to annualized net recoveries of 0.01% for the three months ended March 31, 2009. The ratio of annualized net charge-offs to average loans increased mainly due to the Bank writing off one real estate loan secured by a second deed of trust in the three months ended March 31, 2010. The increase in the allowance for loan losses to loans to 1.51% at March 31, 2010 from 1.12% at March 31, 2009 reflects the increase in our historical loss rate as our charge-offs have increased during the past year. Also, the increase reflects the recognition of additional loans identified as being impaired which require specific reserves. The ratio of our allowance for loan losses to nonperforming loans decreased to 64% as of March 31, 2010 compared to 99% at December 31, 2009. The decrease is the result of our allowance increasing approximately 35% year over year and our nonperforming loans increasing approximately 114% year over year.

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Loans Considered Impaired

We review our nonperforming loans and other groups of loans based on loan size or other factors for impairment. At March 31, 2010, we had loans totaling $4.9 million (which includes $1.8 million in nonperforming loans) which were considered to be impaired compared to $4.6 million at December 31, 2009. Loans are considered impaired if, based on current information, circumstances or events, it is probable that the Bank will not collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. However, treating a loan as impaired does not necessarily mean that we expect to incur a loss on that loan, and our impaired loans may include loans that currently are performing in accordance with their terms. For example, if we believe it is probable that a loan will be collected, but not according to its original agreed upon payment schedule, we may treat that loan as impaired even though we expect that the loan will be repaid or collected in full. As indicated in the table below, when we believe a loss is probable on a non-collateral dependent impaired loan, a portion of our reserve is allocated to that probable loss. If the loan is deemed to be collateral dependent, the principal balance is written down immediately, or a portion of our reserve is allocated to that probable loss, to reflect the current market valuation based on a current independent appraisal.

The following table sets forth the number and volume of loans net of previous charge-offs considered impaired and their associated reserve allocation, if any, at March 31, 2010.

Analysis of Loans Considered Impaired (Dollars in thousands)

	Number of Loans	Loan Balances Outstanding (Dollars in thousand)	Allocated Reserves
Non-accrual loans	6	$ 1,833	$ 611
Restructured loans			
Total nonperforming loans	6	$ 1,833	$ 611
Other impaired loans with allocated reserves	12	3,027	312
Impaired loans without allocated reserves			
Total impaired loans	18	$ 4,860	$ 923

At March 31, 2010 and December 31, 2009, nonperforming assets were approximately 2.05% and 1.61%, respectively, of the loans outstanding at such dates. The general downturn in the overall economy and its effect on several large borrowers of the Bank has contributed to the overall increase in nonperforming assets from year end 2009 to March 31, 2010.

Any loans that are classified for regulatory purposes as loss, doubtful, substandard or special mention, and that are not included as non performing loans, do not (i) represent or result from trends or uncertainties that management reasonably expects will materially impact future operating results; or (ii) represent material credits about which management has any information which causes management to have serious doubts as to the ability of such borrower to comply with the loan repayment terms.

Investment Portfolio

Our available-for-sale investment securities totaled $40.4 million at March 31, 2010, compared to $47.2 million at December 31, 2009. The overall decline was due to repayments on these securities as well as the sale of two securities for a pre-tax gain of $386,000 that had a recorded balance net of any unrealized gain of approximately $5.1 million on the date the securities were sold. Our held-to-maturity investment securities totaled $9.7 million at March 31, 2010 and $10.4 million at December 31, 2009. Investable funds not otherwise utilized are temporarily invested as federal funds sold or as interest-bearing balances at other banks, the level of which is affected by such considerations as near-term loan demand and liquidity needs. Subinvestment grade available-for-sale and held-to-maturity private label mortgage-backed securities are analyzed on a quarterly basis for impairment by utilizing an independent third party that performs an analysis of the estimated principal the Bank is expected to collect on these securities. The results of this analysis determines whether the bank records an impairment loss on these securities. As of March 31, 2010 and March 31, 2009 this analysis resulted in no impairment charges on the underlying securities.

Deposits

Deposits increased to $301.6 million, up 7.8% as of March 31, 2010 compared to deposits of $291.7 million at December 31, 2009. Noninterest-bearing deposits increased $1.7 million, or 8.1%, from year end 2009 to March 31, 2010, while total interest-bearing deposits increased $8.3 million, or 3.0%, over the same period. Most of the increases in deposits were concentrated in non-interest demand, NOW, and money market and savings deposits. During this same time management began a conscious effort to reduce time deposits, particularly brokered and internet generated time deposits, by paying lower market rates on these products. This resulted in a decrease in time deposits from December 31, 2009 to March 31, 2010.

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Borrowings

Short-term debt includes sweep accounts, advances from the FHLB having maturities of one year or less, Federal Funds purchased and repurchase agreements. The Company had no short-term debt at March 31, 2010 and December 31, 2009. At March 31, 2010 we had Federal Funds purchased lines of credit totaling $6.0 million. These lines are intended for short-term borrowings and are subject to restrictions limiting the frequency and terms of advances. The Company had no outstanding balances under these lines of credit at March 31, 2010.

Long-term debt consists of advances from FHLB with maturities greater than one year. Our long-term borrowings from the FHLB totaled $9.0 million on March 31, 2010 and December 31, 2009.

Junior Subordinated Debentures

In 2007, the Company issued $8.248 million of junior subordinated debentures to Oak Ridge Statutory Trust I (the Trust) in exchange for the proceeds of trust preferred securities issued by the Trust. The junior subordinated debentures are included in long-term debt and the Company s equity interest in the Trust is included in other assets. Junior subordinated debentures totaled $8.2 million on March 31, 2010 and December 31, 2009.

The junior subordinated debentures pay interest quarterly at an annual rate, reset quarterly, equal to LIBOR plus 1.60%. The debentures are redeemable on June 17, 2012 or afterwards, in whole or in part, on any December 17, March 17, June 17 or September 17. Redemption is mandatory at June 17, 2037. The Bank guarantees the trust preferred securities through the combined operations of the junior subordinated debentures and other related documents. The Bank s obligations under the guarantee are unsecured and subordinate to the senior and subordinated indebtedness of the Bank.

The trust preferred securities presently qualify as Tier 1 regulatory capital and are reported in Federal Reserve regulatory reports as a minority consolidated interest in a consolidated subsidiary. The junior subordinated debentures do not qualify as Tier 1 regulatory capital. On March 1, 2005, the Federal Reserve Board issued a final rule stating that trust preferred securities will continue to be included in Tier 1 capital, subject to stricter quantitative and qualitative standards. For bank holding companies, trust preferred securities will continue to be included in Tier 1 capital up to 25% of core capital elements (including trust preferred securities) net of goodwill less any associated deferred tax liability.

Liquidity

Liquidity refers to our continuing ability to meet deposit withdrawals, fund loan and capital expenditure commitments, maintain reserve requirements, pay operating expenses and provide funds for payment of dividends, debt service and other operational requirements. Liquidity is immediately available from five major sources: (a) cash on hand and on deposit at other banks; (b) the outstanding balance of federal funds sold; (c) lines for the purchase of federal funds from other banks; (d) lines of credit established at the FHLB, less existing advances; and (e) our investment securities portfolio. All our debt securities are of investment grade quality and, if the need arises, can promptly be liquidated on the open market or pledged as collateral for short-term borrowing.

Consistent with our general approach to liquidity management, loans and other assets of the Bank are funded primarily using a core of local deposits, proceeds from retail repurchase agreements and excess Bank capital. In the first three months of 2010, the Bank s reliance on brokered and internet generated time deposits declined due to increases in core deposits from customers within the Bank s geographic market.

We are a member of the FHLB of Atlanta. Membership, along with a blanket collateral commitment of our one-to-four family residential mortgage loan portfolio, as well as our commercial real estate loan portfolio, provided us the ability to draw up to $11.9 million and $17.4 million of advances from the FHLB at March 31, 2010 and December 31, 2009, respectively. At March 31, 2010 and December 31, 2009, we had outstanding FHLB advances totaling $9.0 million.

As a requirement for membership, we invest in stock of the FHLB in the amount of 1.0% of our outstanding residential loans or 5.0% of our outstanding advances from the FHLB, whichever is greater. That stock is pledged as collateral for any FHLB advances drawn by us. At March 31, 2010 and December 31, 2009, we owned 13,418 shares of the FHLB s $100 par value capital stock.

We also had unsecured federal funds lines in the aggregate amount of $6.0 million available to us at March 31, 2010 under which we can borrow funds to meet short-term liquidity needs. At March 31, 2010, we did not have any advances under these federal funds lines. Another source of funding available is loan participations sold to other commercial banks (in which we retain the servicing rights). As of March 31, 2010, we had $620 thousand in loan participations sold. We believe that our liquidity sources are adequate to meet our operating needs.

Capital Resources and Shareholders Equity

As of March 31, 2010, our total shareholders equity was $28.1 million (consisting of common shareholders equity of $21.5 million and preferred stock of $6.6 million) compared with total shareholders equity of $27.6 million as of December 31, 2009 (consisting of common shareholders equity of $21.0 million and preferred stock of $6.6 million).

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Common shareholders equity increased by approximately $554 thousand to $21.5 million at March 31, 2010 from $21.0 million at December 31, 2009. We experienced net income in the first three months of 2010 of $639 thousand and an increase in net unrealized gains on available-for-sale securities of $11 thousand. We paid dividends of $96 thousand on preferred shares in January 2010. The remaining decrease was due to accretion of preferred stock discount of $59 thousand in the first three months of 2010.

The Bank is subject to minimum capital requirements. As the following table indicates, at March 31, 2010, all capital ratios place the Bank in excess of the minimum necessary to be considered well-capitalized under bank regulatory guidelines.

	At March 31, 2010		
	Actual Ratio	Minimum Requirement	Well-Capitalized Requirement
Total risk-based capital ratio	11.7%	8.0%	10.0%
Tier 1 risk-based capital ratio	10.5%	4.0%	6.0%
Leverage ratio	8.2%	4.0%	5.0%

Recent Accounting Pronouncements

Please refer to Note (8) of our consolidated financial statements for a summary of recent authoritative pronouncements that could impact our accounting, reporting, and/or disclosure of financial information.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Pursuant to Item 305(e) of Regulation S-K, the Company, as a smaller reporting company, is not required to provide the information required by this Item.

ITEM 4T. Controls and Procedures

The Company s management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded based on their evaluation as of the end of the period covered by this Report, that the Company s disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company s management, including the Chief Executive Officer and the Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f). A system of internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Under the supervision and with the participation of management, including the principal executive officer and the principal financial officer, the Company s management has evaluated the effectiveness of its internal control over financial reporting as of March 31, 2010 based on the criteria established in a report entitled Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and the interpretive guidance issued by the SEC in Release No. 34-55929. Based on this evaluation, the Company s management has evaluated and concluded that the Company s internal control over financial reporting was effective as of March 31, 2010.

Changes in Internal Control Over Financial Reporting.

There was no change in the Company s internal control over financial reporting that occurred during the first quarter of 2010 that has materially affected or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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ITEM 6. EXHIBITS

15(a) Exhibits

Exhibit (3)(i)	Articles of Incorporation, incorporated herein by reference to Exhibit (3)(i) to the Form 8-K filed with the SEC on May 10, 2007.
Exhibit (3)(ii)	Bylaws, incorporated herein by reference to Exhibit (3)(ii) to the Form 8-K filed with the SEC on May 10, 2007.
Exhibit (4)(i)	Specimen Stock Certificate, incorporated herein by reference to Exhibit 4 to the Form 8-K filed with the SEC on May 10, 2007.
Exhibit (4)(ii)	Articles of Amendment, filed with the North Carolina Department of the Secretary of State on January 28, 2009, incorporated herein by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the SEC on February 2, 2009.
Exhibit (4)(iii)	Form of Certificate for the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K filed with the SEC on February 2, 2009.
Exhibit (4)(iv)	Warrant for Purchase of Shares of Common Stock issued by the Company to the United States Department of the Treasury on January 30, 2009, incorporated herein by reference to Exhibit 4.3 of the Current Report on Form 8-K filed with the SEC on February 2, 2009.
Exhibit (10)(i)	Employment Agreement with Ronald O. Black, as amended, incorporated herein by reference to Exhibit (10)(i) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(ii)	Employment Agreement with L. William Vasaly, III, as amended, incorporated herein by reference to Exhibit (10)(ii) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(iii)	Employment Agreement with Thomas W. Wayne, as amended, incorporated herein by reference to Exhibit (10)(iii) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(iv)	Outparcel Ground Lease between J.P. Monroe, L.L.C. and Bank of Oak Ridge dated June 1, 2002, incorporated herein by reference to Exhibit (10)(iv) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(v)	Ground and Building Lease between KRS of Summerfield, LLC and Bank of Oak Ridge dated September 25, 2002, incorporated herein by reference to Exhibit (10)(v) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(vi)	Ground Lease between Friendly Associates XVIII LLLP and Bank of Oak Ridge dated September 13, 2004, incorporated herein by reference to Exhibit (10)(vi) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(vii)	Bank of Oak Ridge Second Amended and Restated Director Stock Option Plan (amended March 16, 2004; approved by stockholders June 8, 2004), incorporated herein by reference to Exhibit 10(ix) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(viii)	Bank of Oak Ridge Second Amended and Restated Employee Stock Option Plan (amended March 16, 2004; approved by stockholders June 8, 2004), incorporated herein by reference to Exhibit (10)(x) to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(ix)	Salary Continuation Agreements with Ronald O. Black, L. William Vasaly III and Thomas W. Wayne dated January 20, 2006, incorporated herein by reference to Exhibits (10)(ix) to (10)(xi) to Form 8-K filed with the SEC on March 28, 2008.
Exhibit (10)(x)	Amended Endorsement Split Dollar Agreement between Bank of Oak Ridge and Ronald O. Black, incorporated herein by reference to Exhibit (10)(xiii) to the Form 8-K filed with the SEC on December 21, 2007.
Exhibit (10)(xi)	Amended Endorsement Split Dollar Agreement between Bank of Oak Ridge and L. William Vasaly III, incorporated herein by reference to Exhibit (10)(xiv) to the Form 8-K filed with the SEC on December 21, 2007.
Exhibit (10)(xii)	Amended Endorsement Split Dollar Agreement between Bank of Oak Ridge and Thomas W. Wayne, incorporated herein by reference to Exhibit (10)(xv) to the Form 8-K filed with the SEC on December 21, 2007.
Exhibit (10)(xiii)	Indemnification Agreement, incorporated herein by reference to Exhibit (10)(xvi) to the Form 8-K filed with the SEC on March 7, 2008.

Exhibit (10)(xiv)	Contract for the Purchase and Sale of Real Property, incorporated herein by reference to Exhibit 99.1 to the Form 8-K filed with the SEC on January 14, 2008.
Exhibit (10)(xv)	Oak Ridge Financial Services, Inc. Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit (10)(xiii) to the Form 10-QSB filed with the SEC on May 15, 2007.
Exhibit (10)(xvi)	Bank of Oak Ridge 2009 Semi-Annual Incentive Plan, incorporated herein by reference to Exhibit (10)(xvi) to the Form 10-K filed with the SEC on March 31, 2010.
Exhibit (10)(xvii)	Letter Agreement, dated January 30, 2009, between the Company and the United States Department of the Treasury, with respect to the issuance and sale of the Fixed Rate Cumulative Perpetual Preferred Stock, Series A and the Warrant, incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on February 2, 2009.
Exhibit (10)(xviii)	Form of Employment Agreement Amendment, dated January 30, 2009 among the Company, the Bank and the senior executive officers, incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on February 2, 2009.
Exhibit (14)	Code of Ethics for Senior Officers Policy incorporated herein by reference to Exhibit 14 to the Form 8-K filed with the SEC on March 28, 2008.
Exhibit (31.1)	Certification of Ronald O. Black.
Exhibit (31.2)	Certification of Thomas W. Wayne.
Exhibit (32)	Certificate of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350.

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Oak Ridge Financial Services, Inc.

Signatures

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Oak Ridge Financial Services, Inc.
(Registrant)

Date: May 13, 2010

s/s Ronald O. Black
Ronald O. Black
President and Chief Executive Officer
(Duly Authorized Representative)

Date: May 13, 2010

s/s Thomas W. Wayne
Thomas W. Wayne
Chief Financial Officer
(Duly Authorized Representative)