1ST SOURCE CORP
Form 11-K
June 28, 2011

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

FORM 11-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

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

For the transition period from to

Commission File Number : 0-6233

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

1st SOURCE CORPORATION EMPLOYEE STOCK OWNERSHIP AND PROFIT SHARING PLAN

B. Name of issuer of the securities help pursuant to the plan and the address of its principle executive office:

1st Source Corporation
100 N. Michigan Street
South Bend, Indiana, 46601

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Financial Statements and Supplemental Schedule

December 31, 2010 and 2009,

and the Year Ended December 31, 2010

Contents

Report of Independent Registered Public Accounting Firm

Audit Committee of the Board of Directors
1st Source Corporation

We have audited the accompanying statements of net assets available for benefits of 1st Source Corporation Employee Stock Ownership and Profit Sharing Plan (the Plan) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2010 and 2009, and the changes in its net assets available for benefits for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2010, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

June 28, 2011

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Statements of Net Assets Available for Benefits

	December 31	
	2010	2009
Assets		
Cash	$ –	$ 1,149
Receivables:		
Notes receivable from participants	1,078,123	1,066,708
Employer contributions receivable	3,985,659	4,013,463
Total receivables	5,063,782	5,080,171
Investments at fair value:		
Mutual funds	64,511,065	56,289,974
1st Source Corporation common stock	28,428,375	20,310,391
1st Source Bank common trust funds	30,301,319	28,077,246
Short-term investment fund	106,978	106,330
Total investments	123,347,737	104,783,941
Accrued investment income	2	6
Total assets	128,411,521	109,865,267
Liabilities		
Corrective distributions payable	97,036	–
Trade payable	21,570	–
Total liabilities	118,606	–
Net assets available for benefits, at fair value	128,292,915	109,865,267
Adjustment from fair value to contract value for benefit-responsive investment contracts	(281,171)	(88,947)
Net assets available for benefits	$ 128,011,744	$ 109,776,320

See accompanying notes.

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2010

Additions	
Investment income	$2,081,855
Interest income on notes receivable from participants	68,697
Contributions:	
Employer – cash	1,565,637
Employer – noncash	2,420,022
Participants	4,304,738
Rollover	358,489
	8,648,886
Net realized and unrealized appreciation in fair value of investments	12,112,553
Total additions	22,911,991
Deductions	
Benefits paid to participants	4,546,073
Administrative fees	130,494
Total deductions	4,676,567
Net increase in net assets available for benefits	18,235,424
Net assets available for benefits:	
Beginning of year	109,776,320
End of year	$128,011,744

See accompanying notes.

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Notes to Financial Statements

December 31, 2010

1. Description of the Plan

General

The 1st Source Corporation Employee Stock Ownership and Profit Sharing Plan (the Plan) is a defined-contribution plan offered to all employees of 1st Source Corporation (1st Source) and its subsidiaries who have at least 90 consecutive days of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Effective January 1, 2011, eligible participants are automatically enrolled in the Plan once they have completed 90 consecutive days of service unless they affirmatively decline to participate.

Contributions

Participants are permitted to defer 100% of their annual pretax compensation up to $16,500, as defined by Internal Revenue Service (IRS) limits, as a salary reduction contribution to the Plan. In addition, participants age 50 or older may elect to defer up to an additional $5,500 in 2010 and 2009, called catch-up contributions, to the Plan. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers 11 different fund options, one of which consists of 1st Source common stock.

The Plan provides for the following 1st Source contributions:

Matching contribution – contribution is discretionary. The first 4% of a participant's eligible compensation contributed to the Plan is matched 100% and the next 2% of a participant's eligible compensation contributed to the Plan is matched 50%.

2% Employer Contribution – equals 2% of each eligible participant's eligible annual compensation.

Discretionary Profit Sharing contribution – contribution is discretionary and determined annually by the Board of Directors.

Regular contribution – contribution is discretionary and determined annually by the Board of Directors.

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

All 1st Source contributions may be made in either cash or shares of 1st Source common stock. Cash contributions are invested in a diversified portfolio of funds as directed by the 1st Source Retirement Plan Committee.

Participant Accounts

The Plan provides participants with an Employee Stock Ownership Plan (ESOP) account and a 401(k) account. The ESOP account is made up of participant and 1st Source contributions invested in 1st Source common stock and cash not yet invested in common stock. The 401(k) account consists of participant and 1st Source contributions not invested in 1st Source common stock, including amounts previously included in the ESOP account that a participant elected to diversify. Participants may elect to have dividends paid on the 1st Source common stock held in their ESOP account either in cash or remain in the Plan and be reinvested in additional shares of 1st Source common stock.

Each participant's account is credited with the participant's contribution and an allocation of: (a) 1st Source's contribution, and (b) the Plan's earnings. Allocations are based on participant compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting

Vesting of the 1st Source Employer Contributions, including Match, 2% Employer Contribution, Discretionary Profit Sharing, and regular contributions, is based on years of credited service. A credited Year of Service is at least 1,000 hours worked in a 12-month period. A participant is 100% vested after five years of credited service or upon reaching early retirement age, normal retirement age, or disability.

Forfeitures

Upon termination of employment, participants forfeit their nonvested balances. Forfeitures of nonvested terminated participants' accounts are used to pay plan expenses and offset employer contributions. The amount of forfeitures was $138,200 for 2010.

1st Source Corporation
Employee Stock Ownership and Profit Sharing Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Participant Loans

Participants may borrow from the Plan amounts not to exceed the lesser of one-half of the participant’s vested balance from his or her 401(k) account or $50,000. The loans are collateralized by the participant’s vested account balance and bear interest at fixed rates of 1% above 1st Source Bank’s (a wholly owned subsidiary of 1st Source) prime rate. The loans are repayable over five years except for loans used to acquire or construct a participant’s principal residence, in which case the repayment term may exceed five years.

Payment of Benefits

On termination of service, a participant generally receives a lump-sum amount equal to the value of his or her vested account balance. Benefits of money purchase account amounts are subject to joint survivor and annuity requirements.

Plan Termination

Although it has not expressed any intention to do so, 1st Source has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become fully vested in their accounts.

The foregoing description of the Plan provides only general information. Participants should refer to the Summary Plan Description or Plan Document for a more complete description of the Plan’s provisions. Copies are available from the 1st Source Human Resources Department.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.