FIRST KEYSTONE CORP
Form S-4/A
September 12, 2007

As filed with the Securities and Exchange Commission on September 12, 2007

Registration No. 333-145658

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Amendment No. 1
to

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FIRST KEYSTONE CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**6021**	**23-2249083**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	I.R.S. Employer Identification No.)

111 West Front Street
P.O. Box 289
Berwick, PA 18603
570-752-3671

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

J. Gerald Bazewicz
President and Chief Executive Officer
First Keystone Corporation
111 West Front Street
P.O. Box 289
Berwick, PA 18603
570-752-3671

(Name, address, including zip code, and telephone number, Including area code, of agent for service)

Copies of all communications to:

Erik Gerhard, Esquire	**John B. Lampi, Esquire**
Nicholas Bybel, Jr., Esquire	**Suzanne C. Hixenbaugh, Esquire**
BYBEL RUTLEDGE LLP	SAIDIS FLOWER & LINDSAY
1017 Mumma Road, Suite 302	26 West High Street
Lemoyne, PA 17043	Carlisle, PA 17013
(717) 731-1700	(717) 243-6222

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this Registration Statement and upon completion of the merger of Pocono Community Bank with and into the Registrant.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file an amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

[Subject to Completion Dated September 12, 2007]

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Merger Proposal Your Vote Is Very Important

To: The shareholders of Pocono Community Bank

This proxy statement/prospectus relates to the proposed merger of First Keystone Corporation and Pocono Community Bank. This document is a combined proxy statement/prospectus that is being distributed by Pocono to you in connection with a special meeting of shareholders that has been called to vote on the merger. It contains important information about the merger and you should read it carefully. As a result of the merger, each share of Pocono common stock held by you will be converted into the right to receive either 0.8944 shares of First Keystone Corporation common stock or $16.10 in cash, as each Pocono shareholder elects, subject to limitations described in this document and the merger agreement. Each outstanding option and warrant representing the right to purchase Pocono common stock will be cancelled and instead will represent the right only to receive in cash the difference between the exercise price of the option or warrant and $16.10. If a Pocono shareholder does not elect whether to receive cash or stock, that shareholder will lose the right to elect and will receive either First Keystone Corporation common stock or cash as set forth on page 56. Based on the closing price of First Keystone Corporation common stock on May 10, 2007 of $18.75 per share, the market value of 0.8944 shares of First Keystone Corporation common stock would be $16.77, and based on the closing price of First Keystone Corporation common stock on September 7, 2007 of $18.25 per share, the market value of 0.8944 shares of First Keystone Corporation common stock would be $16.32.

The actual aggregate merger consideration value payable to the Pocono shareholders depends upon the market value of First Keystone Corporation common stock on the date of the merger and how many shares of Pocono common stock are converted into First Keystone Corporation common stock versus cash. Any cash a Pocono shareholder receives will generally be taxable to the extent of any gain realized in the transaction, but a Pocono shareholder will not recognize gain or loss to the extent a Pocono shareholder receives First Keystone Corporation common stock in exchange for Pocono common stock. For a more complete description of the tax consequences associated with the merger, see Certain Federal Income Tax Consequences beginning on page 68.

First Keystone Corporation and Pocono have agreed that approximately 937,277 shares of First Keystone Corporation common stock will be exchanged for Pocono common stock. Therefore, the cash or First Keystone Corporation common stock that you actually receive may be different from your election, based on the choices made by other Pocono shareholders.

You have dissenters rights as described beginning on page 73.

First Keystone Corporation common stock trades on the OTCBB under the symbol FKYS.OB. As of the date of this proxy statement/prospectus, we cannot complete the merger unless the merger agreement is approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pocono common stock entitled to vote at the special meeting of shareholders. Certain Pocono directors, who collectively hold approximately 56% of the outstanding shares of Pocono common stock, have agreed in writing to vote in favor of the merger agreement. **Please complete, sign, date and promptly return the enclosed proxy card in the enclosed postage-paid envelope.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this proxy statement/prospectus is accurate or inadequate. Any representation to the contrary is a criminal offense.

The shares of First Keystone Corporation common stock that First Keystone Corporation is offering through this document are not savings or deposit accounts or other obligations of any bank or savings association, and they are not insured by the FDIC or any other governmental agency.

For a description of the risk factors associated with the merger, see Risk Factors beginning on page 18.

Proxy statement/prospectus dated September 12, 2007

This document was first mailed to shareholders of Pocono on or about September 14, 2007.

How to Obtain More Information

First Keystone Corporation has historically provided its shareholders with quarterly and annual reports. You can obtain free copies of this information through the SEC website at http://www.sec.gov or by writing or calling:

J. Gerald Bazewicz
President & Chief Executive Officer
First Keystone Corporation
111 West Front Street
P.O. Box 289
Berwick, PA 18603
570-752-3671

Pocono has historically provided its shareholders with annual reports. You can obtain free copies of this information by writing or calling:

John G. Gerlach
President and Chief Executive Officer
Pocono Community Bank
559 Main Street
Stroudsburg, PA 18360
570-424-9700

In order to obtain timely delivery of the documents, you must request the information no later than October 9, 2007.

559 Main Street
Stroudsburg, PA 18360

Notice of Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Pocono Community Bank will be held at 10 a.m., local time, on Tuesday, October 16, 2007 at the main banking house of Pocono, 559 Main Street, Stroudsburg, Pennsylvania, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of May 10, 2007 among First Keystone Corporation, First Keystone National Bank and Pocono Community Bank, and the consummation of the transactions contemplated thereby, which provides, among other things, for the merger of Pocono Community Bank with and into First Keystone National Bank upon the terms and subject to the conditions set forth in the merger agreement and the receipt by the Pocono shareholders of the right to receive either 0.8944 shares of First Keystone Corporation common stock or $16.10 in cash, for each share of Pocono common stock;

2. To consider and vote upon a proposal to extend the final exercise date for outstanding warrants for one year;

3. To consider and vote upon a proposal to adjourn or postpone the special meeting, if more time is needed, to allow Pocono Community Bank time to solicit additional votes in favor of the merger agreement; and

4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Abstentions and broker non-votes will be counted as shares present for purpose of determining a quorum if present. However, abstentions and broker non-votes will not be counted against the merger but will have the affect of a vote against the merger. Pocono shareholders have the right under Pennsylvania law to dissent from the merger agreement and the transactions contemplated thereby.

The Pocono board of directors has fixed the close of business on August 31, 2007, as the record date for determining shareholders entitled to notice of, and to vote at, the special meeting. The Pocono board of directors recommends that you vote FOR approval and adoption of the merger agreement, approval of the warrant extension, and approval of the adjournment or postponement proposal. Certain directors of Pocono, who collectively hold approximately 56% of the outstanding shares of Pocono common stock, have agreed in writing to vote in favor of the merger.

Your vote is important regardless of the number of shares you own. The affirmative vote of the holders of at least two-thirds of the outstanding shares of Pocono common stock entitled to vote is required to approve and adopt the merger agreement.

Whether or not you plan to attend the special meeting, the Pocono board of directors urges you to complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope. This will not prevent you from voting in person at the special meeting, but will assure that your vote is counted, if you are unable to attend. If you are a shareholder whose shares are registered in street name , you will need additional documentation from your broker in order to vote personally at the special meeting.

By Order of the Board of Directors,

John G. Gerlach
President and Chief Executive Officer

Stroudsburg, Pennsylvania
September 12, 2007

Table of Contents

Questions and Answers About the Merger

Q-1: Why am I receiving this document?

A: You are receiving this document because First Keystone Corporation, First Keystone National Bank and Pocono Community Bank signed an Agreement and Plan of Merger, dated as of May 10, 2007 which provides, among other things, for the merger of Pocono with and into First Keystone National Bank and the conversion of each share of Pocono common stock outstanding immediately prior to the consummation of the merger into the right to receive either $16.10, in cash, or 0.8944 shares of First Keystone Corporation common stock.

Q-2: What is the purpose of this document?

A: This document serves as both a proxy statement of Pocono and a prospectus of First Keystone Corporation. As a proxy statement, it is provided to you because the Pocono board of directors is soliciting your proxy for use at the Pocono special meeting of shareholders called to consider and vote on the merger agreement. As a prospectus, it is provided to you because First Keystone Corporation is offering to exchange shares of its common stock and/or cash for shares of Pocono common stock in the merger.

Q-3: Why are First Keystone Corporation and Pocono proposing to merge?

A: The boards of directors of First Keystone Corporation and Pocono believe that a combination of the two companies will create a stronger and more capable entity than either First Keystone Corporation or Pocono is likely to be alone. Each board of directors believes the merger provides an opportunity for each company to capitalize on its assets in the short-term and strengthen their prospects for the continued growth over the long-term. The merger also involves certain risks, which are described under Risk Factors beginning on page 18.

Q-4: What does the Pocono Board of Directors recommend?

A: The Pocono board of directors has approved the merger and the merger agreement and believes that the merger is in the best interests of Pocono. Accordingly, the Pocono board of directors recommends that its shareholders vote FOR approval and adoption of the merger agreement and the merger.

The Pocono board of directors also recommends that its shareholders vote FOR approval of the extension of the warrants and approval of the adjournment or postponement proposal.

Q-5: When do we expect the merger to be completed?

A: We expect to complete the merger on or about November 1, 2007, provided that all of the conditions to the merger are fulfilled, including obtaining the approval of shareholders and applicable regulatory agencies. There is no assurance that we will obtain the necessary shareholder approval or that the other conditions precedent to the merger can or will be satisfied.

Q-6: What will I receive in the merger?

A: You have the ability to receive, at your election, either 0.8944 shares of First Keystone Corporation common stock, $16.10 in cash, or a combination of both stock and cash, for your shares of Pocono common stock. Notwithstanding such an election the total number of shares of First Keystone Corporation common stock that will be exchanged for Pocono common stock will be approximately 937,277. Therefore, if too many or too few Pocono shareholders elect to receive First Keystone Corporation common stock, Pocono shareholders will have their stock elections either increased or

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reduced according to a *pro rata* formula such that approximately 937,277 shares of First Keystone Corporation will be issued in the merger.

First Keystone Corporation will not issue any fractional shares of common stock. Rather, First Keystone Corporation will pay cash (without interest) for any fractional share interest that you would otherwise be entitled to receive in the merger. See The Merger Terms of the Merger What You Will Receive, beginning at page 53.

Q-7: How do I make an election to receive stock or cash for my stock?

A: Approximately, four to six weeks prior to completion of the merger, First Keystone National Bank, First Keystone Corporation s exchange agent, will mail to you an election form and other transmittal materials, which include instructions and the deadline date for making your election as to the form of consideration you prefer to receive in the merger. The election form permits you to elect to receive First Keystone Corporation common stock, cash, or a combination of First Keystone Corporation common stock and cash for your shares of Pocono common stock. We urge you to pay special attention to these materials since failure to follow the instructions may mean that you will not receive the consideration you desire. An election will be properly made only if the exchange agent receives a properly executed transmittal form by the deadline date.

Q-8: What happens if I fail to make an election to receive First Keystone Corporation common stock or cash?

A: If you fail to make a timely election, you will receive First Keystone Corporation common stock, cash or a combination of common stock and cash, depending on the elections made by other Pocono shareholders.

Q-9: What happens if I fail to submit a properly completed and executed election form?

A: If you fail to submit a properly completed and executed election form, you will receive First Keystone Corporation common stock, cash or a combination of common stock and cash, depending on the elections made by other Pocono shareholders.

Q-10: Are there regulatory or other conditions to the merger occurring?

A: Yes. The Office of the Comptroller of the Currency, Federal Reserve Board and the Pennsylvania Department of Banking must approve the merger.

As of the date of this document, appropriate applications for approval have been filed with the OCC and the Pennsylvania Department of Banking.

Completion of the merger is also subject to certain other conditions as described in The Merger Terms of the Merger Conditions to the Merger beginning at page 61.

Q-11: What vote is required to approve and adopt the merger?

A: The merger must be approved and adopted by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pocono common stock who are entitled to vote on the merger agreement.

Q-12: What is the purpose of the one year warrant exercise extension proposal?

A: In connection with the formation of Pocono, stock purchase warrants were issued to the organizing shareholders. Currently, those warrants expire November 21, 2007. Under the merger agreement, First Keystone Corporation will pay each warrant holder $11.55 in cash for each outstanding

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warrant. Although, we anticipate the merger will be consummated prior to the expiration of the warrants, we cannot know for sure. Therefore, in order to assure First Keystone Corporation and the warrant holders that they will be able to cash out these warrants at the closing date, we propose to extend the warrant exercise date by one year or until November 21, 2008.

Q-13: Do I have rights to dissent from the merger?

A: Yes. Under national banking law, you have the right to dissent from the merger agreement and the merger and to receive a payment in cash value of the shares of your shares of Pocono common stock, as determined by committee of three people. To perfect your dissenters rights, you must precisely follow the required statutory procedures as explained in The Merger Rights of Dissenting Shareholders beginning at page 73 and the information attached at **Annex D** or you will lose your dissenters rights. You are also encouraged to consult with your own legal advisor as to your appraisal rights under national banking law.

Q-14: What do I need to do now?

A: After you have carefully read these materials, indicate on the attached proxy card how you want your shares to be voted, then sign, date and mail the proxy card in the enclosed postage-paid envelope as soon as possible so that your shares may be represented and voted at the Pocono special meeting.

At a later time, you will need to complete the election form that will be mailed by First Keystone Corporation s exchange agent. If you do not return the election form by the deadline you will lose the right to choose the type of consideration you will receive and will receive First Keystone Corporation common stock, cash or a combination of common stock and cash, depending on the elections of other Pocono shareholders as described on page 56 of this proxy statement/prospectus.

Q-15: Should I send in my stock certificates now?

A: No. You should not send in you stock certificates at this time. You will receive instructions from First Keystone Corporation s exchange agent at a later time. See The Merger Terms of the Merger Election and Exchange Procedures on page 56.

Please do not send any stock certificates to Pocono, First Keystone Corporation or First Keystone Corporation s exchange agent until you receive instructions.

Q-16: Can I change my vote after I have mailed my signed proxy card?

A: Yes. There are three ways for you to revoke your proxy and change your vote. First, you may send a later-dated, signed proxy card before Pocono s special meeting. Second, you may revoke your proxy by written notice (which you could personally deliver at the special meeting) delivered at any time prior to the vote on the merger. You should deliver this notice to the President of Pocono, John G. Gerlach. Third, you may attend the Pocono special meeting and vote in person. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q-17: What are the tax consequences of the merger to Pocono shareholders?

A: In general, for United States federal income tax purposes, you are not expected to recognize a gain or loss on the exchange of your Pocono stock for First Keystone Corporation common stock. If you receive only cash in exchange for your Pocono common stock, you will recognize gain or loss on the transaction, and if you receive a combination of cash and First Keystone Corporation common

stock in exchange for your Pocono common stock, you will typically recognize gain (but not loss) on the transaction. Furthermore, you will have to recognize a gain in connection with cash received in lieu of fractional shares of First Keystone Corporation common stock.

Pocono shareholders are urged to consult their tax advisor for a full understanding of the tax consequences of the merger to them since tax matters are very complicated and in many cases, tax consequences of the merger will depend on your particular facts and circumstances. See The Merger Certain Federal Income Tax Consequences beginning at page 68.

Q-18: What happens if my Pocono stock certificates are held by my broker?

A: If you do not have stock certificates but hold shares of Pocono common stock in street name, you should contact your broker. Your broker will vote your shares on the proposal to approve and adopt the merger agreement and the merger, the warrant expiration date proposal and the adjournment or postponement proposal only if you provide instructions on how to vote. You should follow the directions provided by your broker to vote your shares.

Q-19: Whom should I call with questions or to obtain additional copies of this document?

A: If you have questions about the special meeting or if you need additional copies of this document, you should contact:

John G. Gerlach
President and Chief Executive Officer
Pocono Community Bank
559 Main Street
Stroudsburg, PA 18360
570-424-9700

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Summary

This summary highlights selected information from this document. It does not contain all of the information that may be important to you. You should carefully read this entire document before you decide how to vote. It will give you a more complete description of the transaction we are proposing. We have included page references in this summary to direct you to more complete descriptions of the topics provided elsewhere in these materials.

The Special Meeting

Special Meeting to be held Tuesday, October 16, 2007 (see page 24).

Pocono will hold a special meeting of shareholders on *Tuesday, October 16, 2007*, at 10:00 a.m., local time, at the main banking house of Pocono at 559 Main Street, Stroudsburg, Pennsylvania. The Pocono board of directors has set the close of business on August 31, 2007 as the record date for determining shareholders entitled to notice of, and to vote at, the special meeting. On the record date, there were 1,745,950 shares of Pocono common stock outstanding.

Matters to be Considered at the Special Meeting (see page 24).

At the meeting, you will be asked to vote on a proposal to approve and adopt the merger agreement providing for the merger of Pocono with and into First Keystone National Bank, a proposal to extend the date by which Pocono warrants may be exercised by one year, and on a proposal to adjourn or postpone the meeting to solicit additional proxies, if necessary, in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and any other business that properly arises during the special meeting or any adjournment or postponement thereof.

Organization and Operation after the Merger

Under the terms of the merger agreement, First Keystone Corporation will acquire Pocono by merging Pocono with and into its wholly-owned subsidiary, First Keystone National Bank. Pocono will cease to exist as a separate entity. A copy of the merger agreement, as amended, is attached to this document as **Annex A**.

The Companies *(see page 75 for First Keystone Corporation and page 109 for Pocono).*

First Keystone Corporation
111 West Front Street
P.O. Box 289
Berwick, PA 18603
Telephone: (570)752-3671
www.firstkeystonenational.com

First Keystone Corporation is a Pennsylvania business corporation and a registered bank holding company headquartered in Berwick, Pennsylvania. First Keystone National Bank, formerly known as The First National Bank of Berwick, was founded in 1864. First Keystone Corporation became the bank holding company for First Keystone National Bank on June 1, 1984 with First Keystone National Bank becoming the wholly-owned subsidiary of First Keystone Corporation.

As of June 30, 2007, First Keystone Corporation had consolidated assets, deposits and shareholders equity of approximately $534.6 million, $397.5 million and $50.3 million, respectively.

Through its banking subsidiary, First Keystone Corporation is engaged in commercial banking as authorized by the National Bank Act. This involves accepting time, demand, and savings deposits and making secured and unsecured commercial, real estate and consumer loans. Additionally, First Keystone

National Bank also provides personal and corporate trust and agency services to individuals, corporations, and others, including trust investment accounts, investment advisory services, mutual funds, estate planning, and management of pension and profit sharing plans.

First Keystone Corporation common stock is listed and traded on the OTCBB under the symbol FKYS.OB .

Pocono Community Bank
559 Main Street
Stroudsburg, PA 18360
Telephone: 570-424-9700
www.poconocommunitybank.com

Pocono is a Pennsylvania chartered commercial banking institution organized in 1996 and is headquartered in Stroudsburg, Pennsylvania.

As of June 30, 2007, Pocono had consolidated assets, deposits and shareholders equity of approximately $137.0 million, $117.6 million and $15.0 million, respectively.

Pocono is engaged in the commercial and retail banking business. Pocono provides checking and savings accounts, time deposits, personal, business, residential mortgage, educational loans, and safe deposit facilities.

Pocono common stock is not listed or traded on any market or exchange.

You May Elect to Receive Cash, Shares of First Keystone Corporation Common Stock or a Combination of Cash and Stock (see page 56).

You may choose to exchange some or all of your shares for cash and some or all of your shares for First Keystone Corporation common stock, subject to the limitations described below. An election form will be sent separately from this proxy statement/prospectus, which will ask your preference for cash and/or stock. You will have until the deadline specified in the election form, which will be 5:00 p.m. 30 days after the election form was mailed, to make your election and return your election form.

If you do not return a properly completed and executed election form by the election deadline, your shares will be deemed undesignated and the consideration you receive will be based upon what the other shareholders have elected. Complete information on the election procedure can be found in the section entitled The Merger Terms of the Merger Election and Exchange Procedures on page 56. You should note that, in general, if and to the extent that you receive cash, the value of the consideration you will receive is fixed at $16.10 per share of Pocono common stock. However, if you receive First Keystone Corporation common stock as consideration, the value of the shares you receive will not be determined until just prior to closing and may be higher or lower than $16.10 per share.

In addition, 937,277 shares of First Keystone Corporation common stock will be exchanged for the outstanding shares of Pocono common stock. In the event that the holders of Pocono common stock elect to receive stock in excess of 937,277 shares of First Keystone Corporation common stock, those persons will receive a portion of their merger consideration in the form of cash. Conversely, in the event that the holders of Pocono common stock elect to receive cash so that less than 937,277 shares of First Keystone Corporation common stock will be issued, those persons will receive a portion of their merger consideration in the form of First Keystone Corporation common stock.

Thus, you may not receive exactly the form of consideration that you elect, and you may receive a *pro rata* amount of cash and First Keystone Corporation common stock even if you elect to receive all cash or all stock. See The Merger Terms of the Merger Election and Exchange Procedures and The

Merger Terms of the Merger Allocation of First Keystone Corporation Common Stock and Cash, on pages 56 and 58, respectively.

The federal income tax consequences of the merger to you will be dependent upon the type of merger consideration received.

The federal income tax consequences of the transaction to you will depend upon the merger consideration you receive. In general, if you exchange your shares of Pocono common stock solely for cash, you will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the cash you receive and your adjusted tax basis in your Pocono common stock. If you receive solely First Keystone Corporation common stock in exchange for your Pocono common stock, you generally will not recognize any gain or loss for federal income tax purposes. However, you generally will have to recognize gain or loss in connection with cash received in lieu of fractional shares of First Keystone Corporation common stock. In addition, generally you will have to recognize gain or loss in connection with the cash received from the cancellation of the warrants and options. If you receive a combination of cash and First Keystone Corporation common stock in the transaction, you generally will not recognize loss but will recognize gain, if any, to the extent of any cash received. For a more detailed discussion of the federal income tax consequences of the transaction to you, see The Merger Certain Federal Income Tax Consequences, on page 68.

The Pocono Board of Directors Recommend Shareholder Approval (see page 30).

The Pocono board of directors believes that the merger is in the best interests of Pocono and recommends that you vote FOR approval and adoption of the merger.

Consideration is Fair from a Financial Point of View According to Pocono s Financial Advisor (see page 30).

Boenning & Scattergood, Inc. delivered a written opinion, to the Pocono board of directors that, as of May 10, 2007, and subject to the qualifications and limitations on the review by Boenning & Scattergood, Inc. in rendering its opinion, the consideration for which shares of Pocono common stock will be exchanged in the merger is fair from a financial point of view to Pocono shareholders. Boenning & Scattergood, Inc. has updated its opinion as of September 7, 2007. The opinion is attached to this document as **Annex B**. You should read the entire opinion carefully in connection with your consideration of the proposed merger. Pursuant to an engagement letter, Pocono has agreed to pay Boenning & Scattergood, Inc. an aggregate advisory fee in an amount equal to $372,000 upon completion of the merger. The initial non-refundable retainer fee was $10,000 upon execution of the engagement letter. Pocono has also agreed to reimburse certain of Boenning & Scattergood, Inc. s reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Boenning & Scattergood, Inc. against certain liabilities arising out of rendering its opinion. The opinion is directed at Pocono s board of directors and does not constitute a recommendation to any holder of Pocono common stock as to how any shareholder should vote on any of the proposals to be considered at the special meeting.

Consideration is Fair from a Financial Point of View According to First Keystone Corporation s Financial Advisor (see page 41).

Curtis Securities, LLC delivered a written opinion, to the First Keystone Corporation board of directors that, as of May 10, 2007, and subject to the qualifications and limitations on the review by Curtis Securities, LLC in rendering its opinion, the consideration to be paid in exchange for Pocono common stock is fair from a financial point of view to First Keystone Corporation shareholders. The opinion is attached to this document as **Annex C**. The opinion is directed at First Keystone Corporation s board of directors and does not constitute a recommendation to any holder of Pocono common stock as to how any shareholder should vote on any of the proposals to be considered at the special meeting.

The Affirmative Vote of at least two-thirds of the Outstanding Shares of Pocono Common Stock on the Record Date, August 31, 2007 is Required for Approval and Adoption of the Merger (see page 25).

The affirmative vote of at least two-thirds of the outstanding shares of Pocono common stock on the record date, August 31, 2007 is required for approval and adoption of the merger (see page 25). Each holder of shares of Pocono common stock outstanding on the record date will be entitled to one vote for each share held of record. The vote required for approval and adoption of the merger is a percentage of all outstanding shares of Pocono common stock. Therefore, abstentions and broker non-votes will have the same effect as a vote against the merger agreement and the merger.

Approval of at Least a Majority of the Issued and Outstanding Shares of Pocono Common Stock on the Record Date, August 31, 2007, is Required for the Warrant Exercise Extension.

Approval of at least a majority of the issued and outstanding shares of Pocono common stock on the Record Date, August 31, 2007, is required for the warrant exercise extension.

The Affirmative Vote of a Majority of the Shares Voted at the Special Meeting is Required to Approve the Adjournment or Postponement of the Meeting to Solicit Additional Proxies.

The affirmative vote of a majority of the shares voted at the special meeting is required to approve the adjournment or postponement of the meeting to solicit additional proxies.

Certain Pocono Directors have Agreed to Vote in Favor of the Merger (see page 25).

Directors of Pocono had sole or shared voting power over 1,127,593 shares of Pocono common stock, or approximately 65% of the shares of Pocono common stock outstanding. Certain Pocono directors with sole or shared voting power over 983,689 shares of Pocono common stock, or approximately 56% of the shares of Pocono common stock outstanding, have agreed, in writing, to vote all shares of Pocono common stock for which they have sole voting power and their proportionate interest, if they have shared voting power on the record date, in favor of approval and adoption of the merger agreement and the merger.

Pocono Directors and Management may have Interests in the Merger that Differ from your Interests (see page 66).

The directors and executive officers of Pocono have interests in the merger as directors and employees that are different from yours as a Pocono shareholder. These interests include, among others, provisions in the merger agreement regarding two board positions on the First Keystone Corporation and First Keystone National Bank boards and the Pocono Advisory Board positions after completion of the merger, as well as indemnification, insurance, and eligibility to participate in various First Keystone Corporation employee benefit plans.

Mr. Gerlach has an employment agreement which provides him with benefits if the merger is completed. Mr. Gerlach has signed a release agreement releasing his rights under the employment agreement for which he will receive payments. Additionally, under the merger agreement, Mr. Gerlach was required to enter into an employment agreement and consulting agreement with First Keystone Corporation and First Keystone National Bank, under which he will receive payments.

Pocono s board of directors was aware of these interests and considered them in approving and recommending the merger.

Regulatory Approval Must be Obtained and Other Conditions Must be Satisfied Before the Merger Will be Completed (see page 61).

First Keystone Corporation s and Pocono s obligations to complete the merger are subject to various conditions that are usual and customary for this kind of transaction, including obtaining approval from the Comptroller of the Currency and the Pennsylvania Department of Banking. As of the date of this document, appropriate applications for approval have been filed. In addition to the required regulatory approvals, the merger will only be completed if certain conditions, including the following, are met:

- Pocono shareholders approve and adopt the merger at the special meeting;

- Each party receives opinions from its counsel or independent certified public accountants that the merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code; and

- Neither party has breached any of its representations or obligations under the merger agreement.

The merger agreement, as amended, attached to this document as **Annex A** describes other conditions that must be met before the merger may be completed.

Amendment or Termination of the Merger Agreement is Possible (see page 62).

Pocono and First Keystone Corporation can agree to amend the merger agreement in any way, except that, after approval and adoption by Pocono shareholders at the special meeting, the consideration you will receive in the transaction cannot be decreased.

Pocono and First Keystone Corporation may agree to terminate the merger agreement and not complete the merger at any time before the merger is completed. Each company also may unilaterally terminate the merger agreement in certain circumstances including:

- The transaction is not completed on or prior to April 30, 2008, if the failure to complete the transaction by that date is not due to a breach of the merger agreement by the party seeking to terminate it.

- A final denial of a required regulatory approval, if the failure to obtain regulatory approval is not due to a breach of the merger agreement by the party seeking to terminate it.

- A party has materially breached any representation or warranty in the merger agreement and such breach would have a material adverse effect on the breaching party, and such breach cannot be remedied within 30 days after written notice of such breach, if the breach was not by the terminating party.

- If Pocono s shareholders do not approve and adopt the merger agreement at their respective special meetings.

Pocono may terminate the merger agreement:

- If the average final price of First Keystone Corporation common stock for the twenty (20) consecutive trading days ending five business days immediately prior to the receipt of the last regulatory approval and Pocono shareholder approval is less than $16.20 and the decline in First Keystone Corporation s common stock is at least 10% more than the decline during the same period in a peer group index.

- If Pocono enters into any definitive term sheet, letter of intent, agreement or similar type agreement with a view to being acquired by, or effecting a business combination with, any other person other than First Keystone Corporation; or any agreement to merge, consolidate, to combine or to sell a material portion of its assets or to be acquired in any other manner by any other person or to acquire a material amount of assets or a material equity position in any other person, whether

financial or otherwise after receipt of written advice of counsel that failure to do so shall constitute a breach of fiduciary duty of Pocono s directors under the laws of the Commonwealth of Pennsylvania.

First Keystone Corporation may terminate the merger agreement:

- If Pocono enters into any definitive term sheet, letter of intent, agreement or similar type agreement with a view to being acquired by, or effecting a business combination, with any other person other than First Keystone Corporation; or any agreement to merge, consolidate, to combine or to sell a material portion of its assets or to be acquired in any other manner by any other person or to acquire a material amount of assets or a material equity position in any other person, whether financial or otherwise.

- If the Pocono board of directors withdraws, changes, or modifies its recommendation of the transaction to Pocono shareholders.

- If more than 20,000 shares are issued to non-directors or non-officers of Pocono who exercise their options or warrants or if any board member of Pocono exercises his or her options or warrants.

- The amount of goodwill to be recorded in the transaction under the accounting principles generally accepted in the United States would make First Keystone Corporation not maintaining well-capitalized status for regulatory purposes.

Generally, the company seeking to terminate cannot itself be in violation of the merger agreement.

First Keystone Corporation and Pocono can agree to amend the merger agreement in any way. Either company can waive any of the requirements of the other company in the merger agreement, except that neither company can waive any required regulatory approval.

Pocono Must Pay a Termination Fee to First Keystone Corporation if the Merger Agreement is Terminated Under Certain Circumstances.

Pocono must pay First Keystone Corporation a termination fee in the amount of $1,200,000 if the merger agreement is terminated:

- By First Keystone Corporation because Pocono failed to recommend or hold the special meeting of shareholders;

- By Pocono because it received a superior proposal to be acquired;

- By any other section of the merger agreement because of a tender offer or exchange for 25% or more of the outstanding Pocono common stock and the board has not stated that it recommends a rejection of the tender offer to shareholders; or

- Within 12 months of the termination, Pocono agrees to be acquired by a third party, a substantial portion of its assets are acquired by a third party, or 50% of Pocono common stock is acquired by a third party.

See The Merger Terms of the Merger Termination Fee beginning on page 64.

Rights of First Keystone Corporation Shareholders Differ from those of Pocono Shareholders (see pages 138).

When the merger is completed, Pocono shareholders who receive First Keystone Corporation common stock as consideration in the merger will become First Keystone Corporation shareholders. The rights of First Keystone Corporation shareholders differ from the rights of Pocono shareholders in certain important ways. Many of these have to do with provisions in First Keystone Corporation s articles of incorporation and bylaws that differ from those of Pocono. Some of these provisions are intended to make

a takeover of First Keystone Corporation more difficult if First Keystone Corporation s board of directors does not approve it.

You Will Have Dissenters Rights.

You will be entitled to receive cash payment of the fair value of your shares if the reorganization is completed if you:

- Do not vote in favor of the Agreement and Plan of Merger; and
- Comply with the requirements of law concerning dissenters rights of appraisal.

Because Pocono will merge with and into First Keystone National Bank, as required by the national banking laws, any shareholder of Pocono who has voted against the Agreement and Plan of Merger at the special meeting or has given written notice at or prior to the annual meeting to the President of Pocono that he or she dissents from the Agreement and Plan of Merger, will be entitled to receive the value of his or her shares of common stock of Pocono held by him at the time the reorganization is approved by the Office of Comptroller of Currency upon written request made to Pocono at any time before thirty (30) days after the date of consummation of the reorganization, accompanied by the surrender of his share certificates.

Please also refer to Special Meeting of Shareholders Voting your Shares; Abstentions; Broker Non-Votes for information about how to vote on the merger. In particular, you may find the information on page 25 about how to revoke your proxy, useful if you decide that you wish to claim dissenters rights of appraisal but have already executed a proxy marked in favor of the reorganization. For information about the number of shares owned by management, which are likely to be voted in favor of the merger, please refer to Information with Respect to Pocono Community Bank Stock Ownership of Principal Shareholders and Management. This information may provide you with an indication of the likelihood that the merger proposal will be approved.

Market Price and Dividend Information

First Keystone Corporation common stock is listed and trades on the OTCBB under the symbol FKYS.OB. As of August 31, 2007, there were 4,518,873 shares of First Keystone Corporation common stock outstanding, which were held by approximately 670 holders of record and outstanding options that were exercisable on that date (or within 60 days of that date) for 51,383 additional shares of First Keystone Corporation common stock.

Pocono common stock is not listed or traded on any market or exchange. Pocono common stock is traded in a local over-the-counter market and privately negotiated transactions. As of August 31, 2007, there were 1,745,950 shares of Pocono common stock outstanding, which were held by approximately 286 holders of record. The number of shareholders does not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

The following table shows, for the indicated periods, the high and low sales prices per share of First Keystone Corporation common stock, as reported on the OTCBB, and for Pocono common stock, as reported by Pocono s management, and dividends declared per share of First Keystone Corporation. The high and low sales prices per share for Pocono set forth in the table below are based on trades known to Pocono and Pocono has not declared any cash dividends to date.

	First Keystone Corporation			Pocono Community Bank		
	High	Low	Dividend Declared	High	Low	Dividend Declared
2007						
First Quarter	$ 19.00	$ 17.50	$ 0.22	$ 16.75	$ 16.75	$ N/A
Second Quarter	21.75	17.90	0.22	16.75	16.75	N/A
Third Quarter (through September 7, 2007)	19.25	17.00	0.22	16.75	16.75	N/A
2006						
First Quarter	$ 19.91	$ 18.57	$ 0.21	$ 16.75	$ 16.75	$ N/A
Second Quarter	19.05	17.43	0.21	N/A	N/A	N/A
Third Quarter	19.33	16.81	0.21	N/A	N/A	N/A
Fourth Quarter	19.20	17.29	0.22	16.75	16.50	N/A
2005						
First Quarter	$ 22.76	$ 20.48	$ 0.19	$ 15.25	$ 15.25	$ N/A
Second Quarter	20.95	18.81	0.19	15.50	15.25	N/A
Third Quarter	21.67	19.14	0.19	16.00	15.50	N/A
Fourth Quarter	20.81	19.05	0.21	16.25	16.00	N/A

On May 10, 2007, the last full trading day before the public announcement of the execution of the merger agreement, and on September 7, 2007 the latest practicable trading day before the date of this document, the high, low and closing sales prices for Pocono common stock were as follows:

	May 10, 2007			September 7, 2007		
	High	Low	Closing	High	Low	Closing
Pocono Common Stock	$ 16.75	$ 16.75	$ 16.75	$ 16.75	$ 16.75	$ 16.75

On May 10, 2007, the last full trading day before the public announcement of the execution of the merger agreement, and on September 7, 2007 the latest practicable trading day before the date of this document, the high, low and closing sales prices for First Keystone Corporation common stock were as follows:

	May 10, 2007			**September 7, 2007**		
	High	**Low**	**Closing**	**High**	**Low**	**Closing**
First Keystone Corporation Common Stock	$ 18.75	$ 18.75	$ 18.75	$ 19.25	$ 17.00	$ 18.25

Market Value of Securities

The following table sets forth the market value per share of First Keystone Corporation common stock, the market value per share of Pocono common stock and the equivalent market value per share of Pocono common stock on May 10, 2007 (the last business day preceding public announcement of the merger) and September 7, 2007 (the latest practicable trading day before the date of this document). The equivalent market value per share of Pocono common stock indicated in the table is shown assuming both a cash election and a stock election. The equivalent market value per share of stock elections is based upon an assumed exchange ratio of 0.8944 shares of First Keystone Corporation common stock multiplied by the closing sales price of First Keystone Corporation common stock on the specified date. The equivalent market value per share of Pocono common stock for cash elections is the fixed cash consideration of $16.10 per share. See The Merger Terms of the Merger What You Will Receive.

The historical market values per share of First Keystone Corporation common stock and the historical market value of First Keystone Corporation common stock used to determine the equivalent market value per share of Pocono common stock are the per share closing sales prices on May 10, 2007, and September 7, 2007 respectively, as reported on the OTCBB with respect to First Keystone Corporation common stock.

		Pocono		
	First Keystone Corporation Historical	**Pocono Historical**	**Equivalent Market Value for Stock Election**	**Equivalent Market Value of Cash Election**
May 10, 2007	$ 18.75	$ 16.75	$ 16.77	$ 16.10
September 7, 2007	$ 18.25	$ 16.75	$ 16.32	$ 16.10

Selected Historical Financial Data of First Keystone Corporation

The following is a summary of consolidated financial information with respect to First Keystone Corporation as of and for the six months ended June 30, 2007 and 2006, and as of and for the fiscal years ended December 31, 2006, 2005, 2004, 2003, and 2002. The results for the six months ended June 30, 2007 and 2006 are not necessarily indicative of the results to be expected for the full year. This information is derived from, and should be read in conjunction with, First Keystone Corporation s consolidated financial statements and the accompanying notes and Information with Respect to First Keystone Corporation-Management s Discussion and Analysis of Financial Condition and Results of Operations of First Keystone Corporation, both of which can be found elsewhere in this proxy statement/prospectus. In the opinion of management of First Keystone Corporation, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of results for or as of the six month interim periods have been made.

Results of Operations	2006	2005	2004	2003	2002	For the Six Months Ended June 30 2007 (Unaudited)	2006
	(000 Omitted)						
Interest income	$ 28,577	$ 26,382	$ 25,036	$ 25,063	$ 25,862	$ 14,957	$ 13,909
Interest expense	$ 14,972	$ 11,621	$ 10,006	$ 10,200	$ 11,342	$ 8,261	$ 6,969
Provision for loan losses	$ 500	$ 750	$ 1,750	$ 500	$ 550	$ 125	$ 300
Net interest income after provision for loan losses	$ 13,105	$ 14,011	$ 13,280	$ 14,363	$ 13,970	$ 6,571	$ 6,640
Other operating income	$ 3,788	$ 3,782	$ 4,596	$ 3,275	$ 2,285	$ 1,995	$ 1,768
Other operating expense	$ 9,515	$ 9,583	$ 9,426	$ 8,370	$ 7,811	$ 5,160	$ 4,855
Income before income taxes	$ 7,378	$ 8,210	$ 8,450	$ 9,267	$ 8,444	$ 3,406	$ 3,553
Applicable income tax	$ 1,188	$ 1,363	$ 1,663	$ 1,950	$ 1,857	$ 588	$ 528
Net Income	$ 6,190	$ 6,847	$ 6,787	$ 7,317	$ 6,587	$ 2,818	$ 3,025
Per Share Data* **							
Basic earnings	$ 1.35	$ 1.48	$ 1.48	$ 1.58	$ 1.41	$ 0.62	$ 0.66
Diluted earnings	$ 1.35	$ 1.48	$ 1.47	$ 1.58	$ 1.41	$ 0.62	$ 0.66
Cash dividends declared	$ 0.85	$ 0.78	$ 0.70	$ 0.62	$ 0.54	$ 0.44	$ 0.42
Book value	$ 11.79	$ 11.61	$ 11.56	$ 11.15	$ 10.54	$ 11.12	$ 11.40
Average weighted shares outstanding	4,571,156	4,612,984	4,607,907	4,637,462	4,681,231	4,520,250	4,593,107
Average diluted shares outstanding	4,577,793	4,622,130	4,624,405	4,650,374	4,685,233	4,526,243	4,600,319
Balance Sheet Figures							
Total assets	$ 525,920	$ 512,399	$ 497,615	$ 481,840	$ 439,526	$ 534,560	$ 515,634
Net loans	$ 248,086	$ 230,917	$ 229,972	$ 225,549	$ 198,343	$ 251,225	$ 242,421
Total investment securities	$ 243,938	$ 251,536	$ 239,053	$ 231,272	$ 215,755	$ 247,920	$ 240,949
Total deposits	$ 384,020	$ 362,796	$ 357,956	$ 343,020	$ 330,745	$ 397,480	$ 373,379
Borrowed funds	$ 85,714	$ 93,686	$ 82,422	$ 74,689	$ 54,817	$ 83,843	$ 88,485
Total shareholders equity	$ 53,387	$ 53,443	$ 53,312	$ 51,351	$ 49,096	$ 50,273	$ 49,811
Ratios							
Average equity/average assets	10.19 %	10.69 %	10.76 %	11.00 %	10.66 %	10.30 %	10.09 %
Return on average equity	11.76 %	12.65 %	12.76 %	14.27 %	14.93 %	10.34 %	11.60 %
Return on average assets	1.20 %	1.35 %	1.37 %	1.57 %	1.59 %	1.07 %	1.18 %
Dividend payout ratio	62.63 %	52.61 %	47.41 %	39.41 %	38.33 %	70.57 %	63.67 %
Net interest margin	3.16 %	3.46 %	3.52 %	3.67 %	3.96 %	2.97 %	3.22 %
Effeciency ratio	56.30 %	53.90 %	52.70 %	47.50 %	48.10 %	60.20 %	57.70 %
Net loans to total assets	47.20 %	45.10 %	46.20 %	46.80 %	45.10 %	47.00 %	47.00 %
Allowance for loan losses to total loans outstanding	1.46 %	1.57 %	1.64 %	1.54 %	1.58 %	1.47 %	1.49 %
Non-accrual loans to total loans outstanding	0.68 %	0.88 %	1.46 %	0.32 %	0.23 %	0.60 %	1.03 %
Net charge offs to loans outstanding	0.21 %	0.39 %	0.62 %	0.07 %	0.15 %	0.02 %	0.13 %

*** Adjusted for a 5% stock dividend declated October 24, 2006 to shareholders of record November 14, 2006 distributed December 5, 2006 and 3 for 2 stock split in the form of a 50% stock dividend declared April 13, 2004 to shareholder of record April 27, 2004 distributed May 11, 2004.

Selected Historical Financial Data of Pocono Community Bank

The following is a summary of consolidated financial information with respect to Pocono as of and for the six months ended June 30, 2007 and 2006, and as of and for the fiscal years ended December 31, 2006, 2005, 2004, 2003, and 2002. The results for the six months ended June 30, 2007 and 2006 are not necessarily indicative of the results to be expected for the full year. This information is derived from, and should be read in conjunction with, Pocono s consolidated financial statements and the accompanying notes and Information with Respect to Pocono-Management s Discussion and Analysis of Financial Condition and Results of Operations of Pocono, both of which can be found elsewhere in this proxy statement/prospectus. In the opinion of management of Pocono, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of results for or as of the six month interim periods have been made.

						For the Six Months Ended June 30	
Results of Operations	**2006**	**2005**	**2004**	**2003**	**2002**	**2007 (Unaudited)**	**2006**
	(000 omitted)						
Interest income	$ 7,257	$ 6,616	$ 6,184	$ 5,944	$ 5,529	$ 3,891	$ 3,480
Interest expense	$ 3,033	$ 2,181	$ 1,890	$ 1,966	$ 2,035	$ 1,835	$ 1,342
Provision for loan losses	$ 80	$ 101	$ 24	$ 161	$ 218	$ 39	$ 45
Net interest income after provision for loan losses	$ 4,144	$ 4,334	$ 4,270	$ 3,817	$ 3,276	$ 2,017	$ 2,093
Other operating income	$ 457	$ 436	$ 309	$ 323	$ 259	$ 250	$ 248
Other operating expense	$ 3,215	$ 2,875	$ 2,627	$ 2,394	$ 2,237	$ 1,725	$ 1,580
Income before income taxes	$ 1,386	$ 1,895	$ 1,952	$ 1,746	$ 1,298	$ 542	$ 761
Applicable income tax	$ 382	$ 594	$ 648	$ 596	$ 441	$ 169	$ 214
Net Income	$ 1,004	$ 1,301	$ 1,304	$ 1,150	$ 857	$ 373	$ 547
Per Share Data							
Basic earnings	$ 0.60	$ 0.78	$ 0.78	$ 0.69	$ 0.51	$ 0.21	$ 0.32
Diluted earnings	$ 0.49	$ 0.64	$ 0.64	$ 0.59	$ 0.43	$ 0.18	$ 0.27
Cash dividends declared	$	$	$	$	$	$	$
Book value	$ 8.52	$ 7.88	$ 7.25	$ 7.55	$ 5.91	$ 8.57	$ 8.15
Average weighted shares outstanding	1,671,782	1,664,674	1,663,827	1,652,509	1,651,170	1,684,078	1,770,798
Average diluted shares outstanding	2,035,086	2,018,731	1,999,972	1,953,213	1,959,536	2,045,865	2,039,729
Balance Sheet Figures							
Total assets	$ 138,527	$ 131,632	$ 127,352	$ 118,304	$ 108,183	$ 136,823	$ 129,256
Net loans	$ 99,121	$ 92,971	$ 81,880	$ 82,827	$ 71,833	$ 102,720	$ 98,452
Total investment securities	$ 16,871	$ 21,240	$ 26,107	$ 15,530	$ 11,920	$ 14,742	$ 18,732
Total deposits	$ 113,724	$ 108,383	$ 103,211	$ 102,380	$ 90,189	$ 117,592	$ 111,364
Borrowed funds	$ 9,000	$ 9,000	$ 11,000	$ 4,000	$ 4,000	$ 3,000	$ 3,000
Total shareholders equity	$ 14,354	$ 13,123	$ 12,064	$ 10,896	$ 9,751	$ 14,968	$ 13,604
Ratios							
Average equity/average assets	10.73 %	10.09 %	9.65 %	9.37 %	9.64 %	11.12 %	10.72 %
Return on average equity	7.31 %	10.28 %	11.27 %	11.05 %	9.37 %	5.09 %	8.12 %
Return on average assets	0.79 %	1.04 %	1.08 %	1.04 %	0.90 %	0.57 %	0.87 %
Dividend payout ratio	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net interest margin	3.54 %	3.73 %	3.70 %	3.67 %	3.79 %	3.34 %	3.65 %
Effeciency ratio	68.69 %	59.04 %	57.08 %	55.66 %	59.60 %	74.79 %	66.22 %
Net loans to total assets	71.55 %	70.63 %	64.29 %	70.01 %	66.40 %	75.07 %	76.17 %
Allowance for loan losses to total loans outstanding	1.22 %	1.23 %	1.28 %	1.29 %	1.26 %	1.22 %	1.21 %
Non-accrual loans to total loans outstanding	0.12 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.13 %
Net Charge offs to loans outstanding	0.010 %	0.004 %	0.051 %	0.00 %	0.00 %	0.003 %	0.002 %

Selected Unaudited *Pro Forma* Combined Financial Data

The following table shows information about the financial condition and results of operations, including per share data and financial ratios, after giving effect to the merger. This information is called unaudited *pro forma* financial information in this document. The information under Combined income statement in the table below gives effect to the *pro forma* results for the six months ended June 30, 2007. The information under Selected combined balance sheet items in the table below assumes the merger was completed on June 30, 2007. The *pro forma* financial information assumes that the merger is accounted for using the purchase method of accounting and represents a current estimate based on available financial information of First Keystone Corporation and Pocono Community Bank. See The Merger Accounting Treatment on page 68.

The unaudited *pro forma* combined financial information includes adjustments to reflect the assets and liabilities of Pocono Community Bank at their estimated fair values at or near June 30, 2007. Such adjustments are subject to further adjustment as additional information becomes available and as additional analyses are performed. The *pro forma* financial information is presented for illustrative purposes only and does *not* include any assumptions regarding the possible impact of revenue enhancements, asset dispositions or share repurchases.

The information presented below should be read together with the historical consolidated financial statements of First Keystone Corporation and Pocono Community Bank, including the related the related notes, found elsewhere in this proxy statement/prospectus and together with the consolidated historical financial data for First Keystone Corporation and Pocono Community Bank and the other *pro forma* financial information, including the related notes, appearing elsewhere in this document, *Pro Forma* Combined Financial Information beginning on page F-80. The *pro forma* financial data are not necessarily indicative of results that actually would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

In addition, as explained in more detail in the accompanying notes to the unaudited pro forma financial information found elsewhere in this proxy statement/prospectus, the allocation of the purchase price reflected in the Selected Unaudited *Pro Forma* Combined Financial Data is subject to adjustment and will vary from the actual purchase price allocation that will be recorded upon completion of the merger based upon changes in the balance sheet including fair value estimates.

	As of or for the Six Months Ended June 30, 2007 (in thousands)
Combined income statement:	
Total interest income	$ 18,508
Total interest expense	10,096
Net interest income	8,412
Provision for loan losses	164
Net interest income after provision for loan losses	8,248
Non-interest income	2,245
Non-interest expense	(6,750)
Income before income taxes	3,743
Income tax expense	719
Net income	$ 3,024
Selected combined balance sheet items:	
Investment securities	$ 257,887
Total loans	358,965
Total assets	673,988
Total deposits	515,072
Borrowings	86,843
Stockholders equity	67,846

Comparative Per Share Data

The First Keystone Corporation and Pocono Community Bank historical and the unaudited *pro forma* combined First Keystone Corporation and Pocono Community Bank equivalent per share financial data for the six months ended June 30, 2007 is presented below. This information should be considered together with the financial statements and related notes of First Keystone Corporation and Pocono Community Bank and with the unaudited *pro forma* combined financial data included under *Pro Forma* Combined Financial Information found elsewhere in this proxy statement/prospectus.

	As of or for the Six Months Ended June 30, 2007
First Keystone Corporation Common Stock	
Book value per share	
Historical	$ 11.12
Pro forma combined	$ 12.45
Cash dividends declared per share	
Historical	$ 0.44
Pro forma combined(1)	$ 0.44
Basic net income per share	
Historical	$ 0.62
Pro forma combined	$ 0.55
Diluted net income per share	
Historical	$ 0.62
Pro forma combined	$ 0.55
Pocono Community Bank Common Stock	
Book value per share	
Historical	$ 8.57
Pro forma equivalent(2)	$ 11.13
Cash dividends declared per share	
Historical	$
Pro forma equivalent(2)	$ 0.39
Basic net income per share	
Historical	$ 0.21
Pro forma equivalent(2)	$ 0.49
Diluted net income per share	
Historical	$ 0.18
Pro forma equivalent(2)	$ 0.49

(1) The First Keystone Corporation *pro forma* combined cash dividends declared per share represent historical dividends per share for First Keystone Corporation.

(2) The Pocono Community Bank *pro forma* equivalent per share amounts are calculated by multiplying the First Keystone Corporation *pro forma* combined per share amounts by the exchange ratio of .8944.

Risk Factors

In considering whether to approve and adopt the merger and, for Pocono shareholders, whether to invest or elect to convert your shares of Pocono into cash versus First Keystone Corporation common stock, you should consider carefully the risks we describe below. In addition to the other information included in this document, including the matters addressed in A Warning About Forward-Looking Information, on page 24, you should carefully consider the matters described below in determining whether to approve the merger agreement.

Risk factors related to the Merger in general.

If the merger is not completed, Pocono will have incurred substantial expenses without realizing the expected benefits.

Pocono has incurred substantial expenses in connection with the merger. The completion of the merger depends on the satisfaction of specified conditions and the receipt of regulatory approvals. We cannot guarantee that these conditions will be met. If the merger is not completed, these expenses could have a material adverse impact on the financial condition of Pocono because it would not have realized the expected benefits.

The merger must be approved by multiple governmental agencies.

Before the merger may be completed, various approvals or consents must be obtained from the Office of the Comptroller of Currency and various domestic bank regulatory, antitrust and other authorities. These governmental entities, including the Office of the Comptroller of Currency, may impose conditions on the completion of the merger or require changes to the terms of the merger. Although First Keystone Corporation and Pocono do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of First Keystone Corporation following the merger, any of which might have a material adverse effect on First Keystone Corporation following the merger. First Keystone Corporation is not obligated to complete the merger if the regulatory approvals received in connection with the completion of the merger include any conditions or restrictions that, in the aggregate, would reasonably be expected to have a material adverse effect on First Keystone Corporation or Pocono, measured relative to Pocono, but First Keystone Corporation could choose to waive this condition.

First Keystone Corporation may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend, in part, on First Keystone Corporation s ability to realize the anticipated benefits and cost savings from combining the businesses of First Keystone Corporation and Pocono. However, to realize these anticipated benefits and cost savings, First Keystone Corporation must successfully combine the businesses of First Keystone Corporation and Pocono. If First Keystone Corporation is not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

First Keystone Corporation and Pocono have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect First Keystone Corporation s ability to maintain its relationships with their respective clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies may, to some extent, also divert management attention and resources. These integration matters could have an adverse effect on each of First Keystone Corporation and Pocono during such transition period.

Risk Factors related to First Keystone Corporation s Business

First Keystone Corporation s business is subject to interest rate risk and variations in interest rates may negatively affect its financial performance.

Changes in the interest rate environment may reduce profits. The primary source of income for First Keystone Corporation is the differential or spread between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. As prevailing interest rates change, net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. In addition, loan volume and yields are affected by market interest rates on loans, and rising interest rates generally are associated with a lower volume of loan originations. An increase in the general level of interest rates may also adversely affect the ability of certain borrowers to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially adversely affect First Keystone Corporation s net interest spread, asset quality, loan origination volume and overall profitability.

First Keystone Corporation s ability to pay dividends depends primarily on dividends from its banking subsidiary, which is subject to regulatory limits.

First Keystone Corporation is a bank holding company and its operations are conducted by First Keystone National Bank. First Keystone Corporation s ability to pay dividends depends on its receipt of dividends from First Keystone National Bank. Dividend payments from its banking subsidiary are subject to legal and regulatory limitations, generally based on net profits and retained earnings, imposed by the various banking regulatory agencies. The ability of First Keystone National Bank to pay dividends is also subject to its profitability, financial condition, capital expenditures and other cash flow requirements. At June 30, 2007, approximately $5,908,984 was available without the need for regulatory approval for the payment of dividends to First Keystone Corporation from First Keystone National Bank. There is no assurance that First Keystone National Bank will be able to pay dividends in the future or that First Keystone Corporation will generate adequate cash flow to pay dividends in the future. First Keystone Corporation s failure to pay dividends on its common stock could have a material adverse effect on the market price of its common stock.

First Keystone Corporation s future acquisitions could dilute your ownership of First Keystone Corporation and may cause First Keystone Corporation to become more susceptible to adverse economic events.

First Keystone Corporation may use its common stock to acquire other companies and intends to acquire or make investments in banks and other complementary businesses with its common stock in the future. First Keystone Corporation may issue additional shares of common stock to pay for future acquisitions, which would dilute your ownership interest in First Keystone Corporation. Future business acquisitions could be material to First Keystone Corporation, and the degree of success achieved in acquiring and integrating these businesses into First Keystone Corporation could have a material effect on the value of First Keystone Corporation common stock. In addition, any acquisition could require First Keystone Corporation to use substantial cash or other liquid assets or to incur debt. In those events, First Keystone Corporation could become more susceptible to economic downturns and competitive pressures.

Competition from other financial institutions may adversely affect First Keystone Corporation s profitability.

First Keystone Corporation s banking subsidiary faces substantial competition in originating, both commercial and consumer loans. This competition comes principally from other banks, savings institutions, mortgage banking companies and other lenders. Many of First Keystone Corporation s competitors enjoy advantages, including greater financial resources and higher lending limits, a wider geographic presence, more accessible branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. This competition could reduce First Keystone Corporation s net income by decreasing the number and size of loans that its banking subsidiary originate and the interest rates they may charge on these loans.

In attracting business and consumer deposits, First Keystone Corporation s banking subsidiary faces substantial competition from other insured depository institutions such as banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds. Many of First Keystone Corporation s competitors enjoy advantages, including greater financial resources, more aggressive marketing campaigns, better brand recognition and more convenient branch locations. These competitors may offer higher interest rates than First Keystone Corporation, which could decrease the deposits that First Keystone Corporation attracts or require First Keystone Corporation to increase its rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect First Keystone Corporation s ability to generate the funds necessary for lending operations. As a result, First Keystone Corporation may need to seek other sources of funds that may be more expensive to obtain and could increase First Keystone Corporation s cost of funds.

First Keystone Corporation s banking subsidiary also competes with non-bank providers of financial services, such as brokerage firms, consumer finance companies, credit unions, insurance agencies and governmental organizations which may offer more favorable terms. Some of First Keystone Corporation s non-bank competitors are not subject to the same extensive regulations that govern its banking operations. As a result, such non-bank competitors may have advantages over First Keystone Corporation s banking subsidiary in providing certain products and services. This competition may reduce or limit First Keystone Corporation s margins on banking services, reduce its market share and adversely affect its earnings and financial condition.

Future governmental regulation and legislation could limit First Keystone Corporation s future growth.

First Keystone Corporation is a registered bank holding company, and its subsidiary bank is a depository institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and is regulated by the OCC. As a result, First Keystone Corporation and First Keystone National Bank are subject to various regulations and examinations by various regulatory authorities. In general, statutes establish the corporate governance and eligible business activities for First Keystone Corporation, certain acquisition and merger restrictions, limitations on inter-company transactions such as loans and dividends, and capital adequacy requirements, requirements for anti-money laundering programs and other compliance matters, among other regulations. First Keystone Corporation is extensively regulated under federal and state banking laws and regulations that are intended primarily for the protection of depositors and customers, federal deposit insurance funds and the banking system as a whole. Compliance with these statutes and regulations is important to First Keystone Corporation s ability to engage in new activities and to consummate additional acquisitions.

In addition, First Keystone Corporation is subject to changes in federal and state tax laws as well as changes in banking and credit regulations, accounting principles and governmental economic and monetary policies. First Keystone Corporation cannot predict whether any of these changes may adversely and materially affect it. Federal and state banking regulators also possess broad powers to take supervisory actions as they deem appropriate. These supervisory actions may result in higher capital requirements, higher insurance premiums and limitations on First Keystone Corporation s activities that could have a material adverse effect on its business and profitability. While these statutes are generally designed to minimize potential loss to depositors and the FDIC insurance funds, they do not eliminate risk, and compliance with such statutes increases First Keystone Corporation s expense, requires management s attention and can be a disadvantage from a competitive standpoint with respect to non-regulated competitors.

The long-term economic effects of terrorist attacks on the United States, the war with Iraq and an economic slowdown could negatively affect financial condition.

The long-term economic impact of the September 11, 2001 terrorist attacks in New York City and the Washington, D.C. area and the Iraqi war has yet to be determined, and the ultimate cost associated with these events and related incidents may place significant burdens on the United States economy as a whole. If these events or additional terrorist attacks or other factors cause or worsen an overall economic decline, the financial condition and operating results of First Keystone Corporation could be materially adversely affected. The long-term economic impact of the Iraqi war upon the financial markets in general could be negative. In addition, events such as the ones referred to could cause or contribute to a general decline in equity valuations, which in turn could reduce the market value of your investment in First Keystone Corporation stock.

Risk Factors as they relate to Pocono shareholders.

Pocono s directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of Pocono shareholders.

In considering these facts and the other information contained in this document, you should be aware that Pocono s directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of Pocono shareholders. The Pocono directors who collectively hold approximately 56% of the outstanding Pocono stock have agreed to vote in favor of the merger proposal. In addition, this agreement may have the effect of discouraging persons from making a proposal to acquire Pocono. In addition, First Keystone Corporation has agreed to cash out all the Pocono stock options and warrants for the difference between the exercise price and $16.10. Pocono directors hold a total of 40,095 stock options and 192,875 warrants. Upon the effective date, the directors will receive approximately $2,551,411.00 in cash for the stock options and warrants. Further, Mr. Gerlach has entered into employment and consulting agreements with First Keystone Corporation in connection with the merger. Under these agreements, Mr. Gerlach may receive, in total, payments of approximately $945,500 (in total, not taking into consideration tax withholdings). First Keystone Corporation has also agreed to increase the size of First Keystone Corporation s board of directors to include two persons selected by Pocono and approved by First Keystone Corporation. These and certain other additional interests of Pocono s directors and executive officers are described in detail in The Merger Financial Interests of Directors, Officers and Others in the Merger, beginning on page 66 of this document. These circumstances may cause some of Pocono directors and executive officers to view the proposed transaction differently than you view it.

Some shareholders may not receive the form of merger consideration they elect.

Depending on the elections made by all Pocono shareholders, certain Pocono shareholders who elect to receive cash consideration may receive shares of First Keystone Corporation common stock for a portion of their shares of Pocono common stock. Similarly, certain Pocono shareholders who elect to receive shares of First Keystone Corporation common stock consideration may receive cash for a portion of their shares of Pocono common stock.

In the event that Pocono shareholders oversubscribe for the available shares of First Keystone Corporation common stock, those Pocono shareholders electing to receive First Keystone Corporation common stock will have the amount of stock they selected reduced on a *pro rata* basis and will receive a portion of their consideration in the form of cash. In the event that Pocono shareholders undersubscribe for the available shares of First Keystone Corporation common stock, those Pocono shareholders electing to receive cash will have the amount of cash they selected reduced on a *pro rata* basis and will receive a portion of their consideration in the form of First Keystone Corporation common stock. The *pro rata* allocation process will be administered by First Keystone Corporation s exchange agent according to a formula. Accordingly, at the time Pocono shareholders vote on the proposal to approve and adopt the merger agreement, they will not know the form of merger consideration that they will receive, regardless of their election prior to the merger. In addition, a Pocono shareholder may receive a *pro rata* amount of First Keystone Corporation common stock or cash even if he or she has elected to receive all common stock or all cash. Further, to the extent that Pocono shareholders receive a portion of the merger consideration in a form that they did not elect, they also will not know at the time of their election the complete tax consequences that will result upon the exchange of their shares of Pocono common stock. See The Merger Certain Federal Income Tax Consequences, on page 68.

Because the market price of First Keystone Corporation common stock will fluctuate, Pocono shareholders cannot be sure of the market value of the First Keystone Corporation common stock that they will receive in the merger.

Under the terms of the merger agreement, and subject to certain exceptions, as described elsewhere in this document, the exchange ratio for the stock consideration to be issued in connection with the merger will be 0.8944 shares of First Keystone Corporation common stock for each share of Pocono common stock. The closing price of First Keystone Corporation common stock, adjusted for stock dividends and stock splits, as reported on the OTCBB, was $18.75 on May 10, 2007, the trading day immediately preceding the day on which the merger was publicly announced. As of September 7, 2007, the closing price of First Keystone Corporation common stock, as reported on the OTCBB, was $18.25. The high and low closing prices of First Keystone Corporation common stock for the twelve month period between April 1, 2006, and April 1, 2007, were $20.30, on September 22, 2006, and $17.40 on December 26, 2006, adjusted to reflect cash and stock dividends paid. The market price of First Keystone Corporation common stock may vary from these prices, and may also vary from the price on the date that this document is mailed to Pocono shareholders or on the date of the special meeting of Pocono shareholders. See Market Price and Dividend Information, beginning on page 12.

The market price of First Keystone Corporation common stock may change as a result of a variety of factors, including general market and economic conditions, changes in its business, operations and prospects, and regulatory considerations. Many of these factors are beyond the control of First Keystone Corporation and are not necessarily related to a change in the financial performance or condition of First Keystone Corporation. As a result of the fluctuating stock price of First Keystone Corporation, the market value of shares of First Keystone Corporation common stock that a Pocono shareholder receives in the merger will decline correspondingly with declines in the market price of First Keystone Corporation common stock prior to and as of the date the merger consideration is exchanged.

There can be no assurance that the value of the First Keystone Corporation common stock that Pocono shareholders receive in the merger will be substantially equivalent to the cash merger consideration of $16.10 per share, or that it will be substantially equivalent to the market price of First Keystone Corporation common stock at the time Pocono shareholders vote to approve the merger agreement. We urge you to obtain current market quotations for First Keystone Corporation common stock.

The value of the stock consideration you receive could be less than $16.10 per share of Pocono common stock if the Pocono board of directors does not exercise its right to terminate the merger agreement upon the occurrence of certain events.

If the merger closes at a time when the 20 day average closing price of First Keystone Corporation common stock is below $16.20 and the decline in First Keystone Corporation s common stock is at least 10% more than the decline in a peer group index, the value of First Keystone Corporation common stock Pocono shareholders receive in exchange for their shares of Pocono common stock would be less than $16.20 per share of Pocono common stock. Pocono has the option, but is not required, to terminate the merger agreement if the 20 day average closing price of First Keystone Corporation common stock is below $16.20 and the decline in the average closing price of First Keystone Corporation common stock, since May 10, 2007, is at least 10% more than the change during the same period of a peer group index. See Section 8.1(h) of the merger agreement, attached to this proxy statement/prospectus as **Annex A**. Pocono cannot predict whether or not the Pocono board of directors would exercise its right to terminate the merger agreement if these conditions were met. **The merger agreement does not provide for a resolicitation of Pocono shareholders in the event that the conditions are met and the Pocono board nevertheless chooses to complete the transaction. Pocono s board of directors has made no decision as to whether it would exercise its right to terminate the merger agreement.** In considering whether to exercise its right to terminate the merger agreement, Pocono s board of directors would take into account all the relevant facts and circumstances that exist at the time and would consult with its financial advisor and legal counsel.

The merger agreement limits Pocono s ability to pursue alternative transactions to the merger and requires Pocono to pay a termination fee if it does.

The merger agreement prohibits Pocono and its directors, officers, representatives and agents from soliciting, authorizing the solicitation of or subject to very narrow exceptions, entering into discussions with any third party regarding alternative acquisition proposals. The prohibition limits Pocono s ability to pursue offers that may be superior from a financial point of view from other possible acquirers. If Pocono receives an unsolicited proposal from a third party that is superior from a financial point of view to that made by First Keystone Corporation and the merger agreement is terminated, Pocono would be required to pay a $1,200,000 termination fee. This fee makes it less likely that a third party will make an alternative acquisition proposal.

First Keystone Corporation and Pocono may choose not to proceed with the Merger if it is not completed by April 30, 2008.

Either First Keystone Corporation or Pocono may terminate the merger agreement if the merger has not been completed by April 30, 2008. See The Merger Terms of the Merger Termination and Termination Fee, beginning at page 64. There can be no assurance that all conditions to the merger will have been satisfied by April 30, 2008. See The Merger Terms of the Merger Conditions to the Merger, beginning at page 61.

After the merger is completed, Pocono shareholders who receive First Keystone Corporation common stock for some or all of their shares of Pocono common stock will become First Keystone Corporation shareholders and will have different rights that may be less advantageous than their current rights.

Upon completion of the merger, Pocono shareholders who receive First Keystone Corporation common stock for some or all of their shares of Pocono common stock will become First Keystone Corporation shareholders. Differences in Pocono s articles of incorporation and bylaws and First Keystone Corporation s articles of incorporation and bylaws will result in changes to the rights of Pocono shareholders who become First Keystone Corporation shareholders. For more information, see Comparison of the Shareholders Rights, beginning on page 138 of this document. A shareholder of Pocono may conclude that his, her or its current rights under Pocono s articles of incorporation and bylaws are more advantageous than the rights they may have as a First Keystone Corporation shareholder under First Keystone Corporation s articles of incorporation and bylaws.

A Warning About Forward-Looking Information

This document, including information incorporated by reference in this document, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the financial condition, results of operations and business of each of First Keystone Corporation, First Keystone National Bank, and Pocono. These include statements relating to revenues, cost savings and anticipated benefits resulting from the merger. You can find many of these statements by looking for words such as believes, expects, anticipates, estimates, projects or similar words or expressions.

These forward-looking statements involve substantial risks and uncertainties. There are many factors that may cause actual results to differ materially from those contemplated by these forward-looking statements. See Risk Factors, beginning on page 18 of this document.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by these statements. We caution Pocono shareholders not to place undue reliance on these statements. These statements speak only as of the date of this document or, if made in any document incorporated by reference, as of the date of that document.

All written or oral forward-looking statements attributable to First Keystone Corporation or Pocono or any person acting on their behalf made after the date of this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Neither First Keystone Corporation nor Pocono undertakes any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Special Meeting of Shareholders

When and Where the Special Meeting will be Held

Pocono will hold a special meeting of its shareholders at the main banking house of Pocono, 559 Main Street, Stroudsburg, Pennsylvania at 10:00 a.m., local time, on Tuesday, October 16, 2007.

What will be Voted on at the Special Meeting.

At the special meeting, Pocono shareholders will consider and vote on proposals to:

- Approve and adopt the merger agreement, between First Keystone Corporation, First Keystone National Bank and Pocono, and the consummation of the transactions contemplated thereby, which provides, among other things, for the merger of Pocono with and into First Keystone National Bank, upon the terms and subject to the conditions set forth in the merger agreement and the right of the Pocono shareholders to receive either 0.8944 shares of First Keystone Corporation common stock or $16.10 in cash for each share of Pocono common stock;

- Extend the final exercise date of the warrants for one year;

- Adjourn the special meeting if more time is needed to solicit additional votes in favor of the merger agreement; and

- Transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The Pocono board of directors recommends that you vote FOR approval and adoption of the merger agreement.

Shareholders Entitled to Vote

The Pocono board of directors has fixed the close of business on August 31, 2007, as the record date for determining shareholders entitled to notice of, and to vote, at the special meeting. As of the record date, there were 1,745,950 shares of Pocono common stock outstanding and entitled to be voted at the special meeting, held by approximately 285 shareholders of record. Each holder of shares of Pocono common stock outstanding on the record date will be entitled to one vote for each share of Pocono common stock held of record.

Number of Shares that Must be Represented for a Vote to be Taken

In order to have a quorum, a majority of the total outstanding shares of Pocono common stock entitled to vote at the special meeting must be represented at the meeting in person or by proxy.

We will count as present at the special meeting, for purposes of determining the presence or absence of a quorum:

- Shares of Pocono common stock held by persons attending the Pocono special meeting, whether or not they are voting.
- Shares of Pocono common stock for which Pocono has received proxies, including proxies properly executed with respect to which holders of those shares have abstained from voting.
- Shares of Pocono common stock represented by proxies from a broker that are voted on any issue other than a procedural motion.

Vote Required; Voting Agreements

The affirmative vote of the holders of at least two-thirds of the outstanding shares of Pocono common stock entitled to vote at the special meeting is required to approve and adopt the merger agreement. The affirmative vote of a majority of the issued and outstanding shares of Pocono common stock is required to approve the extension of the warrant exercise date by one year. The affirmative vote of a majority of those shares present at the special meeting is required to approve the adjournment or postponement of the special meeting.

Certain directors of Pocono, who collectively hold approximately 56% of the outstanding Pocono stock have agreed in writing to vote all shares of Pocono common stock for which they have sole voting power, and their proportionate interest if they have shared voting power, on the record date, in favor of the merger agreement and the merger. The voting agreements may have the effect of discouraging persons from making an acquisition proposal involving Pocono.

No separate consideration was paid to any of the directors for entering into the voting agreements, however, such persons have interests in the merger as directors, executive officers, and employees that are different from those of other Pocono shareholders. First Keystone Corporation required that such agreements be executed as a condition to First Keystone Corporation entering into the merger agreement. See The Merger Financial Interests of Directors, Officers and Others in the Merger Voting Agreements.

Voting your Shares; Abstentions; Broker Non-Votes

The Pocono board of directors is soliciting proxies from the Pocono shareholders. This will give you an opportunity to vote at the Pocono special meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted by a named agent in accordance with your instructions. If you do not vote by proxy or by attending the Pocono special meeting and voting in person, it will have the same effect as voting against the merger. If you sign your proxy card but make no specification on your proxy card regarding the proposals, the agent will vote all your shares FOR approval and adoption of the merger agreement and the merger, the extension of the expiration of the warrant exercise date for one year and the adjournment or postponement proposal.

If you abstain from voting on any proposal considered at the special meeting, we will not count the abstention as a vote for or against such proposal. Under rules relating to how brokers vote shares held in brokerage accounts, brokers who hold your shares in street name can not give a proxy to vote your shares without receiving specific instructions from you.

Broker non-votes and any abstentions will be counted as shares present for purposes of determining a quorum. However, broker non-votes and abstentions will not be counted as votes for or against the merger agreement. Broker non-votes and abstentions will therefore have the effect of a vote against the merger agreement.

We cannot complete the merger unless the merger agreement is approved and adopted by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Pocono common stock entitled to vote on the merger agreement.

Abstentions and broker non-votes will not affect the vote on approval of the adjournment proposal. Approval of this proposal requires the affirmative vote the holders of a majority of the votes cast at the special meeting by shareholders entitled to vote.

Changing your Vote

Any Pocono shareholder may revoke a proxy at any time before or at the special meeting in one or more of the following ways:

- Delivering a written notice of revocation, bearing a later date than the proxy, at any time prior to the vote at the special meeting to John G. Gerlach, President of Pocono;
- Submitting a later-dated proxy; or
- Attending the special meeting and voting in person.

You should send any written notice of revocation or subsequent proxy to Pocono Community Bank, Attention: John G. Gerlach, President, 559 Main Street, Stroudsburg, PA 18360 or hand deliver the notice of revocation or subsequent proxy to John G. Gerlach before the taking of the vote at the special meeting. Attendance at the special meeting will not by itself constitute a revocation of a proxy.

Solicitation of Proxies and Costs

Pocono will pay the costs of soliciting proxies from Pocono shareholders. In addition to solicitation by mail, directors, officers and employees acting on behalf of Pocono may solicit proxies for the special meeting in person or by telephone, email, facsimile or other means of communication. Pocono will not pay any additional compensation to these directors, officers or employees for these activities, but may reimburse them for reasonable out-of-pocket expenses. Pocono will make arrangements with brokerage houses, custodians, nominees and fiduciaries for forwarding of proxy solicitation materials to beneficial owners of shares held of record by these brokerage houses, custodians, nominees and fiduciaries, and Pocono will reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in connection with the solicitation.

Proposal No. 1:

The Merger

The following information describes the material terms and provisions of the merger. This description is not complete. We qualify this discussion in its entirety by reference to the merger agreement, as amended, which we incorporate by reference in this proxy statement/prospectus. A copy of the merger agreement is attached to this document as Annex A to provide information regarding the terms of the proposed merger. Except for its status as the contractual document between the parties with respect to the merger described therein, it is not intended to provide factual information about the parties. The representation and warranties contained in the merger agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed to by the contracting parties, including being qualified by disclosures between the parties. These representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Accordingly, they should not be relied on by investors as statements of factual information. We urge you to read the full text of the merger agreement carefully.

General

The merger agreement provides that:

- Pocono will merge into First Keystone National Bank, the wholly-owned subsidiary of First Keystone Corporation, with First Keystone National Bank as the surviving bank.

- If you are a shareholder of Pocono, at your election, you will receive either 0.8944 shares of First Keystone Corporation common stock or $16.10 in cash for each share of Pocono common stock you own. In addition, each option and warrant will be cancelled and instead represent the right only to receive in cash the difference between the exercise price of the option or warrant and $16.10. Your election may specify that you receive all First Keystone Corporation common stock, all cash, or a mix of First Keystone Corporation common stock and cash, subject, however, to allocation procedures assuring that 937,277 shares of First Keystone Corporation common stock is exchanged for Pocono common stock. Accordingly, after Pocono shareholder elections have been tabulated, the elected amounts of stock and cash may be subject to adjustment to assure that 937,277 shares of First Keystone Corporation common stock are issued. Therefore, the amount of cash or stock that Pocono shareholders receive in the merger may vary substantially from the consideration they elect to receive.

- W. Peter Ahnert and John G. Gerlach will be appointed as members of the First Keystone Corporation board of directors.

- Pocono will continue to be operated as a separate division of First Keystone National Bank under the name Pocono Community Bank, a Division of First Keystone National Bank for at least two years after the merger effective date.

- The current directors of Pocono, may continue to serve as the directors of an advisory board for the Pocono Community Bank division of First Keystone National Bank for at least two years after the merger effective date if they choose.

Background of the Merger

From time to time, Pocono s directors have held discussions to review Pocono s business plan, the developing market in which Pocono competes, and its strategic alternatives. Over the past three years, the directors have specifically reviewed:

- the entry of several banking organizations into Pocono s market, all of which are bigger than Pocono and offer a variety of financial products and services to their customers that Pocono does not have the resources to offer;

- the ability of Pocono to continue to finance more branch offices without creating an adverse impact on earnings;

- the interest-rate environment as it impacts banks that rely primarily on spread income, such as Pocono;

- succession planning to replace John G. Gerlach, the President and Chief Executive Officer, who has expressed a desire to retire; and

- the occasional receipt of informal unsolicited indications of interest by other banking organizations to partner with Pocono.

As a result of all of the above, in late August 2006, John G. Gerlach suggested to the board of directors that it would be advisable to engage an investment banking firm to assist the directors in a review of any unsolicited offer to acquire Pocono and of other strategies to enhance shareholder value and create a more competitive banking alternative to customers in Pocono s market. The board of directors requested Mr. Gerlach to interview representatives of several investment banking firms.

On September 26, 2006, Mr. Gerlach interviewed Charles K. Hull of Boenning & Scattergood, Inc., and they had a subsequent meeting on November 1, 2006.

On November 20, 2006, Boenning & Scattergood, Inc. made a presentation to the Pocono board of directors describing its experience in the Mid-Atlantic banking market and advising the directors on a course of action that could result in the selection of a banking partner for Pocono.

On December 1, 2006, Mr. Gerlach informed Boenning & Scattergood, Inc. that the Pocono board of directors selected Boenning & Scattergood, Inc. to be its investment banker and wanted Boenning & Scattergood, Inc. to assist the board of directors in finding a suitable banking partner.

On December 11, 2006, Pocono and Boenning & Scattergood, Inc. entered into an engagement letter for Boenning & Scattergood, Inc. to act as Pocono s exclusive financial advisor in connection with the possible sale, merger or other combination of Pocono with another financial institution. As a part of this engagement, Boenning & Scattergood, Inc. prepared a confidential memorandum describing Pocono s history, business, operations and financial results, to be delivered to interested financial institutions, and, with the assistance of Pocono s management assembled a list of potential transaction partners.

After such list was reviewed by Mr. Gerlach on January 30, 2007, Boenning & Scattergood, Inc. representatives made inquiries to the management of those institutions on such list to ascertain whether they had any interest in reviewing the confidential memorandum and subsequently submitting a letter of interest to pursue a transaction. This process commenced on February 15, 2007.

On March 8, 2007, the Pocono board of directors held a special meeting to review Boenning & Scattergood, Inc. s presentation of the process to receive indications of interest. At this meeting, Boenning & Scattergood, Inc. representatives described the process that led to the receipt of indications of interest from six financial institutions. Boenning & Scattergood, Inc. presented the board of directors with an analysis of each of these institutions and the terms and conditions associated with each indication of interest to acquire Pocono. Moreover, Boenning & Scattergood, Inc. reviewed comparable bank deals and indicated to the Pocono board of directors that the potential merger consideration contained in at least three of the six indications of interest was well in excess of the average price to earnings received by other similar selling banking institutions. Furthermore, Boenning & Scattergood, Inc. suggested that the board of directors select at least two of these six institutions to continue discussions to lead to a definitive written offer to partner with Pocono. After discussion on the merits and disadvantages to each indication of interest, the Pocono board of directors selected First Keystone Corporation and one other banking institution to continue with discussions.

Soon after the meeting on March 8, 2007, the other selected financial institution withdrew its indication of interest. However, one of the remaining original six interested banking institutions persisted in its interest and Pocono management decided to allow that institution to make a more definitive offer.

On April 11, 2007, the Pocono board of directors held a special meeting to review two firm offers that had been received, one of which was from First Keystone Corporation. Boenning & Scattergood, Inc. representatives described both of these offers in detail. Pocono directors inquired about the federal tax consequences for each offer with respect to shareholders; the impact on Pocono s employees and customers if one of these institutions acquired Pocono; the dividend payout history of these two offerors; the market for these offerors stock; price protection mechanisms in a possible merger agreement for Pocono shareholders for the exchange of their stock; the development of Pocono s market with respect to the entries of other financial institution competitors; the historical financial performance of these two offerors; and the potential to offer Pocono s customers a wider array of banking products and services, trust services and investment products.

After discussion on these matters, the Pocono board of directors directed Boenning & Scattergood, Inc. and Pocono legal counsel to negotiate with appropriate agents and representatives of First Keystone Corporation a definitive written acquisition agreement based upon the terms and conditions contained in the written offer of First Keystone Corporation.

On April 20, 2007, Pocono management and Boenning & Scattergood, Inc. representatives conducted an on-site due diligence investigation of First Keystone Corporation and First Keystone National Bank.

On May 9, 2007, the Pocono board of directors held a special meeting to review with Boenning & Scattergood, Inc. and legal counsel the merger agreement and its annexes attached as **Annex A** to this proxy statement/prospectus. Legal counsel reviewed the terms and conditions of the merger agreement, copies of which were delivered to the members of the board of directors prior to this meeting.

Also, at this special meeting, Boenning & Scattergood, Inc. representatives submitted their fairness opinion, a copy of which is attached to this proxy statement/prospectus as **Annex B**. Moreover, Boenning & Scattergood, Inc. representatives presented information regarding an overview of the merger which included valuation consideration and pro forma financial data; the findings from Boenning & Scattergood, Inc. s and Pocono s due diligence investigation of First Keystone Corporation; the 5-year historical performance of Pocono; comparable mergers and acquisitions; and comparable market value of this merger. Boenning & Scattergood, Inc. related that the financial terms for this merger transaction were in excess of comparable bank deals.

At this meeting on May 9, 2007, the Pocono board of directors approved this merger agreement with First Keystone Corporation and directed Pocono management to take those steps that would be necessary, including holding a special meeting of shareholders, to consummate the merger.

On May 10, 2007, the First Keystone Corporation board of directors approved the merger agreement. Pocono and First Keystone Corporation publicly announced the transaction before markets opened on May 11, 2007.

Recommendation of the Pocono Board of Directors

The Pocono board of directors has approved the merger and the merger agreement, and believes that the proposed merger is in the best interests of Pocono and its shareholders. Accordingly, the Pocono board of directors recommends that Pocono shareholders vote FOR approval and adoption of the merger agreement and the merger.

Opinion of Pocono s Financial Advisor

Pursuant to an engagement letter dated as of December 7, 2006, Pocono retained Boenning & Scattergood, Inc. to act as its exclusive financial advisor in connection with its consideration of a possible business combination. In connection with the merger with First Keystone Corporation, the Pocono board requested Boenning & Scattergood, Inc. to render its opinion as to the fairness of the merger consideration to the holders of Pocono common stock from a financial point of view. At the May 9, 2007, meeting at which Pocono s board considered the merger agreement, Boenning & Scattergood, Inc. rendered its opinion to the board that, based upon and subject to the various considerations set forth therein, as of May 9, 2007, the merger consideration was fair to the holders of Pocono common stock from a financial point of view. Boenning & Scattergood, Inc. has updated its opinion as of September 7, 2007.

The full text of Boenning & Scattergood, Inc. s opinion, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as **Annex B** to this proxy statement/prospectus, is incorporated herein by reference, and should be read in its entirety in connection with this document. The summary of the opinion of Boenning & Scattergood, Inc. set forth below is qualified in its entirety by reference to the full text of the opinion attached as **Annex B** to this document.

Boenning & Scattergood, Inc. was selected to act as Pocono s financial advisor in connection with the merger with First Keystone Corporation based upon its qualifications, expertise, reputation and experience. Boenning & Scattergood, Inc. has knowledge of, and experience with the Pennsylvania and surrounding banking markets, as well as banking organizations operating in those markets, and was selected by Pocono because of its knowledge of, experience with, and reputation in the financial services industry. Boenning & Scattergood, Inc., as part of its investment banking business, is engaged regularly in the valuation of assets, securities and companies in connection with various types of asset and securities transactions, including mergers, acquisitions, public offerings, private placements, and valuations for various other purposes and in the determination of adequate consideration in such transactions. In the ordinary course of its business as a broker-dealer, Boenning & Scattergood, Inc. may, from time to time, purchase securities from, and sell securities to, Pocono and First Keystone Corporation. In the ordinary course of business, Boenning & Scattergood, Inc. may actively trade the securities of Pocono and First Keystone Corporation for its own account and for the accounts of customers and accordingly may at any time hold a long or short position in such securities. Boenning & Scattergood, Inc. serves as a market maker in First Keystone Corporation s common stock.

On May 9, 2007, a majority of the members of Pocono s board of directors approved and executed the merger agreement. Prior to the approval, Boenning & Scattergood, Inc. delivered its opinion to Pocono s board of directors stating that, as of such date, the merger consideration pursuant to the merger agreement was fair to the shareholders of Pocono from a financial point of view. Boenning & Scattergood, Inc. has updated its opinion as of September 7, 2007. The full text of the opinion which sets forth assumptions made, matters considered and limits on the review undertaken is attached as **Annex B** to this document.

No limitations were imposed by Pocono s board of directors upon Boenning & Scattergood, Inc. with respect to the investigations made or procedures followed by Boenning & Scattergood, Inc. in rendering the opinion.

In arriving at its opinion, Boenning & Scattergood, Inc., among other things:

- reviewed the merger agreement;

- reviewed and analyzed the stock market performance of Pocono and First Keystone Corporation;

- studied and analyzed the consolidated financial and operating data of Pocono and First Keystone Corporation;

- considered the terms and conditions of the merger between Pocono and First Keystone Corporation as compared with the terms and conditions of bank, bank holding company, and financial holding company mergers and acquisitions which Boenning & Scattergood, Inc. deemed comparable;

- met and/or communicated with certain members of Pocono s and First Keystone Corporation s senior management to discuss their respective operations, historical financial statements, and future prospects;

- reviewed a draft of this registration statement (in the case of the proxy opinion);

- compared the financial performance of Pocono and First Keystone Corporation and the prices and trading activity of the stocks of Pocono and First Keystone Corporation with those of certain other publicly-traded banks, bank holding companies, and financial holding companies and their securities which Boenning & Scattergood, Inc. deemed comparable;

- discussed the strategic objectives of the merger and the plans for the combined company with senior executives of Pocono and First Keystone Corporation, including estimates of the cost savings and other synergies projected by First Keystone Corporation for the combined company;

- participated in discussions and negotiations among representatives of Pocono and First Keystone Corporation and their advisors; and

- conducted such other financial analyses, studies and investigations as it deemed appropriate.

In connection with rendering its opinion, Boenning & Scattergood, Inc. assumed that in the course of obtaining the necessary regulatory and governmental approvals for the merger, no restriction will be imposed on First Keystone Corporation or Pocono that would have a material adverse effect on the contemplated benefits of the merger. Boenning & Scattergood, Inc. also assumed that no change in applicable law or regulation will occur that would cause a material adverse change in the prospects or operations of First Keystone Corporation after the merger.

Boenning & Scattergood, Inc. relied, without independent verification, upon the accuracy and completeness of all of the financial and other information reviewed by and discussed with it for purposes of its opinion. With respect to Pocono s and First Keystone Corporation s financial forecasts and other information reviewed by Boenning & Scattergood, Inc. in rendering its opinion, Boenning & Scattergood, Inc. assumed that such information was reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Pocono and First Keystone Corporation as to their most likely future performance and the cost savings and other potential synergies (including the amount, timing and achievability thereof) anticipated to result from the merger. Boenning & Scattergood, Inc. did not make an independent evaluation or appraisal of the assets (including loans) or liabilities of Pocono or First Keystone Corporation nor was it furnished with any such appraisal. Boenning & Scattergood, Inc. also did not independently verify, and has relied on and assumed, that all allowances for loan and lease losses set forth in the balance sheets of Pocono and First Keystone Corporation were adequate and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. In addition, Boenning & Scattergood, Inc. did not review credit files of either Pocono or First Keystone Corporation.

The following is a summary of the material analyses prepared by Boenning & Scattergood, Inc. and presented to Pocono s board of directors in connection with the opinion and analyzed by Boenning & Scattergood, Inc. in connection with the opinion. In connection with delivering its opinion, Boenning & Scattergood, Inc. updated certain analyses described below to reflect current market conditions and events occurring since the date of the opinion. The reviews and updates led Boenning & Scattergood, Inc. to conclude that it was not necessary to change the conclusions it had reached in connection with rendering the opinion. Additionally, none of the analyses prepared by Boenning & Scattergood, Inc. in connection with the issuance of the opinion failed to support Boenning & Scattergood, Inc. s conclusion that the merger consideration was fair to the holders of Pocono common stock from a financial point of view.

Summary of Transaction

Boenning & Scattergood, Inc. calculated the implied pricing and valuation multiples based upon the offer price of $16.10 in cash and the implied offer price per share in common stock of $16.77. The offer price in stock was derived by multiplying the exchange ratio of .8944 by the last reported per share sale price of First Keystone Corporation of $18.75 as of May 7, 2007. In addition, Boenning & Scattergood, Inc. calculated the value of the difference between the cash offer price and the respective strike prices of outstanding warrants and stock options to purchase Pocono common stock. A summary of the implied pricing is provided below.

Price Per Share Offered in Cash	$	16.10	
Fixed Exchange Ratio Offered for Stock	.8944		
First Keystone Stock Price on May 7, 2007	$	18.75	
Implied Price Offered for Stock	$	16.77	
Average Price Per Share for Pocono Shareholders	$	16.50	
Shares of First Keystone Stock Issued to Pocono	932,277		
Aggregate Implied Consideration for Stock	$	17,480,194	*52* %
Aggregate Value of Cash Consideration for Stock	$	11,280,013	*33* %
Total to Common Shareholders	$	28,760,207	*85* %
Total Economic Value Offered to Warrant Holders	$	4,609,062	*14* %
Total Economic Value Offered to Option Holders	$	466,043	*1* %
Total Aggregate Consideration to Pocono	$	33,835,312	*100* %

Based on Pocono s last twelve months net income for the period ended March 31, 2007 of $.9 million, common shareholders equity of $14.6 million and common shareholders tangible equity of $14.6 million as of March 31, 2007, respectively, Boenning & Scattergood, Inc. calculated certain standard industry valuation statistics. The values were as follows:

Aggregate Consideration / Last Twelve Months Reported Net Income	37.8x
Aggregate Consideration / Common Shareholders Equity	232.9 %
Aggregate Consideration / Tangible Common Shareholders Equity	232.9 %

Comparable Companies Analysis

Boenning & Scattergood, Inc. compared selected publicly available financial, operating and stock market data for Pocono with those of a peer group in order to compare Pocono s historical financial and operating performance with the peers and examine the Merger consideration offered by First Keystone Corporation relative to the market valuations of the peers. The financial and operating data is as of December 31, 2006, or, if not available, September 30, 2006, and the stock market data is as of May 7, 2007. The peers consisted of banks with assets between $100 million and $175 million headquartered in Pennsylvania.

The companies in the peer group were:

- Lawrence Keister & Co., Scottdale, PA;
- Fleetwood Bank Corporation, Fleetwood, PA;
- Enterprise Financial Services Group, Inc., Allison Park, PA;
- Union Bancorp, Inc., Pottsville, PA;
- Allegiance Bank of North America, Bala Cynwyd, PA;
- Mercersburg Financial Corporation, Mercersburg, PA;
- Landmark Community Bank, Pittston, PA;
- First Perry Bancorp, Inc., Marysville, PA;
- GNB Financial Services, Inc., Gratz, PA;
- JTNB Bancorp, Inc., Jim Thorpe, PA;
- Apollo Bancorp, Inc., Apollo, PA; and
- UNB Corporation, Mount Carmel, PA.

The results of these comparisons, based on December 31, 2006, or, if not available, September 30, 2006, financial information and stock price data as of May 7, 2007, are set forth in the following table.

	Pocono ($s In Millions)	Peer Median
Assets	$ 138.5	$ 129.8
Common Equity Capital / Assets	10.4 %	10.4 %
Loans / Deposits	88.2 %	77.4 %
Nonperforming Assets(1) / Assets	0.09 %	0.10 %
Return on Average Assets	0.79 %	0.63 %
Return on Average Common Equity	7.40 %	6.09 %
Non-Interest Income / Average Assets	0.40 %	0.52 %
Non-Interest Expense / Average Assets	2.51 %	2.85 %
Efficiency Ratio(2)	68.7 %	74.9 %
Net Interest Margin	3.46 %	3.55 %
Four Year Average Results:		
Return on Average Assets	0.97 %	0.70 %
Return on Average Common Equity	9.91 %	6.96 %
Efficiency Ratio(2)	60.0 %	67.7 %
Net Interest Margin	3.64 %	3.70 %
Compound Annual Growth Rate(3):		
Assets	7.1 %	4.0 %
Loans	7.9 %	8.5 %
Deposits	6.0 %	4.1 %
Common Equity Market Capitalization	$ 27.8	$ 17.1
Price / 52 Week High Price	N/A %	92.5 %
Price to:		
Book Value Per Common Share	193.7 %	121.6 %
Tangible Book Value Per Common Share	193.7 %	121.6 %
LTM(4) Earnings Per Common Share	37.7x	25.9x
LTM(4) Dividend Payout Ratio	0.0 %	7.9 %
Avg. Weekly Volume / Common Shares Outstanding	N/A %	0.06 %

(1) Defined as total nonaccrual loans plus other real estate owned plus accruing loans that are 90 days past due.

(2) Defined as non-interest expense less intangible amortization divided by the sum of net interest income plus non-interest income.

(3) Reflects the compound annual growth rate from fiscal year 2002 to most recent quarter.

(4) LTM stands for the latest twelve months.

Boenning & Scattergood, Inc. also compared selected publicly available financial, operating and stock market data for First Keystone Corporation with a peer group of SEC reporting banks with assets between $450 million and $650 million headquartered in Pennsylvania. This analysis was performed in order to compare First Keystone Corporation s historical financial and operating performance with comparable institutions and to examine its market valuation relative to its peer group. The financial and operating data is as of March 31, 2007, or, if not available, December 31, 2006, and the stock market data is as of March 7, 2007.

The companies in the peer group were:

- QNB Corporation, Quakertown, PA;
- Ephrata National Bank, Ephrata, PA;
- FNB Bancorp, Inc., Newtown, PA;
- Penns Woods Bancorp, Inc., Williamsport, PA;
- Codorus Valley Bancorp, Inc., York, PA;
- Tower Bancorp, Inc., Greencastle, PA;
- Penesco Financial Services Corporation, Scranton, PA;
- Citizens Financial Services, Inc., Mansfield, PA;
- Fidelity D&D Bancorp, Inc., Dunmore, PA;
- Comm Bancorp, Inc., Clarks Summit, PA;
- DNB Financial Corporation, Downingtown, PA;
- Union National Financial Corporation, Lancaster, PA;
- American Bank Incorporated, Allentown, PA;
- Mid Penn Bancorp, Inc., Millersburg, PA;
- Norwood Financial Corp., Honesdale, PA, and;
- East Penn Financial Corporation, Emmaus, PA.

The results of these comparisons, based on March 31, 2007, or, if not available, December 31, 2006, financial information and stock price data as of May 7, 2007, are set forth in the following table.

	First Keystone Corporation ($s In Millions)		Peer Median		
Assets	$ 523.8		$ 565.5		$
Common Equity Capital / Assets	10.4	%	8.7	%	
Loans / Deposits	64.3	%	88.6	%	
Nonperforming Assets(1) / Assets	0.63	%	0.52	%	
Return on Average Assets	1.16	%	1.05	%	
Return on Average Common Equity	11.34	%	10.60	%	
Non-Interest Income / Average Assets	.73	%	0.80	%	
Non-Interest Expense / Average Assets	1.90	%	2.84	%	
Efficiency Ratio(2)	58.3	%	65.3	%	
Net Interest Margin	2.96	%	3.73	%	
Four Year Average Results:					
Return on Average Assets	1.42	%	1.06	%	
Return on Average Common Equity	13.27	%	11.56	%	
Efficiency Ratio(2)	46.4	%	62.0	%	
Net Interest Margin	3.55	%	3.89	%	
Compound Annual Growth Rate(3):					
Assets	4.2	%	6.0	%	
Loans	5.4	%	10.7	%	
Deposits	4.1	%	5.3	%	
Common Equity Market Capitalization	$ 84.7		$ 78.9		
Price / 52 Week High Price	93.8	%	92.3	%	
Price to:					
Book Value Per Common Share	155.7	%	156.8	%	
Tangible Book Value Per Common Share	159.6	%	161.6	%	
LTM(4) Earnings Per Common Share	14.2x		15.2x		
LTM(4) Dividend Payout Ratio	65.1	%	42.9	%	
Avg. Weekly Volume / Common Shares Outstanding	0.18	%	0.17	%	

(1) Defined as total nonaccrual loans plus other real estate owned plus accruing loans that are 90 days past due.

(2) Defined as non-interest expense less intangible amortization divided by the sum of net interest income plus non-interest income.

(3) Reflects that compound annual growth rate from fiscal year 2002 to most recent quarter.

(4) LTM stands for latest twelve months.

No company, however, used in this analysis is identical to Pocono, First Keystone or the transaction. Accordingly, an analysis of the result of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that would affect the public trading values of the companies or company to which they are being compared.

Discounted Dividend Analysis

Using a discounted dividend analysis, Boenning & Scattergood, Inc. estimated the present value of the future cash flows that would accrue to a holder of a share of Pocono common stock over a five-year period. This analysis was performed in order to compare the merger consideration offered by First Keystone Corporation to a range of estimated implied values for Pocono common stock based on projected future cash flows. This stand-alone analysis was based on several assumptions, including a range of price to earnings multiples of 13.0x to 17.0x to Pocono s terminal year common earnings per share, a range of EPS growth rates based upon Pocono management s five year projected earnings per share growth rate of 14% to 18%, and Pocono s current common stock cash dividend payout ratio of 0%. The range of multiples applied to Pocono s estimated five-year earnings per share value reflected a variety of scenarios regarding the growth and profitability prospects of Pocono and valuation for banking securities in general. The terminal values were then discounted to present value using a discount rate of 10%. This discount rate was used in order to reflect an expected rate of return required by holders or prospective buyers of Pocono s common stock. The analysis indicated that, based upon the aforementioned assumptions, the per common share value of the present value of Pocono s common stock, on a stand-alone basis, ranged from $7.87 $12.13 with a median value of $9.86.

The table below summarizes the results under different assumption scenarios.

	Terminal Multiple				
	13.0x	**14.0x**	**15.0x**	**16.0x**	**17.0x**
EPS Growth Rate (%)					
13.9	$ 7.87	$ 8.46	$ 9.04	$ 9.62	$ 10.21
14.9	8.83	8.83	9.44	10.05	10.66
15.9	8.59	9.23	9.86	10.50	11.13
16.9	8.97	9.63	10.30	10.96	11.62
17.9	9.36	10.05	10.74	11.44	12.13

In connection with the discounted dividend analysis performed, Boenning & Scattergood, Inc. considered and discussed with Pocono s board how the present value analysis would be affected by changes in the underlying assumptions, including variations with respect to the growth rate of assets, net interest spread, non-interest income, non-interest expenses and dividend payout ratio. Boenning & Scattergood, Inc. noted that the discounted dividend stream and terminal value analysis is a widely used valuation methodology, but the assumptions that must be made, and the results of this analysis, are not necessarily indicative of actual values or future results.

Comparable Transactions Analysis

Boenning & Scattergood, Inc. also compared the per share values to Pocono common shareholders implied by the exchange ratio offered by First Keystone Corporation of latest twelve months earnings, book value, tangible book value, assets and deposits with the price per common share implied by the multiples paid in recent acquisitions of banks, bank holding companies, and financial holding companies that Boenning & Scattergood, Inc. deemed comparable. The transactions deemed comparable by Boenning & Scattergood, Inc. included both interstate and intrastate bank, bank holding company, and financial holding company acquisitions announced after January 1, 2005, in which the selling institution s assets were between $100 million and $150 million as of the most recent period publicly available prior to announcement. Boenning & Scattergood, Inc. compared this national group as a whole as well as certain of its subgroups, including a regional group, a performance group, and a recent group, with the Pocono/First Keystone Corporation transaction. The regional group included transactions involving banks, bank holding companies, and financial holding companies in which the acquired company was located in the Mid-Atlantic region. The performance group included transactions involving banks, bank *holding companies, and financial holding companies which had an equity to assets ratio between 5% and 15% and a return on average assets ratio of less than 2%. In addition to the national, regional, and performance groups, Boenning & Scattergood, Inc. also compared transactions involving recent banking companies that were announced after September 1, 2006.*

The results of these comparisons are set forth in the following table.

	First Keystone Corporation/ Pocono		National Median		Regional Median		Performance Median		Recent Median	
Number of Transactions	N/A		109		8		10		29	
Seller Information:										
Assets	$ 133.6		$ 131.4		$ 144.9		$ 136.5		$ 128.5	
Common Equity Capital / Assets	10.9	%	9.4	%	10.6	%	9.8	%	9.7	%
LTM(1) Return on Average Assets	.55	%	.99	%	.74	%	1.25	%	1.18	%
LTM(1) Return on Average Common Equity	5.13	%	9.54	%	6.80	%	13.41	%	11.90	%
NPAs(2) / Assets	.09	%	.33	%	0.82	%	.94	%	.32	%
Transaction Consideration to:										
Book Value	232.9	%	221.0	%	215.0	%	219.3	%	222.6	%
Tangible Book Value	232.9	%	221.3	%	226.4	%	230.7	%	230.7	%
LTM(1) Net Income	37.8x		22.9x		31.6x		19.9x		23.9x	
Deposits	29.5	%	24.7	%	26.9	%	27.8	%	27.0	%
Assets	25.3	%	21.2	%	21.3	%	20.8	%	20.8	%

(1) LTM stands for latest twelve months.

(2) Defined as total nonaccrual loans and other real estate owned.

No company or transaction, however, used in this analysis is identical to Pocono, First Keystone or the transaction. Accordingly, an analysis of the result of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that would affect the public trading values of the companies or company to which they are being compared.

Contribution Analysis

Boenning & Scattergood, Inc. analyzed the contribution that Pocono and First Keystone Corporation would have made to the combined company s assets, loans, deposits and equity as of March 31, 2007. In addition, Boenning & Scattergood, Inc. analyzed the contribution Pocono and First Keystone would have made to the combined company s estimated net income for the projected first full year of combined operations. This analysis was conducted in order to compare the amount of these categories Pocono is contributing to the pro forma entity versus the proportionate amount of value its shareholders are receiving. Boenning & Scattergood, Inc. has not expressed any opinion as to the actual value of First Keystone Corporation common stock when issued in the merger or the price at which First Keystone Corporation common stock will trade after the merger. The analysis indicated the following information as March 31, 2007 and the first full projected year of combined operations:

	First Keystone Corporation	Pocono
Contribution of:		
Assets	80 %	20 %
Common Equity	79 %	21 %
Loans	71 %	29 %
Deposits	77 %	23 %
Net Income(1)	87 %	13 %
Market Value(2)	72 %	28 %

(1) Reflects estimated results prior to any potential synergies.

(2) Market value consists of total cash consideration and the implied value of stock consideration to be received by Pocono based on First Keystone Corporation s closing price on May 7, 2007.

Hurdle Rate Analysis

Using a range of discount rates and a range of terminal price to earnings per common share multiples, Boenning & Scattergood, Inc. estimated a range of compound annual earnings per common share growth rates required over a five year period for Pocono to obtain an implied per common share stand alone market price comparable to the value implied by the merger consideration offered by First Keystone Corporation on a present value basis. This analysis was performed in order to examine the required earnings per common share growth rates that would be required to offer shareholders similar value to that implied by the merger consideration. Boenning & Scattergood, Inc. calculated a range of future values of the per common share implied value of the First Keystone Corporation transaction over a five-year period based on a range of discount rates from 10.0% to 14.0%. The range of discount rates reflected the expected rate of return required by holders or prospective buyers of Pocono common stock. Using a range of price to earnings per common share multiples of 13.5x to 17.5x to reflect the growth and profitability prospects of Pocono as well as general market valuations for comparable banking companies, Boenning & Scattergood, Inc. calculated Pocono s potential earnings per common share at the end of five years by dividing the price to common earnings per share multiples into the range of future values. The annual growth rate was calculated based on the potential earnings per common share values at the end of five years and Pocono s fully diluted earnings per common share value of $.49 for the twelve months ended March 31, 2007. Boenning & Scattergood, Inc. then compared the resulting earnings growth rates with Pocono s historical and estimated future earnings per common share growth rates.

In connection with the hurdle rate analysis performed, Boenning & Scattergood, Inc. considered and discussed with Pocono s board how the analysis would be affected by changes in the underlying assumptions, including variations with respect to the range of discount rates and price per common share earnings multiples used. The table below summarizes the results under different assumption scenarios.

Projected 5 Year EPS Annual Growth Rates

	Discount Rate		
Terminal Multiple	**10.0%**	**12.0%**	**14.0%**
13.5x	32.1 %	34.5 %	36.9 %
14.5x	30.2 %	32.6 %	34.9 %
15.5x	28.5 %	30.8 %	33.1 %
16.5x	26.9 %	29.2 %	31.5 %
17.5x	25.4 %	27.7 %	29.9 %

In connection with rendering its opinion, Boenning & Scattergood, Inc. performed what it deemed were the material financial analyses. Although the evaluation of the fairness, from a financial point of view, of the merger consideration in the Merger was to some extent a subjective one based on the experience and judgment of Boenning & Scattergood, Inc. and not merely the result of mathematical analysis of financial data, Boenning & Scattergood, Inc. principally relied on the previously discussed financial valuation methodologies in its determinations. Boenning & Scattergood, Inc. believes its analyses must be considered as a whole and that selecting portions of such analyses and factors considered by Boenning & Scattergood, Inc. without considering all such analyses and factors could create an incomplete view of the process underlying Boenning & Scattergood, Inc. s opinion. In its analyses, Boenning & Scattergood, Inc. made numerous assumptions with respect to business, market, monetary and economic conditions, industry performance and other matters, many of which are beyond Pocono and First Keystone Corporation s control. Any estimates contained in Boenning & Scattergood, Inc. s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates.

In reaching its opinion as to fairness, none of the analyses or factors considered by Boenning & Scattergood, Inc. was assigned any particular weighting by Boenning & Scattergood, Inc.. As a result of its consideration of the aggregate of all factors present and analyses performed, Boenning & Scattergood, Inc. reached the conclusion, and opined, that the merger consideration pursuant to the merger agreement was fair to the shareholders of Pocono from a financial point of view.

Boenning & Scattergood, Inc. s opinion was based solely upon the information available to it and the economic, market and other circumstances as they existed as of the date its opinion was delivered; events occurring after the date of its opinion could materially affect the assumptions used in preparing its opinion. Boenning has not undertaken to reaffirm and revise its opinion or otherwise comment upon any events occurring after the date of the opinion.

The full text of the Boenning & Scattergood, Inc. opinion, updated as of September 7, 2007, which sets forth assumptions made and matters considered, is attached as **Annex B** to this document. Pocono s shareholders are urged to read the opinion in its entirety. Boenning & Scattergood, Inc. s opinion is directed only to the merger consideration pursuant to the merger agreement from a financial point of view, is for the information of the board of directors of Pocono, and does not address any other aspect of the merger nor does it constitute a recommendation to any holder of Pocono common stock as to how such holder should vote at the Pocono annual meeting.

The foregoing provides only a summary of the analyses performed in the opinion of Boenning and is qualified in its entirety by reference to the full text of that opinion, which is set forth in **Annex B** to this document.

Compensation of Boenning & Scattergood, Inc.

Pocono and Boenning & Scattergood, Inc. entered into an agreement relating to the services to be provided by Boenning & Scattergood, Inc. in connection with the merger. Pocono agreed to pay Boenning & Scattergood, Inc. a cash fee of $10,000 upon execution of the engagement letter. In addition, concurrently with the execution of a definitive agreement, Pocono agreed to pay Boenning & Scattergood, Inc. a cash fee equal to 1% of the market value of the aggregate consideration offered in exchange for the outstanding shares of Pocono common stock and common stock equivalents in the merger. Based on the merger consideration payable in the merger and the number of shares of Pocono common stock and common stock equivalents outstanding on the record date for the annual meeting, this fee will amount to approximately $362,000. Pursuant to the Boenning & Scattergood, Inc. engagement, Pocono also agreed to reimburse Boenning & Scattergood, Inc. for reasonable out-of-pocket expenses incurred in connection with its retention and to indemnify it against certain liabilities.

Opinion of First Keystone Corporation s Financial Advisor

In a letter agreement dated March 14, 2007, First Keystone Corporation retained Curtis Securities, LLC to act as its financial advisor in connection with a possible business combination with Pocono. Curtis Securities, LLC is a regional investment banking firm with particular experience in the financial services industry. Curtis Securities, LLC, and its affiliates, as part of its investment banking business, is engaged in the valuation of securities and companies for a variety of purposes and in connection with various types of transactions including mergers and acquisitions. Curtis Securities, LLC was selected by First Keystone Corporation because of its knowledge of, expertise with and reputation in the financial services industry. No limitations were imposed by the First Keystone Corporation board of directors upon Curtis Securities, LLC with respect to the investigation made or procedures followed by it in arriving at its opinion. In rendering its opinion, Curtis Securities, LLC does not admit that it is an expert within the meaning of the term expert as used within the Securities Act of 1933 and the rules and regulations promulgated thereunder, or that its opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act of 1933 and the rules and regulations promulgated thereunder.

Curtis Securities, LLC acted as financial advisor to First Keystone Corporation in connection with the proposed transaction and participated in certain of the negotiations leading to the acquisition agreement, but the terms and conditions of the acquisition, including pricing, were determined through arm s length negotiations between Pocono and First Keystone Corporation. At the May 10, 2007 meeting of the board of directors of First Keystone Corporation at which the board considered and approved the acquisition agreement, Curtis Securities, LLC delivered to the board its written opinion that, as of such date, the merger consideration paid to Pocono shareholders was fair to the holders of First Keystone Corporation from a financial point of view. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Curtis Securities, LLC in rendering its opinion. The description of the opinion dated May 10, 2007 set forth below is qualified in its entirety by reference to the opinion. Curtis Securities, LLC urges First Keystone Corporation shareholders to read the entire opinion carefully in connection with their consideration of the proposed acquisition.

Curtis Securities, LLC s opinion was directed to the First Keystone Corporation board of directors and is directed only to the fairness, from a financial point of view, to the First Keystone Corporation shareholders of the merger consideration paid to the Pocono shareholders as of May 10, 2007. It does not address the underlying business decision of First Keystone Corporation to engage in the acquisition or any other aspect of the acquisition and is not a recommendation to any First Keystone Corporation shareholder as to how that shareholder should vote at the special meeting with respect to the acquisition, or any other matter.

In connection with rendering its opinion, Curtis Securities, LLC has, among other things:

(i) reviewed the historical financial performance, recent financial position and general prospects of First Keystone Corporation and Pocono using publicly available information;

(ii) reviewed certain internal financial statements and other financial and operating data concerning First Keystone Corporation and Pocono prepared by each bank s management team;

(iii) reviewed certain financial forecasts and other forward looking financial information prepared by each bank s management team;

(iv) held discussions with the senior managements of each bank concerning the business, past and current operations, financial condition and future prospects of First Keystone Corporation and Pocono;

(v) reviewed the financial terms and conditions set forth in the acquisition agreement;

(vi) compared the financial and stock market performance of First Keystone Corporation and Pocono with that of certain other publicly traded companies Curtis Securities, LLC deemed similar to those banks;

(vii) compared the financial terms of the acquisition with the financial terms, to the extent publicly available, of other transactions that Curtis Securities, LLC deemed relevant;

(viii) reviewed the relative contribution of assets, liabilities, equity and earnings of each bank to First Keystone Corporation on a pro forma basis and the relative pro forma ownership of the shareholders of each bank in First Keystone Corporation;

(ix) prepared discounted dividend analysis of each bank using data and projections supplied by each bank s management;

(x) participated in discussions and negotiations among representatives of First Keystone Corporation and Pocono and their financial and legal advisors;

(xi) reviewed the acquisition agreement dated May 10, 2007;

(xii) reviewed a draft of this proxy statement/prospectus; and

(xiii) made such inquiries and took into account such other matters as Curtis Securities, LLC deemed relevant, including Curtis Securities, LLC s assessment of general economic, market and monetary conditions.

In its review and analysis, and in arriving at its opinion, Curtis Securities, LLC assumed and relied upon the accuracy and completeness of all of the financial and other information provided to it (including information furnished to it orally or otherwise discussed with it by management of the banks as well as information provided by recognized independent sources) or publicly available and neither attempted to verify, nor assumed responsibility for verifying, any of that information. Curtis Securities, LLC relied upon the assurances of First Keystone Corporation s and Pocono s management that they are not aware of any facts that would make such information inaccurate or misleading. Furthermore, Curtis Securities, LLC did not obtain or make, or assume any responsibility for obtaining or making, any independent evaluation or appraisal of the properties, assets (including loans) or liabilities (contingent or otherwise) of either bank, nor was Curtis Securities, LLC furnished with any such evaluation or appraisal. Curtis Securities, LLC did not make any independent evaluation of the adequacy of the allowance for loan losses of either bank nor did it review any individual credit files. Curtis Securities, LLC assumed, with First Keystone Corporation s consent, that First Keystone Corporation s and Pocono s allowances for loan losses are adequate to cover such losses.

With respect to the status of the banks financial forecasts and projections (and the assumptions and basis therefore) that Curtis Securities, LLC reviewed, upon the advice of management of each bank, Curtis Securities, LLC assumed that such forecasts and projections have been reasonably prepared in good faith on the basis of reasonable assumptions and reflect the best currently available estimates and judgments as to the future financial condition and performance of First Keystone Corporation and Pocono, and Curtis Securities, LLC has further assumed that those projections and forecasts will be realized in the amounts and in the time periods currently estimated. Curtis Securities, LLC assumed that the acquisition will be consummated upon the terms set forth in the acquisition agreement without material alteration thereof and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the acquisition, no delay, limitation, restriction or condition will be imposed that would have a material adverse effect on First Keystone Corporation and Pocono or the contemplated benefits of the acquisition. Curtis Securities, LLC assumed that all of the representations and warranties contained in the acquisition agreement are true and correct and that First Keystone Corporation and Pocono will each perform the covenants required by the acquisition agreement. In addition, Curtis Securities, LLC has assumed that the historical financial statements of First Keystone Corporation and Pocono reviewed by it have been prepared and fairly presented in accordance with U.S. generally accepted accounting principles consistently applied. Curtis Securities, LLC also assumed, with the consent of First Keystone Corporation, that the acquisition will be treated as a tax-free reorganization for federal income tax purposes. Finally, with First Keystone Corporation s consent, Curtis Securities, LLC relied upon the advice First Keystone Corporation has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the acquisition and the other transactions contemplated by the acquisition agreement.

In performing its analyses, Curtis Securities, LLC also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of First Keystone Corporation, Pocono and Curtis Securities, LLC. The analyses performed by Curtis Securities, LLC are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. Curtis Securities, LLC prepared its analyses solely for purposes of rendering its opinion and provided its analyses to the First Keystone Corporation board at the board of director s meeting on May 10, 2007. Estimates of the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Curtis Securities, LLC s analyses do not necessarily reflect the value of First Keystone Corporation common stock or Pocono common stock or the prices at which First Keystone Corporation common stock or Pocono common stock may be sold at any time.

Curtis Securities, LLC also relied, without independent verification, upon the estimates and judgments of the management of First Keystone Corporation and Pocono as to the potential cost savings and other potential synergies (including the amount, timing and achievability thereof) anticipated to result from the acquisition. The financial projections, estimates of transaction costs, purchase accounting adjustments and expected cost savings discussed with Curtis Securities, LLC were prepared by the respective management teams of Pocono and First Keystone Corporation. Senior executives of Pocono and First Keystone Corporation confirmed to Curtis Securities, LLC that such projections, estimates, adjustments and savings reflected the best currently available estimates and judgments of Pocono s and First Keystone Corporation s respective management teams. Curtis Securities, LLC expressed no opinion as to such projections, estimates, adjustments and savings in its opinion. Pocono and First Keystone Corporation do not publicly disclose internal management projections of the type discussed with Curtis Securities, LLC in connection with the review of the merger. Such projections were not prepared with a view towards public disclosure. The public disclosure of such projections could be misleading since the projections were based on numerous variables and assumptions which are inherently uncertain and accordingly, actual results could vary materially from those set forth in such projections.

In rendering its opinion, Curtis Securities, LLC performed a variety of financial analyses. The following is a summary of the material analyses performed by Curtis Securities, LLC, but is not a complete description of all the analyses underlying Curtis Securities, LLC s opinion. The summary includes information presented in tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex process involving numerous subjective judgments relating to the most relevant and / or appropriate methods of corporate and financial analysis and the application of those methods and analysis to the subject circumstances. The process, therefore, is not necessarily susceptible to partial analysis or summary description. Curtis Securities, LLC believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Curtis Securities, LLC s comparative analyses described below is identical to First Keystone Corporation or Pocono and no transaction is identical to the acquisition. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of First Keystone Corporation or Pocono and the companies to which they are being compared.

Summary of Transaction. Curtis Securities, LLC reviewed the financial terms of the proposed transaction. Based upon financial information for First Keystone Corporation as of or for the twelve-month period ended March 31, 2007, Curtis Securities, LLC calculated the following ratios with respect to the transaction value per share of Pocono common stock:

Transaction Ratios	**Including** Options	**Excluding Options**
Transaction value/Last twelve month s earnings per share	37.4 x	31.8 x
Transaction value/Book value	227.0 %	196.1 %
Transaction price/Tangible book value	228.0 %	197.1 %

The aggregate transaction value was approximately $33.7 million based upon 1,745,950 million shares of Pocono common stock outstanding plus the intrinsic value of outstanding options to purchase an aggregate of 64,105 shares of Pocono common stock having a weighted average exercise price of $8.83 and warrants to purchase an aggregate of 396,134 of Pocono common stock having a weighted average exercise price of $4.55.

Stock Trading History. Curtis Securities, LLC reviewed the history of the reported trading prices and volume of First Keystone Corporation common stock and Pocono common stock for the previous one year period. Curtis Securities, LLC also compared the trading price performance of each bank with the SNL Bank Index, a nationally recognized industry information service index.

During the one-year period ending May 10, 2007, First Keystone Corporation common stock generally underperformed the index to which it was compared. During the one-year period ending May 10, 2007, Pocono common stock exhibited minimal trading activity in an illiquid market for the stock.

Contribution Analysis. Curtis Securities, LLC reviewed the relative contributions to be made by First Keystone Corporation and Pocono to the combined institution based on financial information of both banks as of or for the one-year period ended March 31, 2007. This analysis indicated that the implied contributions to the combined entity were as follows:

Contribution Analysis (1)	**First Keystone Corporation**	**Pocono**
Loans, net	71.2 %	28.8 %
Total assets	79.7 %	20.3 %
Deposits	77.4 %	22.6 %
Total equity	78.6 %	21.4 %
Last twelve months net income	87.1 %	12.9 %
Last twelve months pre-tax income	85.5 %	14.5 %
Projected 2007 Net Income	85.4 %	14.6 %
LTM Net Interest Income	76.8 %	23.2 %
LTM Non-interest Income	86.8 %	13.2 %
Pro forma ownership	83.0 %	17.0 %
Directorship	81.8 %	18.2 %

(1) Excluding purchase accounting adjustment and potential synergies.

Comparable Company Analysis. Curtis Securities, LLC used publicly available information to compare selected financial, operating and market trading information for First Keystone Corporation and Pocono and groups of commercial banking institutions selected by Curtis Securities, LLC.

The peer group for Pocono consisted of the following publicly traded commercial banks headquartered in Pennsylvania with total assets between $80 million and $200 million:

Allegiance Bank of North America

Canton Bancorp, Inc.

First National Bank of Port Allegany

First Perry Bancorp, Inc.

Fleetwood Bank Corporation

FNBM Financial Corporation

GNB Financial Services, Inc.

JTNB Bancorp, Inc.

Landmark Community Bank

Luzerne National Bank Corporation

Mercersburg Financial Corp.

Muncy Bank Financial, Inc.

Peoples Limited

UNB Corporation

Union Bancorp, Inc.

The analysis compared publicly available financial, operating and market trading information for Pocono and the data for the peer group as of and for the twelve-month period ended March 31, 2007. The table below compares the data for Pocono and the peer group.

Comparable Group Analysis

	Peer Group Minimum		Peer Group Median		Peer Group Maximum		Pocono	
Total assets *(in millions)*	$ 82.1		$ 129.9		$ 187.5		$ 133.6	
Equity/assets	7.0	%	10.1	%	16.6	%	10.9	%
Tangible equity/assets	6.9	%	10.1	%	16.6	%	10.9	%
Gross Loans/Total Deposits	51.6	%	79.2	%	121.3	%	87.7	%
NCOs/ Avg Loans	-0.05	%	0.1	%	1.24	%	0.1	%
NPAs+ 90 day past due /Total Assets	0.00	%	.64	%	1.29	%	0.09	%
Loan Loss Reserves/ NPAs	73.9	%	146.2	%	393.4	%	1,000.8	%
Three year CAGR in Loans	0.5	%	10.1	%	27.6	%	6.2	%
Three year CAGR in Deposits	-0.5	%	2.6	%	15.6	%	3.6	%
Three year CAGR in Assets	0.2	%	2.9	%	24.4	%	5.4	%
LTM Return on average assets	-.25	%	.70	%	1.23	%	.79	%
LTM Return on average equity	-1.37	%	7.23	%	12.74	%	7.33	%
Net Interest Margin	2.56	%	3.40	%	5.18	%	3.49	%
Efficiency Ratio	48.53	%	75.14	%	96.31	%	68.68	%
Three year avg Return on average assets	.02	%	.67	%	1.40	%	.97	%
Three year avg Return on average equity	.33	%	6.54	%	11.49	%	10.02	%
Three year avg Net Interest Margin	2.61	%	3.83	%	5.23	%	3.54	%
Three year avg Efficiency Ratio	44.96	%	72.54	%	102.02	%	60.79	%
Price/Book Value	76.2	%	125.4	%	252.7	%	193.2	%
Price/Tangible book value	76.2	%	125.4	%	252.7	%	194.0	%
Price/LTM earnings per share	12.8	x	19.3	x	46.3	x	37.9	x
Dividend Yield	0.00	%	2.12	%	3.08	%	0.00	%

NM = not meaningful

The peer group for First Keystone Corporation consisted of the following publicly traded commercial banks headquartered in Pennsylvania with total assets between $400 million and $700 million:

American Bank Incorporated

Citizens Financial Services, Inc.

Codorus Valley Bancorp, Inc.

Comm Bancorp, Inc.

Dimeco, Inc.

DNB Financial Corporation

East Penn Financial Corporation

Ephrata National Bank

Fidelity D&D Bancorp, Inc.

FNB Bancorp, Inc.

Juniata Valley Financial Corp.

Mid Penn Bancorp, Inc.

Norwood Financial Corp.

Penns Woods Bancorp, Inc.

Penseco Financial Services Corporation

Peoples Financial Services Corp.

QNB Corp.

Somerset Trust Holding Company

Tower Bancorp, Inc.

Union National Financial Corp.

The analysis compared publicly available financial, operating and market trading information for First Keystone Corporation and the data for the peer group as of and for the twelve-month period ended March 31, 2007. The table below compares the data for First Keystone Corporation and the peer group.

Comparable Group Analysis

	Peer Group Minimum		Peer Group Median		Peer Group Maximum		First Keystone Corporation	
Total assets *(in millions)*	$ 405.0		$ 532.8		$ 619.3		$ 523.8	
Equity/assets	5.6	%	9.0	%	14.4	%	10.4	%
Tangible equity/assets	5.6	%	8.9	%	13.2	%	10.3	%
Gross Loans/Total Deposits	63.05	%	88.3	%	108.9	%	64.3	%
NCOs/ Avg Loans	-0.81	%	0.07	%	1.20	%	0.01	%
NPAs+ 90 day past due/Total Assets	0.01	%	0.46	%	1.87	%	0.55	%
Loan Loss Reserves/NPAs	32.1	%	201.7	%	5,017.1	%	210.4	%
Three year CAGR in Loans	2.7	%	10.9	%	22.1	%	3.1	%
Three year CAGR in Deposits	-1.4	%	5.3	%	28.1	%	3.2	%
Three year CAGR in Assets	-0.5	%	5.1	%	24.1	%	1.9	%
LTM Return on average assets	.27	%	1.05	%	1.63	%	1.16	%
LTM Return on average equity	4.65	%	11.39	%	17.25	%	11.52	%
Net Interest Margin	1.90	%	3.64	%	4.50	%	3.00	%
Efficiency Ratio	49.98	%	63.89	%	90.29	%	52.69	%
Three year avg Return on average assets	.28	%	1.05	%	1.86	%	1.27	%
Three year avg Return on average equity	4.75	%	10.94	%	15.51	%	12.15	%
Three year avg Net Interest Margin	1.96	%	3.84	%	4.37	%	3.32	%
Three year avg Efficiency Ratio	52.02	%	61.83	%	85.12	%	49.81	%
Price/Book Value	117.8	%	160.7	%	212.9	%	155.7	%
Price/Tangible book value	117.8	%	163.5	%	220.0	%	159.6	%
Price/LTM earnings per share	10.7	x	15.3	x	31.0	x	14.2	x
Dividend Yield	1.49	%	2.75	%	5.12	%	4.69	%

NM = not meaningful

Analysis of Selected Merger Transactions. Curtis Securities, LLC reviewed three sets of merger transactions it deemed comparable to the proposed acquisition. Importantly, no transaction or group of transactions is the same as the proposed acquisition. The first group of transactions involved target banks located in Pennsylvania, New Jersey, Maryland, Virginia, New York, Connecticut, and Washington, D.C. with assets less than $200 million where the transaction was announced since January 1, 2004 (the Mid-Atlantic transactions , 41 transactions). The second group of transactions involved target banks which were Pennsylvania banks where the transaction was announced since January 1, 2004 (the Pennsylvania transactions , 26 transactions). The third group of transactions involved the acquired banks included in the Mid-Atlantic transactions, which had return on average equity between 5.0% and 10.0% (the Performance transactions , 13 transactions).

Transaction Multiples

	Mid-Atlantic Transactions Maximum	Median	Minimum	PA Transactions Maximum	Median	Minimum
Transaction price/LTM EPS	64.6 x	26.7 x	16.4 x	40.0 x	24.3 x	15.9 x
Transaction price/Book value	337.8 %	194.8 %	72.1 %	373.9 %	202.7 %	151.0 %
Transaction price/Tangible book value	337.8 %	194.8 %	72.1 %	404.2 %	232.1 %	152.1 %
Premium to market	111.5 %	36.3 %	-14.6 %	105.8 %	30.6 %	12.9 %

Transaction Multiples

	Performance Transactions Maximum	Median	Minimum
Transaction price/LTM EPS	42.9 x	30.1 x	20.1 x
Transaction price/Book value	307.3 %	210.9 %	140.0 %
Transaction price/Tangible book value	307.3 %	221.3 %	140.1 %
Premium to market	55.7 %	26.1 %	(14.6)%

Discounted Dividend Analysis. Curtis Securities, LLC performed an analysis that estimated the future stream of after-tax dividend flows of Pocono through December 31, 2011 under various circumstances, assuming Pocono performed in accordance with the earnings estimates for 2007 through 2009 provided by its senior management. For periods after 2009, Curtis Securities, LLC assumed Pocono would achieve earnings that would correspond to a return on average assets of 0.95% to 1.15%. To approximate the terminal value of Pocono common stock at December 31, 2011, Curtis Securities, LLC applied price/earnings multiples ranging from 24x to 28x. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 10% to 15% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Pocono common stock.

	ROAA 1.05%					ROAA 1.15%				
Discount Rate	**24x**	**25x**	**26x**	**27x**	**28x**	**24x**	**25x**	**26x**	**27x**	**28x**
10.0%	$ 15.86	$ 16.51	$ 17.16	$ 17.80	$ 18.45	$ 17.37	$ 18.08	$ 18.79	$ 19.50	$ 20.21
11.0%	$ 15.16	$ 15.78	$ 16.40	$ 17.02	$ 17.64	$ 16.61	$ 17.28	$ 17.96	$ 18.64	$ 19.32
12.0%	$ 14.50	$ 15.09	$ 15.68	$ 16.27	$ 16.87	$ 15.88	$ 16.53	$ 17.18	$ 17.82	$ 18.47
13.0%	$ 13.87	$ 14.44	$ 15.00	$ 15.57	$ 16.13	$ 15.19	$ 15.81	$ 16.43	$ 17.05	$ 17.67
14.0%	$									