FENTURA FINANCIAL INC
Form 10-Q
August 14, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from __________ to __________

Commission file number 000-23550

Fentura Financial, Inc.

(Exact name of registrant as specified in its charter)

Michigan	**38-2806518**
(State or other jurisdiction of incorporation or organization)	(IRS Employee Identification No.)

175 N Leroy, P.O. Box 725, Fenton, Michigan 48430

(Address of Principal Executive Offices)

(810) 629-2263

(Registrant s telephone number)

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: July 24, 2009

Class Common Stock	Shares Outstanding 2,209,183

Fentura Financial Inc.
Index to Form 10-Q

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Fentura Financial, Inc.

Consolidated Balance Sheets

(000s omitted except share data)	June 30, 2009 (unaudited)	Dec 31, 2008
ASSETS		
Cash and due from banks	$ 43,645	$ 13,626
Federal funds sold	0	0
Total cash & cash equivalents	43,645	13,626
Securities-available for sale	51,483	47,065
Securities-held to maturity, (fair value of $5,657 at June 30, 2009 and $6,784 at December 31, 2008)	5,654	6,765
Total securities	57,137	53,830
Loans held for sale	1,136	690
Loans:		
Commercial	278,224	289,523
Real estate loans construction	37,028	48,777
Real estate loans mortgage	33,050	37,828
Consumer loans	50,669	52,910
Total loans	398,971	429,038
Less: Allowance for loan losses	(13,970)	(10,455)
Net loans	385,001	418,583
Bank owned life insurance	7,088	7,282
Bank premises and equipment	16,369	16,879
Federal Home Loan Bank stock	1,900	1,900
Accrued interest receivable	1,996	2,231
Acquisition intangibles	220	293
Equity investment	0	1,360
Other real estate owned	5,933	5,983
Assets of held for sale operations	42,712	45,650
Other assets	5,502	10,297
Total assets	$568,639	$578,604
LIABILITIES		
Deposits:		
Non-interest bearing deposits	$ 69,231	$ 64,325
Interest bearing deposits	409,844	405,039
Total deposits	479,075	469,364

Short term borrowings	477	1,500
Federal Home Loan Bank advances	9,981	12,707
Subordinated debentures	14,000	14,000
Note payable	0	1,000
Liabilities of held for sale operations	40,143	42,174
Accrued taxes, interest and other liabilities	5,753	1,735
Total liabilities	549,429	542,480
SHAREHOLDERS EQUITY		
Common stock no par value		
2,209,183 shares issued (2,185,765 at Dec. 31, 2008)	42,850	42,778
Retained deficit	(21,700)	(4,677)
Accumulated other comprehensive loss	(1,940)	(1,977)
Total shareholders equity	19,210	36,124
Total liabilities and shareholders equity	$568,639	$578,604

See notes to consolidated financial statements.

Table of Contents

Fentura Financial, Inc.
Consolidated Statements of Income (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(000s omitted except per share data)	**2009**	**2008**	**2009**	**2008**
INTEREST INCOME				
Interest and fees on loans	$ 6,000	$ 6,867	$ 12,463	$ 14,350
Interest and dividends on securities:				
Taxable	390	499	809	1,045
Tax-exempt	138	144	283	255
Interest on federal funds sold	0	15	0	108
Total interest income	6,528	7,525	13,555	15,758
INTEREST EXPENSE				
Deposits	2,613	3,065	5,226	6,809
Borrowings	291	423	602	909
Total interest expense	2,904	3,488	5,828	7,718
NET INTEREST INCOME	3,624	4,037	7,727	8,040
Provision for loan losses	7,711	3,475	9,366	4,455
Net interest income (loss) after provision for loan losses	(4,087)	562	(1,639)	3,585
NON-INTEREST INCOME				
Service charges on deposit accounts	480	595	917	1,220
Gain on sale of mortgage loans	277	100	512	218
Trust and investment services income	463	516	827	972
Loss on equity investment	(874)	(290)	(1,360)	(457)
Other income and fees	480	451	1,069	820
Total non-interest income	826	1,372	1,965	2,773
NON-INTEREST EXPENSE				
Salaries and employee benefits	2,071	2,767	4,623	5,591
Occupancy	447	492	950	997
Furniture and equipment	403	508	827	979
Loan and collection	933	221	1,318	369
Advertising and promotional	47	130	88	215
Loss on security impairment	200	36	200	610
Loss on impairment of held for sale operations	0	0	700	0
Other operating expenses	1,211	766	2,441	1,566
Total non-interest expense	5,312	4,920	11,1147	10,327
Loss from continuing operations before income tax	(8,573)	(2,986)	(10,821)	(3,969)
Federal income tax expense/(benefit)	5,952	(1,025)	5,360	(1,389)
Net loss from continuing operations	$ (14,525)	$ (1,961)	$ (16,181)	$ (2,580)

Net loss from held for sale operations, net of tax	(839)	(207)	(842)	(217)
Net loss	$ (15,364)	$ (2,168)	$ (17,023)	$ (2,797)
Loss per share from continuing operations				
Basic	$ (6.61)	$ (0.90)	$ (7.38)	$ (1.19)
Diluted	$ (6.61)	$ (0.90)	$ (7.38)	$ (1.19)
Net loss per share				
Basic	$ (6.99)	$ (1.00)	$ (7.77)	$ (1.29)
Diluted	$ (6.99)	$ (1.00)	$ (7.77)	$ (1.29)
Cash Dividends declared	$ 0.00	$ 0.00	$ 0.00	$ 0.00

See notes to consolidated financial statements.

Table of Contents

Fentura Financial, Inc.
Consolidated Statements of Changes in Shareholders Equity (Unaudited)

	Six Months Ended June 30,	
(000s omitted)	**2009**	**2008**
COMMON STOCK		
Balance, beginning of period	$ 42,778	$ 42,478
Issuance of shares under		
Director stock purchase plan & Dividend reinvestment program (23,418 and 11,800 shares)	72	213
Stock options exercised	0	0
Stock compensation expense	0	4
Balance, end of period	42,850	42,695
RETAINED DEFICIT		
Balance, beginning of period	(4,677)	7,488
Net loss	(17,023)	(2,797)
Cash dividends declared	0	0
Balance, end of period	(21,700)	4,691
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of period	(1,977)	(470)
Change in unrealized gain (loss) on securities, net of tax	37	(417)
Balance, end of period	(1,940)	(887)
Total Shareholders Equity	$ 19,210	$ 46,499

See notes to consolidated financial statements.

Table of Contents

Fentura Financial, Inc.
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(000s omitted)	**2009**	**2008**
OPERATING ACTIVITIES:		
Net loss	$(17,023)	$ (2,797)
Adjustments to reconcile net income (loss) to cash Provided by Operating Activities:		
Stock compensation expense	0	4
Depreciation and amortization	581	458
Establishment of deferred tax asset valuation allowance	6,617	0
Provision for loan losses	9,366	4,455
Loans originated for sale	(42,302)	(16,999)
Proceeds from the sale of loans	42,368	18,424
(Gain) on sales of loans	(512)	(218)
(Gain) Loss on sale of fixed assets	0	(118)
(Gain) Loss on other real estate owned	200	0
Loss on security impairment	200	610
Loss on equity investment	1,360	458
Earnings from bank owned life insurance	194	(108)
Net (increase) decrease in interest receivable & other assets	1,748	2,591
Net increase (decrease) in interest payable & other liabilities	2,097	(1,412)
Total Adjustments	15,741	8,145
Net cash provided by (used in) operating activities	(1,282)	5,348
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of securities HTM	1,108	1,253
Proceeds from maturities of securities AFS	4,726	4,726
Proceeds from sales of securities AFS	0	1,999
Proceeds from calls of securities AFS	2,000	11,112
Purchases of securities AFS	(10,646)	(6,732)
Net (increase) decrease in loans	24,966	2,552
Sales of other real estate owned	865	0
Acquisition of premises and equipment, net	(71)	95
Net cash provided by investing activities	22,948	15,005
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	9,711	(26,698)
Net increase (decrease) in borrowings	(1,023)	2,109
Net increase (decrease) in repurchase agreements	0	(5,000)
Repayment of notes payable	(250)	0
Purchase of advances from FHLB	55,495	7,001

Repayments of advances from FHLB	(58,221)	(8,024)
Net proceeds from stock issuance and purchase	72	213
Net cash provided by (used in) financing activities	5,784	(30,399)
Net Change in Cash and Cash Equivalents	$ 27,450	$ (10,046)
Change in cash and cash equivalents of held for sale operations	2,569	(2,231)
Cash and cash equivalents Beginning	$ 13,626	$ 27,041
Cash and cash equivalents Ending	$ 43,645	$ 14,764
Cash paid for:		
Interest	$ 5,655	$ 7,690
Income Taxes	$ 3,715	$ 0
Noncash Disclosures:		
Transfers from loans to other real estate	$ 750	$ 2,892

Fentura Financial, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)

(000s Omitted)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net loss	$(15,364)	$(2,168)	$(17,023)	$(2,797)
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) arising during period	900	(706)	237	193
Impairment loss recognized during period	(200)	(35)	(200)	(610)
Other comprehensive income (loss)	1,100	(741)	37	(417)
Comprehensive income (loss)	$(14,264)	$(2,909)	$(16,986)	$(3,214)

Fentura Financial, Inc.
Notes to Consolidated Financial Statements (Unaudited)
NOTE 1 BASIS OF PRESENTATION

The consolidated financial statements at December 31, 2008, June 30, 2008 and June 30, 2009 include Fentura Financial, Inc. (the Corporation) and its wholly owned subsidiaries, The State Bank in Fenton, Michigan; Davison State Bank in Davison, Michigan; and West Michigan Community Bank in Hudsonville, Michigan (the Banks), as well as Fentura Mortgage Company, West Michigan Mortgage Company, LLC, and the other subsidiaries of the Banks. Intercompany transactions and balances are eliminated in consolidation.

On March 17, 2009, The Corporation entered into an agreement to sell all of the stock of one of its bank subsidiaries, Davison State Bank, to a private, non-affiliated, investor group. The transaction is expected to close during the third quarter of 2009. At June 30, 2009, Davison had assets of $42.7 million, loans of $27.4 million; deposits of $37.8 million, equity of $2.6 million and a year-to-date net loss of $842,000. The agreement calls for consideration to be received of $3.0 million plus or minus certain closing equity adjustments. The Corporation recorded an estimated loss on the sale of Davison State Bank of $700,000 in the first quarter of 2009. The agreement also provides for a termination payment of $150,000 if either party breaches the agreement. This transaction will have minimal impact to 2009 core earnings due to the proportionate size of Davison State Bank. The Corporation projects cost savings for the fourth quarter of 2009 and beyond, as a result of this transaction.

Financial statements are presented with held for sale operations sequestered on the balance sheet and income statement. The presentations have been updated for June 30, 2009, December 31, 2008 and June 30, 2008 to reflect the held for sale operations results.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in the Corporation s annual report on Form 10-K for the year ended December 31, 2008.

Table of Contents

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management s judgment, should be charged-off. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Banks to the Corporation or by the Corporation to shareholders. The Banks have been restricted from dividend payments in efforts of preserving their individual capital levels.

Stock Option Plans: The Nonemployee Director Stock Option Plan provides for granting options to nonemployee directors to purchase the Corporation s common stock. No options have been granted in 2009. The purchase price of the shares is the fair market value at the date of the grant, and there is a three-year vesting period before options may be exercised. Options to acquire no more than 8,131 shares of stock may be granted under the Plan in any calendar year and options to acquire not more than 73,967 shares in the aggregate may be outstanding at any one time.

The Employee Stock Option Plan grants options to eligible employees to purchase the Corporation s common stock at or above, the fair market value of the stock at the date of the grant. Awards granted under this plan are limited to an aggregate of 86,936 shares. The administrator of the plan is a committee of directors. The administrator has the power to determine the number of options to be granted, the exercise price of the options and other terms of the options, subject to consistency with the terms of the Plan.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Corporation s common stock. The Corporation uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and management options are tracked separately.) The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. Shares that are issued upon option exercise come from authorized but unissued shares.

The following table summarizes stock option activity:

	Number of Options	Weighted Average Price
Options outstanding at December 31, 2008	26,597	$ 29.85
Options granted 2009	0	$ 0.00
Options forfeited 2009	(2,350)	$ 30.52
Options outstanding at June 30, 2009	24,247	$ 29.78

NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS

New Accounting Pronouncements:

In December 2007, the FASB issued FAS No. 141 (revised 2007), Business Combinations (FAS 141(R)), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. FAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. The adoption of this standard did not have an impact on the Corporation s results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interest in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS No. 160), which changed the accounting and reporting for minority interests, re-characterizing them as non-controlling interests and classifying them as a component of equity within the consolidated balance sheets. FAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. The adoption of FAS No. 160 did not have a significant impact on the Corporation s results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133. FAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 for derivative instruments and hedging activities. FAS No. 161 requires qualitative disclosure about objectives and strategies for using derivative and hedging instruments, quantitative disclosures about fair value amounts of the instruments and gains and losses on such instruments, as well as disclosures about credit-risk features in derivative agreements. FAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of this standard did not have a material effect on the Corporation s results of operations or financial position.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* This FSP addresses whether these types of instruments are participating prior to vesting and, therefore need to be included in the earning allocation in computing earnings per share under the two class method described in FASB Statement No. 128, *Earnings Per Share.* This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period earnings per share data presented shall be adjusted retrospectively. The adoption of this FSP on January 1, 2009 had no effect on the Corporation s results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 115-2 and No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* which amends existing guidance for determining whether impairment is other-than-temporary for debt securities. The FSP requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, the FSP expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Corporation adopted this FSP in the second quarter. The adoption did not have any effect on the results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset and Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. The FSP provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The FSP also requires increased disclosures. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. The Corporation adopted this FSP in the second quarter. The adoption did not have any effect on the results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Corporation adopted this FSP in the second quarter and the relevant disclosures have been added to Note 3.

<u>Recently Issued and Not Yet Effective Accounting Standards</u>:

In July 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*. The objective of this statement is to replace SFAS No. 162 The Hierarchy of Generally Accepted Accounting Principles , and to establish the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

In February 2008, the FASB issued FSP 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS #157, Fair Value measure for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The adoption of this FSP on January 1, 2009 did not have a material impact on our consolidated financial statements.

Table of Contents

In May, 2009, the FASB issued SFAS No. 165, *Subsequent Events*. This SFAS adopts part of the auditing literature regarding subsequent event transactions into the accounting standards. Though the criteria used to measure subsequent events did not change, the relevant terms of Type 1 and Type 2 subsequent events were changed to recognized subsequent events and nonrecognized subsequent events respectively. This standard also requires public companies to disclose the date upon which subsequent events were measured, which is the date the financial statements are filed with the Securities and Exchange Commission (SEC).

The Corporation evaluated subsequent events as of and through the date August 14, 2009.

NOTE 3 FAIR VALUE

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity s own assumptions about the assumptions that market participants would use in pricing and asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs). The remaining fair values of securities (Level 3 inputs) are based on the reporting entity s own assumptions and basic knowledge of market conditions and individual investment performance. The Corporation reviews the performance of the securities that comprise Level 3 on a quarterly basis.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets	Significant Other Observable	Significant