

MidWestOne Financial Group, Inc.
Form 10-Q
November 03, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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

For the transition period from _____ to _____
Commission file number 000-24630

MIDWESTONE FINANCIAL GROUP, INC.

102 South Clinton Street
Iowa City, IA 52240
(Address of principal executive offices, including Zip Code)

Registrant's telephone number: 319-356-5800

Iowa 42-1206172
(State of Incorporation) (I.R.S. Employer Identification No.)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of November 2, 2010, there were 8,613,982 shares of common stock, \$1.00 par value per share, outstanding.

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC.
Form 10-Q Quarterly Report
Table of Contents

	Page No.
PART I	
Item 1. <u>Financial Statements</u>	1
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Operations</u>	2
<u>Consolidated Statements of Shareholders' Equity and Other Comprehensive Income (Loss)</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	40
Item 4. <u>Controls and Procedures</u>	42
Part II	
Item 1. <u>Legal Proceedings</u>	43
Item 1A. <u>Risk Factors</u>	43
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
Item 3. <u>Defaults Upon Senior Securities</u>	44
Item 4. <u>[Removed and Reserved]</u>	44
Item 5. <u>Other Information</u>	44
Item 6. <u>Exhibits</u>	45
<u>Signatures</u>	46

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands)	September 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Cash and due from banks	\$ 20,372	\$ 25,452
Interest-bearing deposits in banks	5,375	2,136
Federal funds sold	—	—
Cash and cash equivalents	25,747	27,588
Investment securities:		
Available for sale	407,808	362,903
Held to maturity (fair value of \$4,307 as of September 30, 2010 and \$8,118 as of December 31, 2009)	4,231	8,009
Loans held for sale	4,936	1,208
Loans	956,324	966,998
Allowance for loan losses	(14,859)	(13,957)
Net loans	941,465	953,041
Loan pool participations, net	71,160	83,052
Premises and equipment, net	27,431	28,969
Accrued interest receivable	11,796	11,534
Other intangible assets, net	11,406	12,172
Bank-owned life insurance	18,559	18,118
Other real estate owned	4,738	3,635
Deferred income taxes	4,131	5,163
Other assets	20,120	19,391
Total assets	\$ 1,553,528	\$ 1,534,783
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand	\$ 137,260	\$ 133,990
Interest-bearing checking	422,684	401,264
Savings	65,182	62,989
Certificates of deposit under \$100,000	378,892	394,369
Certificates of deposit \$100,000 and over	179,038	187,256
Total deposits	1,183,056	1,179,868
Federal funds purchased	1,700	1,875
Securities sold under agreements to repurchase	42,779	43,098
Federal Home Loan Bank borrowings	136,200	130,200
Deferred compensation liability	3,761	3,832
Long-term debt	15,552	15,588
Accrued interest payable	2,021	2,248
Other liabilities	7,343	5,866
Total liabilities	1,392,412	1,382,575

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Shareholders' equity:

Preferred stock, no par value, with a liquidation preference of \$1,000 per share; authorized 500,000 shares; issued 16,000 shares as of September 30, 2010 and December 31, 2009	\$ 15,749	\$ 15,699
Common stock, \$1 par value; authorized 15,000,000 shares at September 30, 2010 and December 31, 2009; issued 8,690,398 shares at September 30, 2010 and December 31, 2009; outstanding 8,613,982 shares at September 30, 2010 and 8,605,333 shares at December 31, 2009	8,690	8,690
Additional paid-in capital	81,229	81,179
Treasury stock at cost, 76,416 shares as of September 30, 2010 and 85,065 shares at December 31, 2009	(1,063)	(1,183)
Retained earnings	53,531	48,079
Accumulated other comprehensive income (loss)	2,980	(256)
Total shareholders' equity	161,116	152,208
Total liabilities and shareholders' equity	\$ 1,553,528	\$ 1,534,783

See accompanying notes to consolidated financial statements.

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited) (dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income:				
Interest and fees on loans	\$ 13,777	\$ 14,669	\$ 41,242	\$ 44,365
Interest and discount on loan pool participations	552	28	2,360	1,707
Interest on bank deposits	2	3	29	4
Interest on federal funds sold	—	6	4	44
Interest on investment securities:				
Taxable securities	2,445	2,307	7,115	6,429
Tax-exempt securities	946	1,018	2,922	2,988
Total interest income	17,722	18,031	53,672	55,537
Interest expense:				
Interest on deposits:				
Interest-bearing checking	1,010	1,078	3,213	3,450
Savings	47	49	126	174
Certificates of deposit under \$100,000	2,311	2,909	7,309	9,255
Certificates of deposit \$100,000 and over	859	1,266	2,744	3,905
Total interest expense on deposits	4,227	5,302	13,392	16,784
Interest on federal funds purchased	4	1	6	11
Interest on securities sold under agreements to repurchase	75	97	221	348
Interest on Federal Home Loan Bank borrowings	1,170	1,533	3,560	4,115
Interest on notes payable	10	13	34	49
Interest on long-term debt	157	158	457	505
Total interest expense	5,643	7,104	17,670	21,812
Net interest income	12,079	10,927	36,002	33,725
Provision for loan losses	1,250	2,125	4,250	5,975
Net interest income after provision for loan losses	10,829	8,802	31,752	27,750
Noninterest income:				
Trust and investment fees	1,049	1,050	3,497	3,121
Service charges and fees on deposit accounts	1,118	1,074	3,016	2,975
Mortgage origination and loan servicing fees	958	613	1,983	2,244
Other service charges, commissions and fees	633	568	1,793	1,603
Bank-owned life insurance income	158	154	472	576
Investment securities losses, net:				
Impairment losses on investment securities	—	(1,388)	(189)	(2,002)
Less non-credit-related losses	—	—	—	—
Net impairment losses	—	(1,388)	(189)	(2,002)
Gain (loss) on sale of available for sale securities	(158)	491	312	491
Loss on sale of premises and equipment	(1)	(9)	(282)	(3)
Total noninterest income	3,757	2,553	10,602	9,005
Noninterest expense:				
Salaries and employee benefits	5,838	5,863	17,319	17,463

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Net occupancy and equipment expense	1,598	1,729	5,004	5,083
Professional fees	696	727	2,104	2,651
Data processing expense	421	438	1,292	1,445
FDIC Insurance expense	726	615	2,123	2,568
Other operating expense	1,605	1,785	4,752	5,195
Total noninterest expense	10,884	11,157	32,594	34,405
Income before income tax expense	3,702	198	9,760	2,350
Income tax expense	916	(636)	2,365	(443)
Net income	\$2,786	\$834	\$7,395	\$2,793
Less: Preferred stock dividends and discount accretion	\$216	\$216	\$650	\$563
Net income available to common shareholders	\$2,570	\$618	\$6,745	\$2,230
Share and Per share information:				
Ending number of shares outstanding	8,613,982	8,605,333	8,613,982	8,605,333
Average number of shares outstanding	8,613,754	8,605,312	8,611,418	8,604,531
Diluted average number of shares	8,642,424	8,605,732	8,633,509	8,604,557
Earnings per common share - basic	\$0.30	\$0.07	\$0.78	\$0.26
Earnings per common share - diluted	0.30	0.07	0.78	0.26
Dividends paid per common share	0.05	0.05	0.15	0.25
See accompanying notes to consolidated financial statements.				

Table of Contents

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND OTHER COMPREHENSIVE INCOME (LOSS)

(unaudited) (dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance at December 31, 2008	\$—	\$ 8,690	\$ 80,757	\$(1,215)	\$43,683	\$ (1,573)	\$ 130,342
Cumulative effect of FAS ASC 320, net of tax	—	—	—	—	3,266	(3,266)	—
Comprehensive income:							
Net income	—	—	—	—	2,793	—	2,793
Change in net unrealized gains arising during the period on securities available for sale, net of tax	—	—	—	—	—	5,328	5,328
Total comprehensive income	—	—	—	—	6,059	2,062	8,121
Dividends paid on common stock (\$0.20 per share)	—	—	—	—	(2,172)	—	(2,172)
Dividends paid on preferred stock	—	—	—	—	(420)	—	(420)
Release/lapse of restriction of 2,147 RSUs	—	—	(32)	32	—	—	—
Issuance of preferred shares (16,000 shares)	15,642	—	—	—	—	—	15,642
Common warrants issued	—	—	358	—	—	—	358
Preferred stock discount accretion	41	—	—	—	(41)	—	—
Stock compensation	—	—	39	—	—	—	39
Balance at September 30, 2009	\$ 15,683	\$ 8,690	\$ 81,122	\$(1,183)	\$47,109	\$ 489	\$ 151,910
Balance at December 31, 2009	\$ 15,699	\$ 8,690	\$ 81,179	\$(1,183)	\$48,079	\$ (256)	\$ 152,208
Comprehensive income:							
Net income	—	—	—	—	7,395	—	7,395
Change in net unrealized gains arising during the period on securities available for sale, net of tax	—	—	—	—	—	3,236	3,236
Total comprehensive income	—	—	—	—	7,395	3,236	10,631
Dividends paid on common stock (\$0.15 per share)	—	—	—	—	(1,293)	—	(1,293)
Dividends paid on preferred stock	—	—	—	—	(600)	—	(600)
Stock options exercised (3,145 shares)	—	—	(19)	42	—	—	23
Release/lapse of restriction on 5,604 RSUs	—	—	(78)	78	—	—	—
Preferred stock discount accretion	50	—	—	—	(50)	—	—

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Stock compensation	—	—	147	—	—	—	147
Balance at September 30, 2010	\$15,749	\$8,690	\$81,229	\$(1,063)	\$53,531	\$2,980	\$161,116

See accompanying notes to consolidated financial statements.

3

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (dollars in thousands)	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$7,395	\$2,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,250	5,975
Depreciation, amortization and accretion	4,423	3,328
Loss on sale of premises and equipment	282	3
Deferred income taxes	(895	) 1,800
Stock-based compensation	147	39
Net gains on sale of available for sale securities	(312	) (491
Net (gains) losses on sale of other real estate owned	(23	) 9
Writedown of other real estate owned	112	230
Other-than-temporary impairment of investment securities	189	2,002
(Increase) decrease in loans held for sale	(3,728	) 4,164
Net change in:		
Increase in accrued interest receivable	(262	) (646
Decrease (increase) in other assets	(821	) 2,547
(Decrease) increase in deferred compensation liability	(71	) 2,253
(Decrease) increase in accounts payable, accrued expenses, and other liabilities	1,342	(7,277
Net cash provided by operating activities	12,028	16,729
Cash flows from investing activities:		
Available for sale securities:		
Sales	16,742	34,741
Maturities	70,628	60,938
Purchases	(128,595	) (165,677
Held to maturity securities:		
Maturities	3,766	1,522
Purchases	—	(950
Loans made to customers, net of collections	3,997	35,727
Loan pool participations, net	11,892	4,225
Purchases of premises and equipment	(2,676	) (2,776
Proceeds from sale of other real estate owned	2,137	322
Proceeds from sale of premises and equipment	1,893	28
Activity in bank-owned life insurance:		
Purchases	—	—
Increase in cash value	(441	) (577
Net cash used in investing activities	(20,657	) (32,477
See accompanying notes to consolidated financial statements.		

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (dollars in thousands)	Nine Months Ended September 30,	
	2010	2009
Cash flows from financing activities:		
Net increase in deposits	3,188	24,625
Net decrease in federal funds purchased	(175)	(13,050)
Net (decrease) increase in securities sold under agreements to repurchase	(319)	6,148
Proceeds from Federal Home Loan Bank borrowings	35,000	24,000
Repayment of Federal Home Loan Bank borrowings	(29,000)	(45,000)
Stock options exercised	23	—
Payments on long-term debt	(36)	(39)
Dividends paid	(1,893)	(2,592)
Issuance of preferred stock and warrants	—	16,000
Net cash provided by financing activities	6,788	10,092
Net decrease in cash and cash equivalents	(1,841)	(5,656)
Cash and cash equivalents at beginning of period	27,588	32,926
Cash and cash equivalents at end of period	\$25,747	\$27,270
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$17,897	\$24,607
Income taxes	\$3,725	\$846
Supplemental schedule of non-cash investing activities:		
Transfer of loans to other real estate owned	\$3,329	\$2,173

See accompanying notes to consolidated financial statements.

Table of Contents

MidWestOne Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Introductory Note

MidWestOne Financial Group, Inc. (“MidWestOne” or the “Company,” which is also referred to herein as “we,” “our” or “us”) is an Iowa corporation incorporated in 1983, a bank holding company under the Bank Holding Company Act of 1956 and a financial holding company under the Gramm-Leach-Bliley Act of 1999. Our principal executive offices are located at 102 South Clinton Street, Iowa City, Iowa 52240.

The Company owns 100% of the outstanding common stock of MidWestOne Bank, an Iowa state non-member bank chartered in 1934 with its main office in Iowa City, Iowa (the “Bank”), and 100% of the common stock of MidWestOne Insurance Services, Inc., Pella, Iowa. We operate primarily through our bank subsidiary, MidWestOne Bank, and MidWestOne Insurance Services, Inc., our wholly-owned subsidiary that operates an insurance agency business through three offices located in central and east-central Iowa.

On March 14, 2008, we consummated a merger-of-equals transaction with the former MidWestOne Financial Group, Inc., Oskaloosa, Iowa (“Former MidWestOne”), pursuant to and in accordance with the Agreement and Plan of Merger dated as of September 11, 2007 (the “Merger”). Prior to the Merger, we operated under the name “ISB Financial Corp.” As a result of the Merger, Former MidWestOne merged with and into the Company and ceased to exist as a legal entity, and we changed our name from ISB Financial Corp. to MidWestOne Financial Group, Inc. All references in this document to the “Company” and “MidWestOne” refer to the surviving organization in the Merger.

2. Basis of Presentation

The accompanying consolidated statements of operations for the three months and nine months ended September 30, 2010 and 2009 include the accounts and transactions of the Company and its wholly-owned subsidiaries MidWestOne Bank and MidWestOne Insurance Services, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U. S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2010, and the results of operations and cash flows for the three months and nine months ended September 30, 2010 and 2009.

The results for the three months and nine months ended September 30, 2010 may not be indicative of results for the year ending December 31, 2010, or for any other period.

3. Consolidated Statements of Cash Flows

In the consolidated statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in banks, and federal funds sold.

4. Income Taxes

Federal income tax expense for the three months and nine months ended September 30, 2010 and 2009 was computed using the consolidated effective federal tax rate. The Company also recognized income tax expense pertaining to state franchise taxes payable by the subsidiary bank.

5. Shareholders' Equity and Earnings per Common Share

Preferred Stock: On January 23, 2009, the shareholders of the Company approved a proposal to amend the Company's articles of incorporation to authorize the issuance of up to 500,000 shares of preferred stock. On February 6, 2009, the Company issued 16,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, together with a ten-year warrant to acquire 198,675 shares of common stock, to the U.S. Department of the Treasury (the "Treasury") under the Capital Purchase Program (the "CPP") for an aggregate purchase price of \$16.0 million. Upon issuance, the fair values of the senior preferred stock and the common stock warrants were computed as if the securities were issued on a stand-alone basis. The value of the senior preferred stock was estimated based on the net present value of the future senior preferred stock cash flows using a discount rate of 12%. The allocated carrying value of the senior preferred

6

Table of Contents

stock and common stock warrants on the date of issuance (based on their relative fair values) were \$15.6 million and \$0.4 million, respectively. The preferred stock discount, \$358,000, is being accreted on a 5% level yield basis over 60 months. The senior preferred stock has no par value per share and a liquidation preference of \$1,000 per share, or \$16.0 million in the aggregate. Dividends are payable quarterly at the rate of 5% per annum until the fifth anniversary date of the issuance and at a rate of 9% per annum thereafter. The dividends are computed on the basis of a 360-day year consisting of twelve 30-day months. The dividends are payable quarterly in arrears on February 15, May 15, August 15, and November 15 of each year.

The senior preferred stock is non-voting, other than class voting rights on any authorization or issuance of shares ranking senior to the senior preferred stock, any amendment to the rights of senior preferred stock, or any merger, exchange, or similar transaction that would adversely affect the rights of the senior preferred stock. If dividends are not paid in full for six dividend periods, whether or not consecutive, the Treasury will have the right to elect two directors to the Company's Board. The right to elect directors would end when full dividends have been paid for four consecutive dividend periods. Effective February 17, 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") eliminated the restrictions on a CPP participant's ability to repay the Treasury's investment until the third anniversary of the date of the Treasury's investment. Prior to ARRA, CPP participants were prohibited from redeeming the Treasury's senior preferred stock except with the proceeds of an offering of qualifying Tier 1 capital. ARRA now allows CPP participants, such as the Company, the option to repay the Treasury's investment under the CPP at any time without regard to whether the Company has raised new capital, subject to consultation with the Federal Reserve and the Federal Deposit Insurance Corporation (the "FDIC"). If the Company were to repay the Treasury's investment, it would be permitted to redeem the warrant issued to Treasury for fair market value.

The CPP requires that the Company be subject to specified standards for executive compensation and corporate governance as long as any obligation arising from financial assistance provided under the statute remains outstanding. The U.S. Congress and the Treasury may create additional provisions that could become retroactively applicable to the senior preferred stock.

Common Stock: On January 23, 2009, the shareholders of the Company approved a proposal to amend the Company's articles of incorporation to increase the number of authorized shares of common stock from 10,000,000 to 15,000,000.

Common Stock Warrant: In connection with the CPP described above, a warrant exercisable for 198,675 shares of Company common stock was issued to the Treasury. The warrant entitles the Treasury to purchase 198,675 shares of common stock at \$12.08 per share at any time on or before February 6, 2019. As noted above, under ARRA, if the Company repays the Treasury's investment in full, the Company would be permitted to redeem the warrant issued to Treasury at its then current fair market value. If the warrant is not redeemed at such time, however, it will remain outstanding and transferable by the Treasury.

As holder of the common stock warrant, the Treasury is not entitled to vote, to receive dividends, or to exercise any other rights of common shareholders for any purpose until such warrants have been duly exercised. The Treasury has agreed not to exercise voting power with respect to any shares of common stock issued upon exercise. The Company has filed and will maintain at all times during the period the senior preferred stock is outstanding and during the period the warrant is exercisable, a "shelf" registration statement relating to the issuance of common shares underlying the warrant for the benefit of the warrant holder.

The fair value of the warrants was calculated using the Binomial Option Pricing Model. The inputs to the model are consistent with those utilized by the Company for a 10-year employee stock option.

Number of warrants granted	198,675
Exercise price	\$ 12.08

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Grant date fair market value	\$7.32	
Estimated forfeiture rate	0%	
Risk-free interest rate	2.93	%
Expected life, in years	10	
Expected volatility	40.7	%
Expected dividend yield	3.86	%
Estimated fair value per warrant	\$1.39	

7

Table of Contents

Earnings per Common Share: Basic earnings per common share computations are based on the weighted average number of shares of common stock actually outstanding during the period. The weighted average number of shares outstanding for the three months ended September 30, 2010 and 2009 was 8,613,754 and 8,605,312, respectively. The weighted average number of shares outstanding for the nine months ended September 30, 2010 and 2009 was 8,611,418 and 8,604,531, respectively. Diluted earnings per share amounts are computed by dividing net income available to common shareholders by the weighted average number of shares outstanding and all dilutive potential shares outstanding during the period. The computation of diluted earnings per share used a weighted average diluted number of shares outstanding of 8,642,424 and 8,605,732 for the three months ended September 30, 2010 and 2009, respectively, and 8,633,509 and 8,604,557 for the nine months ended September 30, 2010 and 2009, respectively. The following table presents the computation of earnings per common share for the respective periods:

Earnings per Share Information (dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Weighted average number of shares outstanding during the period	8,613,754	8,605,312	8,611,418	8,604,531
Weighted average number of shares outstanding during the period including all dilutive potential shares	8,642,424	8,605,732	8,633,509	8,604,557
Net income	\$2,786	\$834	7,395	\$2,793
Preferred stock dividend accrued and discount accretion	(216)	(216)	(650)	(563)
Net income available to common stockholders	\$2,570	\$618	\$6,745	\$2,230
Earnings per share - basic	\$0.30	\$0.07	0.78	0.26
Earnings per share - diluted	\$0.30	\$0.07	0.78	0.26

6. Investments

A summary of investment securities available for sale is as follows:

	As of September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
U.S. Government agencies and corporations	\$91,167	\$2,289	\$—	\$93,456
State and political subdivisions	170,226	7,362	(333)	177,255
Mortgage-backed securities and collateralized mortgage obligations	121,549	4,023	(31)	125,541
Corporate debt securities	10,927	460	(1,186)	10,201
	393,869	14,134	(1,550)	406,453
Common stocks	1,177	183	(5)	1,355
Total	\$395,046	\$14,317	\$(1,555)	\$407,808
	As of December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				